

**FOCUSED MANAGEMENT
AND OPERATIONS AUDIT
OF
DUQUESNE LIGHT
COMPANY**

**Prepared by the
Pennsylvania Public Utility Commission
Bureau of Audits**

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**DUQUESNE LIGHT COMPANY
FOCUSED MANAGEMENT AND OPERATIONS AUDIT**

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I. INTRODUCTION

In accordance with the Pennsylvania Public Utility Commission's (PUC or Commission) program to identify improvements in the management and operations of fixed utilities under its jurisdiction, it was determined that a focused management and operations audit should be conducted of Duquesne Light Company (Duquesne Light or Company). Management and operational reviews, which are required of certain utility companies pursuant to 66 Pa. C.S. §516(a), come under the Commission's general administrative power and authority to supervise and regulate all public utilities in the Commonwealth, 66 Pa. C.S. §501(b). More specifically, the Commission can investigate and examine the condition and management of any public utility, 66 Pa. C.S. §331(a).

This report represents the written product of the focused management and operations audit and contains the resultant findings and recommendations for improvement in the management and operations of Duquesne Light. The findings presented in the report identify certain areas and aspects where weaknesses or deficiencies exist. In all cases, recommendations have been offered to improve, correct, or eliminate these conditions. The final and most important step in the management audit process is to initiate actions toward implementation of the recommendations.

A. Objectives and Scope

The objectives of this focused management and operations audit were threefold:

- To provide the Commission, Company, and the public with an assessment of the economy, efficiency, and effectiveness of the Company's operations, management methods, organization, practices, and procedures.
- To identify opportunities for improvement and develop recommendations to address those opportunities.
- To provide an information base for future regulatory and other inquiries into the management and operations of Duquesne Light.

The scope of this audit was limited to certain areas of the Company as explained in Section B, Audit Approach.

B. Audit Approach

This focused management and operations audit was performed by the Management Audit Staff of the PUC's Bureau of Audits (Audit Staff). The audit process began with a pre-field work analysis as outlined below:

- A five-year internal trend and ratio analysis (see Appendix A) was completed using financial and operational data obtained from the Company, Commission, and other available sources. This analysis, which focused on the period 2007-2011, was supplemented by comparisons to a panel of electric utilities for the period 2007-2011 (see Appendix C).
- Input was solicited from Commission Bureaus and Offices, certain external parties, and the Company regarding any concerns or issues they would like to have addressed during the course of our review.
- Prior management and operations audits, follow-up management efficiency investigations, implementation plans, implementation plan progress reports, other Commission conducted audits, annual diversity reports, and other available documents were reviewed.

Information from the above steps was used to initially focus the Audit Staff's work efforts in the field. Specifically, the following areas or functions were selected for an in-depth analysis and are included in this report:

- Corporate Governance
- Executive Management and Organizational Structure
- Financial Management
- Affiliated Interests
- Transmission & Distribution
- Customer Service
- Emergency Preparedness

The pre-field work analysis should not be construed as a comprehensive evaluation of the management or operations in the functional areas not selected for in-depth examination. Had we conducted a thorough review of those areas, weaknesses or deficiencies may have come to our attention that was not identified in the limited pre-field work review.

The actual fieldwork began on January 11, 2012 and continued intermittently through July 26, 2012. The principal components of the fact gathering process included:

- Interviews with Company personnel and other Commission Bureaus.
- Analysis of records, documents, and reports of a financial and operational nature. This analysis focused primarily on the period 2007-2011, and the year 2012, as available.
- Visits to the operations center, a service center, the Customer Care Call Center, and observation of selected work practices.

C. Functional Area Ratings

For the functions or areas of the Company that were selected for in-depth examination, the Audit Staff rated the actual operating or performance level relative to the expected performance level at the time of the audit. This expected performance level is the state at which each area or function should be operating given the Company's resources and general operating environment. Expected performance is not a "cutting edge" operating condition; rather, it is management of an area or function such that it produces reasonably expected operating results.

Presented below are the evaluative categories utilized to rate each function or area's actual operating or performance level relative to its expected performance level:

- Meets Expected Performance Level
- Minor Improvement Necessary
- Moderate Improvement Necessary
- Significant Improvement Necessary
- Major Improvement Necessary

Our ratings for each function or area reviewed in-depth can be found in Exhibit I-1 on the next page.

Exhibit I – 1
Duquesne Light Company
Focused Management and Operations Audit
Functional Rating Summary

Functional Area	Meets Expected Performance Level	Minor Improvement Necessary	Moderate Improvement Necessary	Significant Improvement Necessary	Major Improvement Necessary
Corporate Governance		X			
Executive Management and Organizational Structure		X			
Financial Management		X			
Affiliated Interests			X		
Transmission and Distribution			X		
Customer Service			X		
Emergency Preparedness	X				

D. Benefits

Where possible, the Audit Staff attempts to quantify the potential savings that would be expected from effectively implementing the recommendations made in this report. The audit report contains potential annual cost savings of approximately \$2,376,000 from effective implementation of the recommendations. We try to identify, whenever it is reasonably practical, the potential savings net of the projected costs for implementation. Some of these savings could be considered an actual reduction in costs, avoided costs or increased revenues; whereas others would result from better deployment and/or use of existing resources. These quantifications require some judgment and may require efforts beyond the scope of the audit for further refinement. Therefore the actual benefits from effective implementation of the recommendations are subject to some degree of uncertainty, and could be higher or lower than the amounts estimated by the Audit Staff. An overall summary of the annual and one-time cost savings quantified in the audit report are shown in Exhibit I-2.

Exhibit I – 2
Duquesne Light Company
Focused Management and Operations Audit
Quantifiable Savings Summary

Recommendation	Annual Savings	One-Time Savings
Conduct a staffing study to analyze the costs and benefits of reducing overtime through various practices such as adjusting levels of shift work, relocating personnel between districts, hiring additional craft workers, and/or using more outside contractor hours. (VII-1)	\$1,452,000	-
Expand the databases used to track and monitor third-party damages and claims to include all pertinent information regarding types of damages, names of parties, invoiced amounts, settled amounts, and settlement reasons in order to better identify the causes of and eliminate third party damages. (VII-2)	\$842,000	-
Enhance current measures to reduce residential customer arrearages. (VIII-1)	\$82,000	-
Totals	\$2,376,000	None

For the majority of recommendations, it is not possible or practical to estimate quantitative benefits as their benefits are of a qualitative nature or there was insufficient data available to quantify the impact. For example, it is difficult to estimate the actual benefit where new management practices or procedures are recommended where such did not previously exist or was not fully functional. Similarly, changes in work flow processes or to implement good business practices will result in improved effectiveness and efficiency of a specific function but cannot be easily quantified.

The Company will have varying ways to implement the recommendations and as a result the Audit Staff has not estimated the cost of implementation for recommendations where no savings were quantified. However, it should be noted by the reader that the cost of implementing certain recommendations could be significant.

E. Recommendation Summary

Chapters III through IX provide findings, conclusions, and recommendations for each function or area reviewed in-depth during this focused audit. Exhibit I-3 summarizes the recommendations with the following priority assessments for implementation:

- INITIATION TIME FRAME – Estimated time frame on how quickly the Company should be able to initiate its implementation efforts given the

Company's resources and general operating environment. The time necessary to complete implementation is expected to vary depending on the nature of the recommendation and the scope of the efforts necessary and resources available to effectively implement the recommendation.

- **BENEFITS** – Net quantifiable benefits have been provided where they could be estimated as discussed in Section D - Benefits. Our estimated overall level of benefits rankings are not solely based on quantifiable dollars but rather the Audit Staff's assessment of the potential overall impact of the recommendation on the efficiency and/or effectiveness of the Company and/or the services it provides.
 - **HIGH BENEFITS** – Implementation of the recommendation would result in major service improvements, substantial improvements in management practices and performance, and/or significant cost savings.
 - **MEDIUM BENEFITS** – Implementation of the recommendation would result in important service improvements, meaningful improvements in management practices and performance, and/or meaningful cost savings.
 - **LOW BENEFITS** – Implementation of the recommendation is likely to result in service improvements, management practices and performances, and/or enhance cost controls.

**Duquesne Light Company
Summary of Recommendations**

Rec. No.	Recommendation	Page No.	Initiation Time Frame	Benefits (including \$ estimates)
Chapter III – Corporate Governance				
III-1	Rotate the external audit firm on a periodic basis or, at a minimum, ensure the external audit firm has established a policy to periodically assure rotation of its audit manager and audit teams.	16	Within 1 year	Medium
Chapter IV – Executive Management				
IV-1	Examine the overall management structure of Duquesne Light periodically and adjust reporting relationships, where appropriate, to eliminate unjustified low or high spans of control.	21	6-12 months	Medium
Chapter V – Financial Management				
V-1	Submit a detailed, written explanation for each dividend payout exceeding 85% of net income to the Commission within 30 days after public release of this audit report, and ensure that advance notice and explanations are submitted to the Commission prior to making future dividend payments in excess of 85% of net income.	28	30 days	Medium
Chapter VI – Affiliated Interests				
VI-1	Conduct periodic internal audits of the entire cost allocation process.	36	6-18 months	Medium
VI-2	Develop a comprehensive cost allocation manual to provide step by step guidance in processing cost allocations and help ensure uniformity in the handling of affiliate transactions.	36	3-6 months	Medium
Chapter VII – Transmission & Distribution				
VII-1	Conduct a staffing study to analyze the costs and benefits of reducing overtime through various practices such as adjusting levels of shift work, relocating personnel between districts, hiring additional craft workers, and/or using more outside contractor hours.	50	3-6 months	High \$1,452,000 Annual Savings
VII-2	Expand the databases used to track and monitor third-party damages and claims to include all pertinent information regarding types of damages, names of parties, invoiced amounts, settled amounts, and settlement reasons in order to better identify the causes of and control third party damages.	50	3-6 months	High \$842,000 Annual Savings
VII-3	Strive to achieve average or better Occupational Safety and Health Administration recordable incident rates by monitoring and continually modifying safety programs to address the most current safety issues at the Company.	50	60 days	Medium

**Duquesne Light Company
Summary of Recommendations**

Rec. No.	Recommendation	Page No.	Initiation Time Frame	Benefits (including \$ estimates)
Chapter VIII – Customer Service				
VIII-1	Enhance current measures to reduce residential customer arrearages.	62	7-12 months	Medium \$82,000 Annual Savings
VIII-2	Examine potential policy, procedure and staffing level changes that may be necessary to efficiently respond to the increasing levels of customer complaints and Payment Arrangement Requests with the PUC’s Bureau of Consumer Services.	62	3-6 months	Low
Chapter IX – Emergency Preparedness				
None.				

II. BACKGROUND

Duquesne Light Company (Duquesne Light or Company) is an electric utility engaged in the supply (through its provider-of-last-resort service), transmission and distribution of electric energy. Duquesne Light, which maintains its headquarters in Pittsburgh, Pennsylvania, is incorporated under the laws of the state of Pennsylvania. The Company is a wholly owned subsidiary of Duquesne Light Holdings, Inc. (DLH), an energy services holding company formed in 1989. DLH, in turn, is a wholly owned subsidiary of DQE Holdings, LLC (DQE Holdings). A corporate entity chart of DQE Holdings and its subsidiaries is shown on Exhibit II-1.

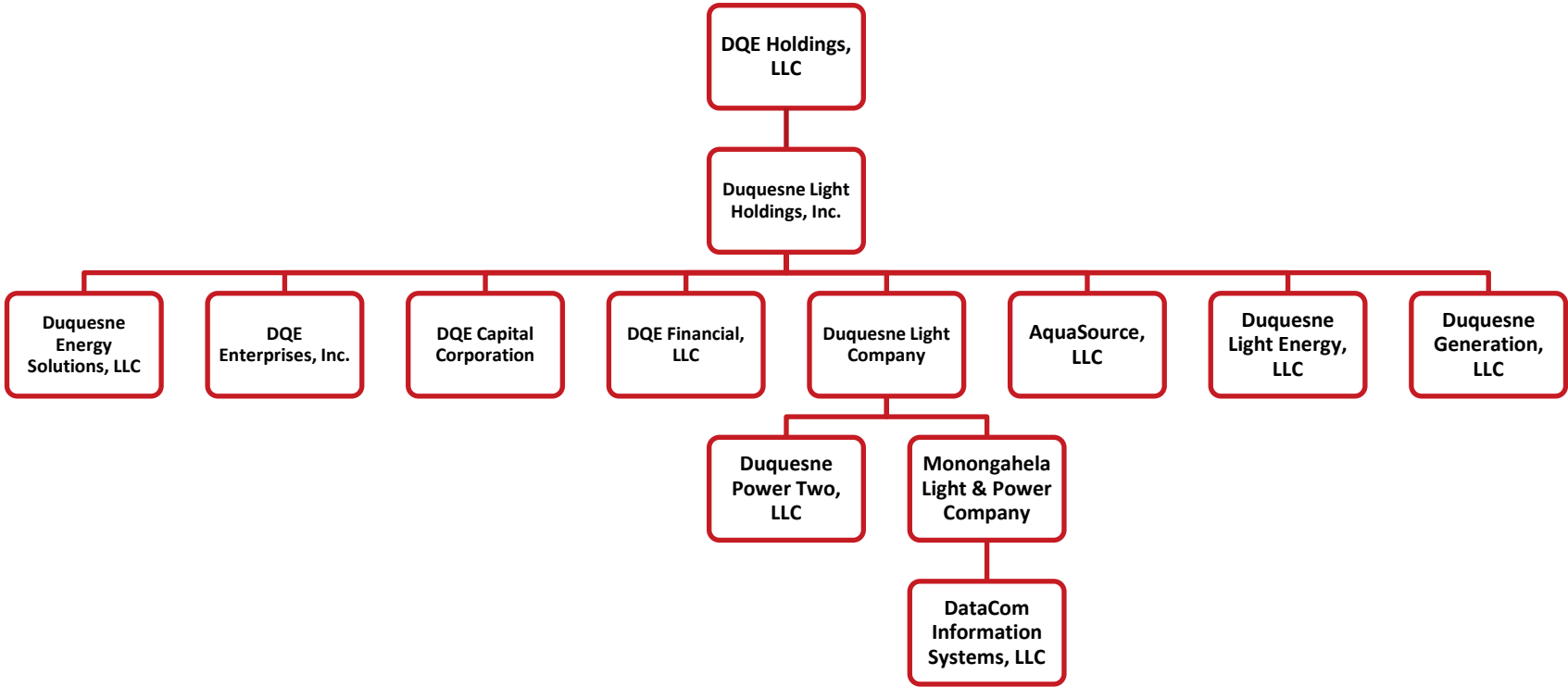
In May 2007, a consortium led by affiliates of the Macquarie Group Limited (Macquarie) acquired all of the common equity of DLH. In August 2011, DUET Investment Holdings Limited, which was a member of the Macquarie-led consortium, sold its shares in DQE Holdings to Epsom Investment Pte Ltd, a subsidiary of GIC Infra Holdings Pte Ltd. and an indirect, wholly owned subsidiary of the Government of Singapore Investment Corporation Pte Ltd (GIC Ventures). On June 14, 2012, Motor Trades Association of Australia Super sold its 6.6% interest to Epsom Investment Pte Ltd, Industry Fund Management, Macquarie Infrastructure Partners, and State Super. As of July 2012, the following five investment entities held all of DQE Holdings stock:

- Epsom Investment Pte Ltd (31.0% ownership)
- Industry Fund Management (25.2% ownership)
- Macquarie Infrastructure Partners (23.8% ownership)
- GIF2-MFIT United Pty Limited (13.3% ownership)
- State Super (6.7% ownership)

Duquesne Light provides electric energy to consumers located in Allegheny and Beaver counties in western Pennsylvania. During 2011, Duquesne Light had operating revenue of approximately \$913.1 million from a throughput (or deliveries) of approximately 14 billion KWH to approximately 588,500 customers and employed 1,222 employees. Duquesne Light is subject to regulation by the Pennsylvania Public Utility Commission (PUC) and the Federal Energy Regulatory Commission (FERC) with respect to rates for delivery of electric power, accounting and other matters. Certain Duquesne Light employees are represented by the International Brotherhood of Electrical Workers (IBEW) Local 29 Business Office. The organizational structure of Duquesne Light is shown on Exhibit II-2.

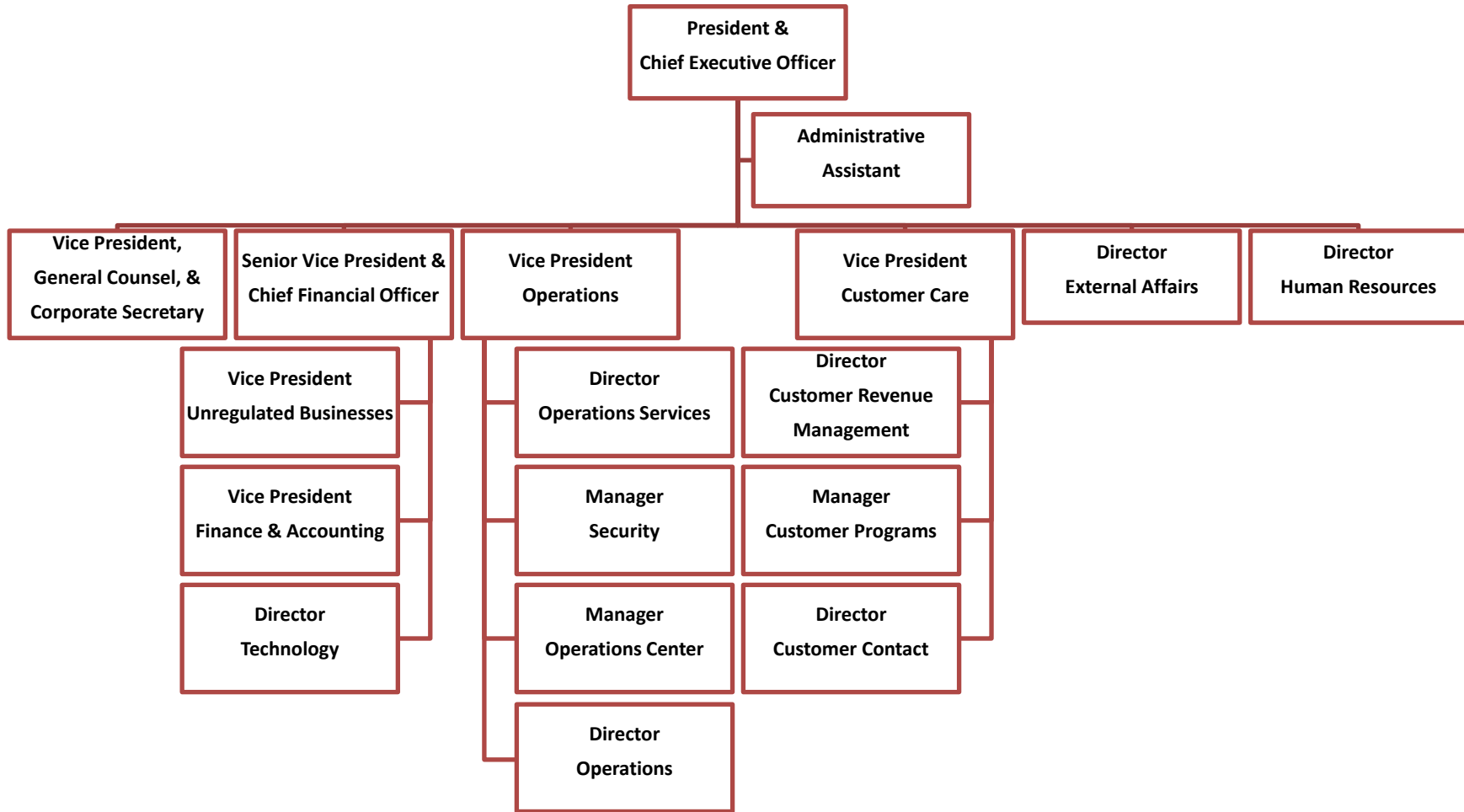
A summary of Duquesne Light's number of customers at year end, usage, and operating revenue by customer class for 2011 is shown in Exhibit II-3. Residential customers comprise 89.3% of total customers, 30.1% of KWH sold, and 57.3% of operating revenue. Commercial customers comprise 9.2% of total customers, 46.9% of KWH sold, and 28.3% of operating revenue. Industrial customers comprise 0.2% of total customers, 22.2% of KWH sold, and 5.5% of operating revenue. Other metered customers comprise less than 0.1% of total customers, KWH sold, and operating revenue. Other unmetered customers comprise 1.3% of total customers, 0.6% of KWH

**DQE Holdings, LLC
Corporate Entity Chart
As of May 31, 2012**



Source: Data Request No. EM-2

**Duquesne Light Company
Organizational Structure
As of May 31, 2012**



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Source: Data Request No. EM-1

**Exhibit II – 3
Duquesne Light Company
Customer Statistics
As of December 31, 2011**

Customer Class	Number of Customers	Percent of Customers	KWH Sold	Percent of KWH Sold	Operating Revenue	Percent of Operating Revenue
Residential	525,356	89.3%	4,231,608,418	30.1%	\$522,944,680	57.3%
Commercial	54,285	9.2%	6,594,398,638	46.9%	\$258,051,687	28.3%
Industrial	1,153	0.2%	3,119,737,149	22.2%	\$50,388,266	5.5%
Other Metered	3	< 0.1%	93,771	< 0.1%	\$2,208	< 0.1%
Other Unmetered	7,654	1.3%	81,316,739	0.6%	\$14,669,977	1.6%
Sales for Resale	1	< 0.1%	22,515,271	0.2%	\$1,350,916	0.1%
Other Electric Revenues	0	0.0%	0	0.0%	\$65,678,642	7.2%
Total	588,451	100.0%	14,049,669,986	100.0%	\$913,086,376	100.0%

Source: 2011 PUC Annual Report

sold, and 1.6% of operating revenue. Sales for resale comprise less than 0.1% of total customers, 0.2% of KWH sold, and 0.1% of operating revenue. The other electric revenues of \$65.7 million, which were 7.2% of total operating revenue, do not have associated customer information or KWH usage. These revenues primarily include:

- Net credits due to Duquesne Light from PJM Interconnection, LLC for wholesale transmission services for retail choice and municipal load servers (approximately \$58.6 million),
- Rents received on electric property (approximately \$10.4 million),
- The over/under collection of surcharge mechanisms for residential, commercial, and industrial revenues which are deferred until actual costs are incurred or revenues are collected from customers (cost of approximately \$6.2 million due to over collections),
- Reconnect fees (approximately \$0.9 million), and
- Discounts received from purchasing the accounts receivable of customers who purchase their electric commodity requirements from EGSs through a consolidated bill from the Company (approximately \$0.2 million).

III. CORPORATE GOVERNANCE

Background

As discussed in Chapter II – Background, Duquesne Light Company (Duquesne Light or Company) is a wholly owned subsidiary of Duquesne Light Holdings, Inc. (DLH), which in turn is a wholly owned subsidiary of DQE Holdings LLC (DQE Holdings). DQE Holdings was formed in 2006 by a group of six investment entities to acquire DLH and its subsidiaries. As a result, neither Duquesne Light nor DLH is a publicly traded company and thus they are not subject to the provisions of the Sarbanes-Oxley Act of 2002 (SOX) and the corporate governance rules of the New York Stock Exchange (NYSE Rules). However, as a public utility subject to regulation by the Pennsylvania Public Utility Commission (PUC or Commission) Duquesne Light should be making an effort to abide by the spirit of both SOX and NYSE Rules.

As of early 2012, Duquesne Light's Board of Directors (Board) is comprised of ten Directors, with eight Board members appointed by its owners (i.e., the original investment entities who formed DQE Holdings to acquire DLH). Each owner who holds at least 10% of the shares issued and outstanding is entitled to appoint a Board member for each 10% of the Shares held up to a maximum of two Board members. An owner can remove and replace its Board member at any time upon notice. In addition to the owner-appointed Board members, Duquesne Light's Chief Executive Officer is a Board member and an outside Director from Pittsburgh has also been appointed by the Board. Furthermore, DLH's Board and Duquesne Light's Board each have the same ten members. However, the DLH Board is responsible for each of its eight wholly owned subsidiaries, including Duquesne Light, as shown on Exhibit II-1 in Chapter II - Background. Likewise Duquesne Light's Board is responsible for Duquesne Light and its three subsidiaries, Duquesne Power Two, LLC, Monongahela Light & Power Company, and DataCom Information Systems, LLC.

DQE Holdings developed corporate governance guidelines, entitled Statement of Corporate Governance Principles, that were adopted on December 20, 2011. The corporate governance guidelines are comprehensive and include the following sections:

- Company Objectives;
- Functions of Management and Board of Directors;
- Board Committees;
- Role of Chairman of the Board,
- Manager/Director Qualifications and Responsibilities; and
- Evaluation of Board Committees, CEO Performance and Succession Planning.

Duquesne Light's operations are monitored through the Asset Management, Audit, Business Plan & Budget Review, and Compensation Committees of DQE Holdings' Board and the Governance & Regulatory/Public Affairs Committee of Duquesne Light's Board. The purpose of each Committee is described below.

- Asset Management – reviews the operational and financial performance, and monitors operations between Board meetings.
- Audit – assists the Board in fulfilling its oversight responsibilities of the integrity of the financial statements, the independent auditor’s qualifications and independence, the performance of the Company’s internal audit function and independent auditors, and the company’s legal and regulatory requirements.
- Business Plan & Budget Review – reviews and recommends to the Board for its approval the annual budget of the Company and the five-year business plan of the Company.
- Compensation – assists the Board in discharging its responsibilities relating to compensation and benefits of the Company’s officers and employees.
- Governance & Regulatory/Public Affairs – assists the Board in setting policies representing good practice with respect to organizational governance, including the operation of the Board, and provides oversight and assistance regarding community facing and regulatory activities undertaken by the Company.

Although not subject to SOX or NYSE Rules, as a matter of internal procedure and practice, the Board of DLH has adopted internal controls and disclosure practices similar to those required of a public company. For example, Duquesne Light has a policy to ensure that its external audit firm has an engagement partner rotation policy. The Company’s current audit firm’s policy is to rotate its engagement partner for non-public company audits at least every seven years, which is similar to the five year rotation required for audits of publicly traded companies. In addition, DLH has developed Guidelines for Ethical Conduct to clarify what is expected of employees as they carry out their responsibilities.

The Internal Audit Department (IAD) performs the internal audit function for Duquesne Light. The Manager, Internal Audit, who is responsible for managing the internal audit function, reports functionally to the Board’s Audit Committee and administratively to Duquesne Light’s Vice President, General Counsel & Corporate Secretary. A comprehensive Internal Audit Charter describes the purpose, mission, independence, etc. of IAD. All staff members of IAD are members of the Institute of Internal Auditors. Duquesne Light’s Audit Committee oversees IAD and approves the internal audit plan. The internal audit schedule for 2008-2011 included the following categories of audits: operations, operations support, customer relations, external affairs, technology, accounting and finance, human resources, and unregulated companies. Examples of specific audits conducted include vegetation management, inventory management, Act 129 compliance, compliance oversight, information security, cash receipts, special pension payments, and energy risk management. Based on our review, it appears that the types of audits conducted during the years 2008-2011 adequately addressed the various risks facing Duquesne Light.

The Audit Committee is responsible for the appointment, retention, compensation, evaluation, and replacement of the external auditor. Regular meetings are held with the external auditor at least four times per year, the independence of the external auditor is evaluated annually, and the contract with the external auditor is

renegotiated at least every three years. Duquesne Light solicited competitive bids for the external audit in 2008. Proposals were received from each of the “Big 4” public accounting firms. Through this process, the Company selected Deloitte & Touche LLP as its external auditor. In 2010, the Company negotiated a reduction in audit fees with Deloitte & Touche and agreed to retain the firm through the 2013 audit of the financial statements. In 2014, the Company plans to conduct another competitive bid process in order to ensure its audit fees are at a market rate.

Findings and Conclusions

Our examination of the Corporate Governance function included a review of Duquesne Light’s Board of Directors organization including composition, committee structure and charters; Director independence; compliance with Corporate Governance rules and guidelines; compliance with the spirit of the Sarbanes-Oxley Act of 2002; relationship with the independent auditor; performance of non-audit services by the independent auditor and policies related to rotation of audit firms; and the Internal Audit department’s reporting relationships and recent reviews. Based on our review, the Company should initiate or devote additional efforts to improving the efficiency and/or effectiveness of its Corporate Governance function by addressing the following:

1. Duquesne Light has used the same external audit firm for over 50 years.

Duquesne Light indicated it has used Deloitte & Touche LLP for its annual external audits since it was formed via merger in 1990 and predecessor firms of Deloitte & Touche LLP since at least 1961. However, we believe the best practice is to periodically rotate the external auditor. When the same audit firm repeatedly develops the overall audit approach and performs the annual audit steps for an extended number of years, the auditors tend to become more and more complacent in the audit effort, thus lessening the objectivity of the audit. Therefore, it is a best practice to periodically rotate the external audit firm. This should be considered every five to ten years. There likely would be an increase in the cost of performing the audit in the first year or two as it will take a new firm more hours to develop familiarity with the company’s accounting systems, policies and procedures as it goes through a learning curve and, therefore, rotation more frequently than every five years likely would not be cost beneficial. On the other hand, by using the same audit firm for more than ten years it is quite likely that familiarity will lead to complacency and the objectivity of the audit will be reduced to the point that a fresh perspective is worth the additional cost of changing firms.

An alternative to audit firm rotation that would help to maintain independence and reduce complacency would be for the external audit firm to follow a policy that involves assuring the periodic rotation of the audit manager and entire audit team assigned to the Company’s audits. This would be in addition to the policy of assuring that its external audit firm rotates its engagement partner on a periodic basis. Such actions show a willingness of Duquesne Light to promote auditor independence in a fashion similar to its public company peers and abide by the spirit of both SOX and NYSE Rules.

Recommendation

- 1. Rotate the external audit firm on a periodic basis or, at a minimum, ensure the external audit firm has established a policy to periodically assure rotation of its audit manager and audit teams.**

IV. EXECUTIVE MANAGEMENT AND ORGANIZATIONAL STRUCTURE

Background

As previously mentioned in Chapter II – Background, Duquesne Light Company (Duquesne Light or Company), the regulated utility subsidiary of Duquesne Light Holdings, Inc. (DLH), provides electricity to over 588,000 customers in Allegheny and Beaver Counties in western Pennsylvania. As of December 31, 2011, Duquesne Light had 588,451 customers, an increase of only 201 customers over the previous year. As of yearend 2011, Duquesne Light had 1,222 employees, a decrease of 20 employees over the prior year. Duquesne Light’s organization structure, as of May 2012, is shown in Exhibit II-2 (see Chapter II - Background).

In 2007, Duquesne Light initiated a restructuring that resulted in a flatter, more streamlined organization with fewer layers of management. There was a reduction in staffing at all levels of the nonunion workforce. As shown in Exhibit IV-1, Duquesne Light’s total number of employees decreased from 1,430 and 1,398 at the end of 2005 and 2006, respectively, to 1,199 at the end of 2007.

**Exhibit IV – 1
Duquesne Light Company
Number of Employees
As of Years’ Ended 2004 - 2011**

Year-end	Number of Employees
2004	1,339
2005	1,430
2006	1,398
2007	1,199
2008	1,209
2009	1,216
2010	1,242
2011	1,222

Source: PUC Annual Reports

During the 2007 restructuring period, each management employee had to interview for their current position as well as any other position created under the new organizational structure. In order to facilitate the new organizational structure, Duquesne Light offered an early retirement program for nonunion employees who met specific requirements. In addition, an involuntary severance program was offered to any nonunion staff not rehired and unable to elect early retirement. In 2008, responsibility for the Transmission and Distribution function was changed from the Senior Vice President & Chief Administrative Officer to the Senior Vice President & Chief Operating Officer. In 2011, responsibility for Operations Services was changed from the Senior Vice President, Chief Legal and Administrative Officer to the Vice President Operations. Also, Environmental Services was merged into Operations

Services, and Asset Management was added to Operations. Additionally, the Office of General Counsel was established, Communications and Community Relations were moved to External Affairs, and Customer Care was realigned so that departments which “owned the customer experience” (e.g., Meter Reading, Billing & Payment Processing, Credit & Collections/ Universal Services, Customer Logistics, Customer Programs, Customer Contact, etc.) reported to the Vice President Customer Care.

Each year, DQE Holdings prepares an Annual Business Plan. The Annual Business Plan, or 5 year consolidated budget, includes monthly data for the first two years of the plan and annual data for the remaining three years. The final version of this Annual Business Plan is presented by the Officers to the Board of DQE Holdings for approval. The Annual Business Plan incorporates the Company’s strategic planning process. DQE Holdings maintains a Strategic Planning Matrix identifying corporate initiatives along with initiatives to enhance the core transmission and distribution model. Transmission Policy Number 2001, Annual Budget Preparation, of DQE Holdings’ Finance Department Policies and Procedures Manual describes preparation of the Annual Business Plan. The Annual Business Plan is very detailed, and develops metrics for both DQE Holdings and Duquesne Light. The Business Review Book and the Monthly Performance Report to the Asset Management Committee, both issued monthly, are the two regular management reports used to track progress against metrics for Duquesne Light Company.

Findings and Conclusions

Our examination of the Executive Management function included a review of the Company’s organizational structure, staffing levels and spans of control, strategic planning, and succession planning. Based on our review, the Company should initiate or devote additional efforts to improving the efficiency and/or effectiveness of its executive management and organizational structure function by addressing the following:

1. A significant number of reporting relationships are outside of the commonly accepted span of control range of 1:4 to 1:9.

As part of the review of Duquesne Light’s organizational structure, the Audit Staff reviewed the appropriateness of spans of control at various key levels of management. Span of control refers to the number of subordinates a manager or supervisor directly supervises in an organization. Factors affecting span of control in an organization include:

- Nature of work,
- Similarity of work functions,
- Control practices followed,
- Geographic proximity,
- Degree of supervisory coordination needed,
- Operational assistance available to the manager,

- Effectiveness of communication,
- Capacity of subordinates,
- Ability of the executive, and
- Time available for supervision.

To maximize organizational efficiency and effectiveness, the Company should ideally aim for spans of control in the range of 1:4 to 1:9 to control layers of management and maintain effective communications. Overly narrow spans of control are considered inefficient because they can result in inefficient communications, micro-management, a larger number of supervisors, and higher than necessary compensation costs. Spans of control that are too wide can result in poor performance due to a lack of effective management oversight and control. The Audit Staff's analysis of Duquesne Light's span of control for manager and supervisor positions is shown in Exhibit IV-2. Of the 99 reporting relationships identified, approximately 48% have a span of control of 1:3 or less, while approximately 18% have a span of control of 1:10 or higher.

**Exhibit IV – 2
Duquesne Light Company
Span of Control Analysis
As of January 2012**

Reporting Ratio	Number of Relationships	Percent of Total Relationships
1:1	19	19.20%
1:2	16	16.16%
1:3	13	13.13%
< 1:4 Sub Total	48	48.49%
1:4	13	13.13%
1:5	9	9.09%
1:6	7	7.07%
1:7	4	4.04%
1:4 to 1:9 Sub Total	33	33.33%
1:10	1	1.01%
1:11	2	2.02%
1:12	2	2.02%
1:14	2	2.02%
1:15	2	2.02%
1:16	2	2.02%
1:19	2	2.02%
1:20	1	1.01%
1:22	1	1.01%
1:23	1	1.01%
1:24	1	1.01%
1:27	1	1.01%
> 1:9 Sub Total	18	18.18%
Totals	99	100.00%

Source: Data Requests No. EM-1, Auditor analysis

There are situations where it is appropriate for a supervisor to have a span of control outside of the range of from 1:4 to 1:9. For example, certain types of functions may require a position of authority to manage the function as opposed to managing employees (i.e., low spans of control), while other positions may manage a pool of employees that routinely perform a repetitive task (i.e., high spans of control). Examples of positions with a low or high span of control are shown below (note: numbers of direct reports are based on the organization charts provided by Duquesne Light).

- Senior Vice President, Chief Financial Officer, and Treasurer (3 direct reports)
- Assistant General Counsel – Commercial (2 direct reports)
- Assistant General Counsel – Litigation (1 direct report)
- Supervisor Internal & External Reporting (1 direct report)
- Manager Budgeting & Forecasting (2 direct reports)
- Supervisor Application Development & Support (19 direct reports)
- Supervisor IT Infrastructure (16 direct reports)
- Supervisor Field Operations (20 direct reports)
- Work Plan Fiscal Coordinator (1 direct report)
- Edison Service Center Coordinator (11 direct reports)
- McKeesport Service Center Coordinator (15 direct reports)
- Supervisor Engineering Design Services (27 direct reports)
- Materials Services Shops Supervisor (23 direct reports)
- Auto Maintenance Supervisor (24 direct reports)
- Fleet Maintenance Administrator (1 direct report)
- Supervisor Environmental Services (2 direct reports)
- Manager Security (1 direct report)
- Supervisor Distribution Planning (2 direct reports)
- Manager, Operations Center (12 direct reports)
- Supervisor Billing (2 direct reports)
- Manager Credit & Collections and Universal Services (2 direct reports)
- Coordinator Field Services (1 direct report)
- Manager Media & Community Relations (3 direct reports)
- Manager Regulatory Affairs (1 direct report)
- Director Human Resources (3 direct reports)

Duquesne Light indicated that it agrees that there are many factors influencing efficient or appropriate spans of control, including, without limitation, the overall size of the organization, the volume and type of work performed by a specific area, the industry, and the dynamics within a particular department. Moreover, the Company believes industry average spans of control that fall within the range of 1:4 to 1:9 are becoming less salient as new technology automates business functions, and responses to customer or regulatory requirements change the manner in how work is performed. The Audit Staff realizes that, in certain instances, a span of control outside the range of from 1:4 to 1:9 can be justified, or in fact necessary and appropriate; however, it is the fact that the majority (actually a full 2/3^{rds}) of the Company's reporting relationships are

outside the normal range, the high percentage of reporting relationships with a low span of control (i.e., 48 instances, or 48.5%, of total reporting relationships with a span of control of 1:3 or lower) and the number of positions with a very high numbers of direct reports (i.e., 9 instances, or 9.1%, of total reporting relationships with a span of control of 1:16 up to 27 direct reports) that concerns us. Moreover, Duquesne Light was unable to provide sufficient justification or documentation that they had recently reviewed each of the positions included in Exhibit IV-2.

The reporting relationships listed above, along with all other relationships included in Exhibit III-1, should be periodically reviewed (i.e., every one to two years or after reorganizations are completed) as part of an organization study designed to achieve and maintain the most effective and efficient organizational structure. A periodic review of the overall management structure would identify if there are sufficient levels of management oversight in each department and if the job titles adequately identify and match the levels of responsibility for each position. Such a review should be integrated with Duquesne Light's strategies and action plans designed to meet the future workforce needs of the Company.

Duquesne Light did perform a workforce analysis in 2011 and identified certain skill groups or areas (i.e., field supervisors that supervise lineworkers, substations, and meter technicians along with transmission and distribution supervisors) where a significant number of retirements are on the horizon. As the Audit Staff has conducted other management audits we have seen other electric and gas utilities whom were also anticipating a significant number of such retirements. Based on Duquesne Light's needs assessment, the Company is in the process of developing plans to meet future workforce requirements. Based on our span of control analysis and Duquesne Light's ongoing workforce planning efforts, it appears that this is a timely opportunity to both flatten and streamline the organization by reducing the number of management/supervisory positions and potentially improving oversight in certain areas where it may be needed by analyzing the Company's management structure and reporting relationships and adjusting positions where low or high spans of control cannot be justified.

Recommendation

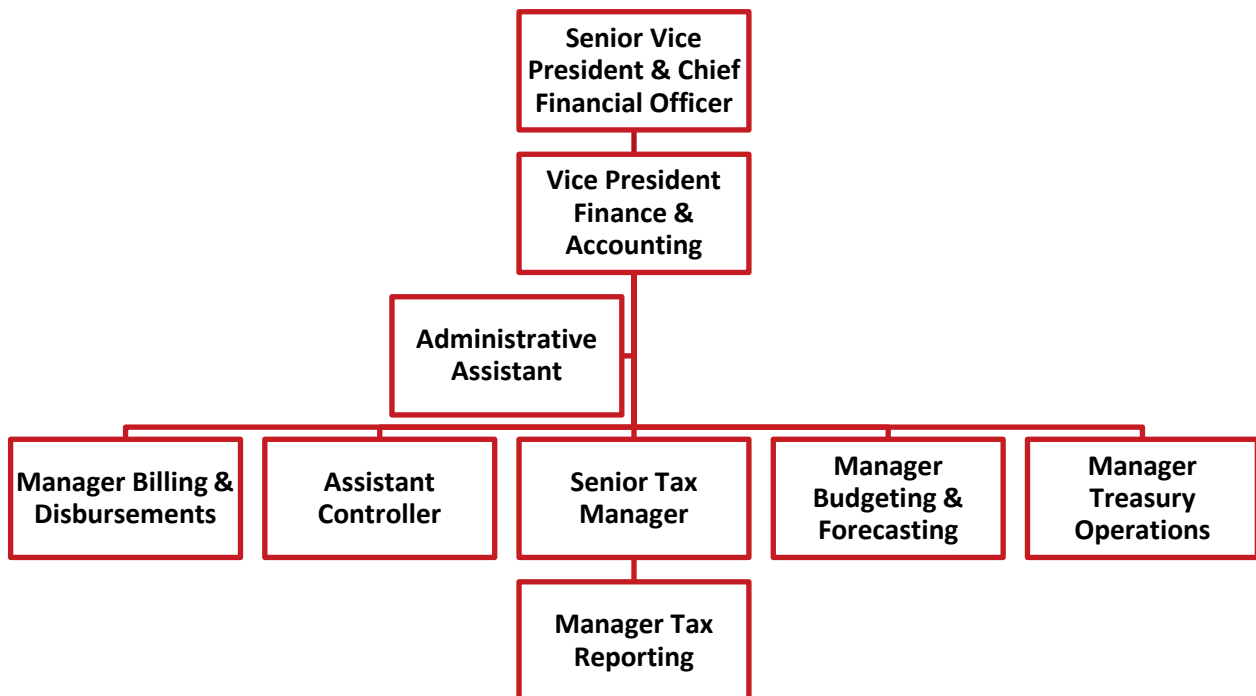
- 1. Examine the overall management structure of Duquesne Light periodically and adjust reporting relationships, where appropriate, to eliminate unjustified low or high spans of control.**

V. FINANCIAL MANAGEMENT

Background

Financial management at Duquesne Light Company (Duquesne Light or Company) is conducted by the Finance & Treasury Services organization. The Senior Vice President & Chief Financial Officer is responsible for corporate oversight of the Finance, Treasury and Risk Analysis areas. This position is also responsible for ensuring the Company's continued financial success by assisting in the planning and implementation of strategic and operational plans. The Finance & Treasury Services organization reporting to the Senior Vice President & Chief Financial Officer is shown in Exhibit V-1.

**Exhibit V – 1
Duquesne Light Company
Finance & Treasury Services Organization Chart
As of March 16, 2012**



Source: Data Request No. EM-1, Interview Request No. EM-4

The Vice President of Finance & Accounting is responsible for financial accounting and the overall quality of financial and managerial reporting. Duties include:

- Maintaining the accounting records.
- Financial and managerial reporting.
- Managing the annual budgeting and business planning process.

- Developing and implementing financing plans to address corporate liquidity needs and meet upcoming maturities.
- Managing tax accounting so as to appropriately minimize tax obligations.
- Working with senior management, the Board of Directors (Board) and other stakeholders to support governance and oversight relationships that are successful and results oriented.

The Manager of Billing & Disbursements is responsible for all utility and non-utility accounts receivable for Duquesne Light and accounts payable functions for Duquesne Light and all regulated and non-regulated subsidiaries. This position also manages, controls, and ensures regulatory compliance with all related cash management objectives set forth by the Company and governed by federal, state, and local laws. The Assistant Controller leads financial accounting project teams in: developing and presenting financial and management reports for DQE Holdings, LLC (DQE Holdings) and affiliates; ensuring corporate compliance with Generally Accepted Accounting Principles (GAAP) and regulatory reporting requirements, and adopting standard corporate-wide accounting policies and internal controls. The Senior Tax Manager manages, leads, and supervises internal tax staff and outside consultants, as appropriate, in ensuring compliance with all federal, state, and local tax reporting requirements, administering various tax audits, supporting the tax aspects of the Company's external and internal financial reporting in accordance with GAAP and researching related business issues and alternatives. The Manager Tax Reporting manages, leads and supervises internal tax staff and outside consultants, as appropriate, in ensuring compliance with all federal, state and local tax reporting requirements, administering various tax audits, supporting the tax aspects of the Company's external and internal financial reporting in accordance with Generally Accepted Accounting Principles, Internal Revenue Service regulations, and researching tax-related business issues and alternatives. The Manager of Budgeting & Forecasting is responsible for managing the budgetary process and cash management/liquidity forecasting. The Manager of Treasury Operations is responsible for developing, analyzing, communicating and implementing long-term and short-term financing and financial strategies that enhance the Company's balance sheet and create value for shareholders.

DQE Holdings, Inc. (DQE Holdings), sole owner of Duquesne Light's parent Duquesne Light Holdings, Inc. (DLH), annually prepares a rolling five year consolidated budget or business plan. This Business Plan includes monthly data for the first two years of the plan, and annual data for the remaining three years. The process used to develop the 2012 Business Plan started in late July 2011 with the Directors and Officers meeting to discuss major planning assumptions and review the timing/schedule. The final version of the Business Plan is presented by the Officers to the Board of DQE Holdings for approval. Board approval for the 2012 Business Plan occurred in late November 2011. This budget process is very comprehensive, and is described in DQE Holdings' Finance Policy and Procedure Manual. The Business Plan, which includes the operations and maintenance and capital budgets, incorporates the strategic planning process. DQE Holdings utilizes a Strategic Planning Matrix (Matrix) to track each of the initiatives being implemented at the corporate and utility levels. Each initiative has an individual or a team of individuals responsible for the successful

implementation of the initiative. For each initiative, the Matrix also lists the five year consolidated budgets impacted (e.g., 2012-2016), dates when each initiative will be reviewed, etc. Part III of the Business Plan includes the Distribution and Transmission Business Activities (i.e., the utility, Duquesne Light). Budget variances are tracked monthly and reported to the Asset Management Committee of DQE Holdings' Board of Directors.

DQE Holdings' Finance Department Policy Number 1901 indicates that "In conjunction with senior management, Treasury develops goals for the capital structures of DLH and Duquesne Light. The goals provide a targeted capitalization range for each company and take into account regulatory, ownership group, rating agency, and bank group concerns specific to DLH and Duquesne Light." As shown in Exhibit V-2, Duquesne Light's total debt increased from approximately \$400 million in 2009 to approximately \$723 million in 2011. Duquesne Light indicated that the \$323 million of additional debt was used to fund capital expenditures that totaled \$689.1 million from 2009 to 2011 and other general corporate purposes. The Company also stressed that this level of capital expenditures far exceeded depreciation or maintenance capital expenditure requirements for this time period.

**Exhibit V – 2
Duquesne Light Company
Debt/Equity Components
2009 – 2011**

	2009		2010		2011	
	Amount (in \$000)	Percentage of Total Debt and Equity	Amount (in \$000)	Percentage of Total Debt and Equity	Amount (in \$000)	Percentage of Total Debt and Equity
Bonds	\$442,175	28.0%	\$442,175	25.9%	\$459,905	24.3%
Intercompany Loans	\$0	0.0%	\$150,000	8.8%	\$300,000	15.9%
Loss on Reacquired Debt	-\$41,935	-2.7%	-\$39,185	-2.3%	-\$36,621	-1.9%
Total Debt	\$400,240	25.3%	\$552,990	32.4%	\$723,284	38.3%
Total Equity	\$1,180,183	74.7%	\$1,151,062	67.6%	\$1,163,895	61.7%
Total Debt and Equity	\$1,580,423	100.0%	\$1,704,052	100.0%	\$1,887,179	100.0%

Source: Data Request Nos. FM-31, 37, PUC Annual Reports

Despite the increase in debt, Duquesne Light's interest coverage ratio was about the same in 2011 as it was in 2009, as shown in Exhibit V-3. The interest coverage ratio is used to determine how easily a company can pay interest on outstanding debt. The lower the ratio, the more the company is burdened by debt expense. When a company's interest coverage ratio is 1.5 or lower, its ability to meet interest expenses may be questionable. An interest coverage ratio below 1.0 indicates the company is not generating sufficient revenues to satisfy interest expenses.

Exhibit V – 3
Duquesne Light Company
Interest Coverage Ratio
2009 - 2011

	2009	2010	2011
EBITDA* (\$ in millions)	\$257.7	\$253.3	\$378.5
Interest Expense (\$ in millions)	\$29.0	\$34.5	\$43.0
Interest Coverage Ratio	8.9 x	7.3 x	8.8 x

* - EBITDA is an acronym for earnings before interest, taxes, depreciation, and amortization.

Source: Data Request No. FM-31

The Company's short-term borrowings are acquired via a \$100 million (prior to March 2011 the limit was \$75 million) Duquesne Light Company Revolving Credit Facility or through a short-term borrowing facility with Duquesne Light's parent, DLH. Short-term borrowings made under either arrangement are typically made for working capital purposes or other short-term general corporate purposes. Whenever Duquesne Light has excess cash, the funds are temporarily invested in one or more money market funds via BNY Mellon's Liquidity Direct website. All of the money market funds are AAA prime or government funds, and all can be redeemed overnight as needed by the Company. As of January 2012, Duquesne Light had long-term debt and preferred stock outstanding; in addition, it has borrowed \$300 million from DLH on a long-term basis. As discussed above, it is the Company's intention to maintain a capital structure that is reasonable for a utility and acceptable for ratemaking purposes.

Historically Duquesne Light provided a qualified defined benefit retirement plan to all eligible full-time employees. Upon retirement, eligible members of this pension plan receive a monthly pension based on his or her length of service and compensation. However, during 2010, the Company amended the pension plan to exclude employees hired on or after October 1, 2010. Employees hired on or after October 1, 2010 are eligible to participate in a 401(k) plan, a type of tax-qualified deferred compensation plan in which an employee can elect to have the employer contribute a portion of his or her wages into the plan on a pretax basis. Duquesne Light will match an employee's contribution with 50 cents for each one dollar contributed.

Duquesne Light funds its defined benefit pension plan with amounts that are at least equal to the minimum funding requirements of the Pension Protection Act of 2006, but which does not exceed the maximum tax-deductible amount for the year. In 2010, the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 was signed into law, providing, among other things, the ability to defer required pension contributions that otherwise would have been required under the Pension Protection Act of 2006. The Company elected pension funding relief in 2011 in order to better align pension contributions with its regulatory commitments. Moreover, Duquesne Light is required to fund the pension trust in an amount equal to at least \$55.0 million per year commencing with calendar year 2011 by Pennsylvania Public Utility Commission (PUC or Commission) order, at R-2010-2179522 entered February

24, 2011, which approved the Company's general rate case Joint Petition for Settlement. In compliance with the February Order, on January 30, 2012, Duquesne Light filed a report and affidavit attesting that its actual contributions to its pension trust during the preceding calendar year were \$66.5 million. Exhibit V-4 shows that the Company's Projected Benefit Obligation of the pension plan was only 68.9% funded as of December 31, 2011.

**Exhibit V – 4
Duquesne Light Company
Defined Benefit Pension Plan Funding Status
As of December 31, 2011**

Projected Benefit Obligation (\$ in millions)	\$1,109.9
Fair Value of Plan Assets (\$ in millions)	\$764.7
Percent Funded	68.9%

Source: Data Request No. FM-28

Findings and Conclusions

Our examination of the Financial Management function focused primarily on a review of accounting policies and procedures, the capital and operating budget process, budget variance tracking and reporting, capital structure, long and short term financing, the pension plan, and dividend policies. Based on our review, the Company should initiate or devote additional efforts to improving the efficiency and effectiveness of its financial management function by addressing the following:

- 1. Duquesne Light's dividend payments have averaged 88.7% of net income over the period 2009 to 2011.**

Duquesne Light's net income, dividends paid to DLH, and dividends paid as a percentage of net income for the years 2009 through 2011 are shown in Exhibit V-5. It should be noted that dividends paid exclude preferred dividends paid in each year. Duquesne Light's dividends paid ranged from a low of 66.8% of net income in 2009 to a high of 110.0% of net income in 2010.

Exhibit V – 5
Duquesne Light Company
Dividend Payout
2009 - 2011

Year	Net Income (in millions)	Dividends Paid (in millions)	Dividends Paid as a % of Net Income
2009	\$88.3	\$59.0	66.8%
2010	\$96.4	\$106.0	110.0%
2011	\$147.7	\$130.0	88.0%
Totals	\$332.4	\$295.0	88.7%

Source: Data Request No. FM-31

In general, it is not a sound business practice to pay an annual dividend to a parent company that is more than 75% to 85% of the utility's net income on a consistent or long-term basis. It is Duquesne Light's policy to declare a quarterly dividend to all holders of its common stock (see Chapter III - Executive Management and Organizational Structure for discussion related to closely held corporation). Duquesne Light's dividend policy mirrors the dividend policy of DQE Holdings. All dividends are approved by the Company's Board and are considered declared and payable upon Board approval. The timing and amount of dividend payments is determined by the Company's Chief Financial Officer after considering the following factors:

- The level of current period earnings.
- The cash reserves necessary to fulfill the Company's obligations and maintain system reliability.
- The forecasted cash and liquidity requirements of the Company.
- Any other limitations as indicated by Pennsylvania law and corporate documents.

During the course of our audit, the Audit Staff found no evidence that indicates Duquesne Light's financial strength, service/reliability and/or safety has been affected by the relatively high dividend payouts that have occurred since 2009. Nevertheless, the question arises as to whether or not Duquesne Light and its Pennsylvania customers would have benefited from retention of some of these funds for uses such as system reliability improvements, deferred borrowing for capital improvement, pension plan funding (note the two large inter-company loans discussed in Chapter VI – Affiliated Interests), etc. The PUC is charged with regulation and oversight of all public utilities doing business within Pennsylvania and therefore has an obligation to ensure that a public utility's dividend practices do not harm service or reliability. Therefore, Duquesne Light should provide an explanation to the PUC describing the circumstances warranting the dividend payments that exceeded 85% of annual net income since 2009. Going forward, Duquesne Light should provide advance notice of, and an explanation for, annual dividend payments in excess of 85% of net income as circumstances warrant.

Recommendation

- 1. Submit a detailed, written explanation for each dividend payout exceeding 85% of net income to the Commission within 30 days after public release of this audit report, and ensure that advance notice and explanations are submitted to the Commission prior to making future dividend payments in excess of 85% of net income.**

VI. AFFILIATED INTERESTS

Background

Duquesne Light Company (Duquesne Light or Company), is an electric transmission and distribution utility headquartered in Pittsburgh, Pennsylvania, that is wholly owned by Duquesne Light Holdings, Inc. (DLH), an energy services holding company. An entity chart of DLH and its subsidiaries is shown on Exhibit II-1 (see Chapter II – Background). Duquesne Light is organized as shown on Exhibit II-2 (see Chapter II - Background). As part of its normal business activities, Duquesne Light conducts business with DLH and its subsidiaries. Duquesne Light provides various administrative and general services for its subsidiaries (i.e., Duquesne Power Two, LLC and Monongahela Light & Power Company and its subsidiary DataCom Information Systems, LLC) and affiliate companies. Duquesne Light also receives services from DLH and certain affiliates.

From January 1, 2009 through December 31, 2011, Duquesne Light submitted three affiliated interest agreements (AIAs) and securitization filings for Pennsylvania Public Utility Commission (PUC or Commission) approval. These include:

- Intercompany loans in an amount of up to \$300 million to Duquesne Light from its parent, DLH, for construction, pension contributions required by federal law, adjusting the Company's capital structure, and general corporate purposes (approved at the PUC's Public Meeting of May 20, 2010, at Docket Nos. S-2010-2161163 and G-2010-2162823).
- Intercompany loans in an amount of up to \$600 million to Duquesne Light from DLH, for pension contributions, refinancing bonds, refinancing short-term intercompany notes, capital expenditures, adjusting the Company's capital structure, and general corporate purposes (approved at the PUC's Public Meeting of December 2, 2010, at Docket No. S-2010-2207827).
- An Affiliated Interest Agreement with DQE Communications, LLC, which provides telecommunications services, allowing DQE Communications, LLC to attach its facilities to Duquesne Light's poles and underground passages in order to conduct its business. (This AIA was filed with the PUC on December 23, 2010, at Docket No. G-2010-2217538; however, on January 21, 2011, the Commission extended the period for consideration of the AIA until further action of the Commission. As of late July 2012 the Commission had taken no action on this filing.)

The Amended and Restated Administrative Services Agreement, dated July 19, 2004, is Duquesne Light's main AIA as it generally addresses the transactions between DLH, Duquesne Light, and their affiliates. The Company has also submitted and received PUC approval for various other AIAs (e.g., an inter-corporate tax payment agreement approved in 2006). The Audit Staff found that the various AIAs filed with the PUC correspond with the business activity taking place between Duquesne Light, DLH and other affiliates during the period 2009-2011.

Duquesne Light's revenues and expenses related to transactions with DLH and affiliates are shown in Exhibit VI-1. A brief description of the revenue and expense categories follows:

- Transmission revenue - results from the transmission of electricity for Duquesne Light Energy, LLC.
- Duct and pole rental revenue - payments received from DQE Communications, LLC for allowing it to attach its facilities to Duquesne Light's poles and use of underground passages in order to conduct its business (i.e., the provision of telecommunications services).
- Purchased power charges - results from Duquesne Light's purchases of power from Duquesne Power, LLC. Note, purchased power charges from Duquesne Power, LLC decreased significantly from 2009 to 2011 because Duquesne Light now purchases power for its Residential Provider of Last Resort (POLR) load through an auction process with bids from third party electric generation suppliers as well as from Duquesne Power, LLC.
- Administrative cost allocations - results from various charges for services provided by Duquesne Light to affiliates and by affiliates to Duquesne Light.
- Rental of communication fiber - charges for fiber provided by DQE Communications, LLC to Duquesne Light, enabling it to operate its Supervisory Control and Data Acquisition (SCADA) system and certain other communications systems.
- Company use energy - charges from Duquesne Light Energy, LLC to Duquesne Light for the generation and transmission of electricity. These charges discontinued with the inception of Duquesne Light's POLR V (i.e., Provider of Last Resort) plan, approved by the PUC on May 20, 2010, and effective January 1, 2011. Under the POLR V plan, Duquesne Light assumed the responsibility for power procurement for POLR customers.
- Interest on affiliate borrowings - interest charges from DLH to Duquesne Light for short-term and long-term loans.

A detailed breakdown of Duquesne Light's administrative cost allocations is shown in Exhibit VI-2. Providing and charging for these various services is based on an agreement dated July 19, 2004, by and among DLH, Duquesne Light, and the affiliates of DLH. These services include: management, supervisory, accounting and treasury, general administrative, insurance, legal and environmental services, materials management and any other similar services on an "as available" basis." Duquesne Light's direct labor costs are charged to affiliates using an electronic time entry system. A report is then generated and the charges are manually entered into the general ledger. The costs of unregulated employees must also be determined manually and then charged to the proper subsidiary. The costs of unregulated employees are allocated using the same allocation methodology (i.e., the same payroll calculation) as is used by Duquesne Light's employees. Costs which cannot be directly charged are allocated using an appropriate allocation methodology as prescribed in the AIAs. For example, Accounting and Treasury costs such as financing costs, insurance, audit fees, tax services, etc. are allocated within the organization based on each entity's percentage of assets.

Exhibit VI – 1
Duquesne Light Company
Charges to and from Affiliates
2009 - 2011

Description	(Millions of Dollars)		
	2009	2010	2011
Charges to Affiliates:			
Transmission revenue	\$13.7	\$16.2	\$18.6
Duct & pole rental revenue	1.3	1.0	1.0
Administrative cost allocations (a)	5.5	4.6	4.0
Total Revenues & Other Income	\$20.5	\$21.8	\$23.6
Charges from Affiliates:			
Purchased power charges	\$316.0	\$297.8	\$60.6
Administrative cost allocations (a)	1.1	1.8	0.8
Rental of communication fiber	2.4	2.4	2.8
Company use energy	1.9	1.9	0.0
Interest on affiliate borrowings	0.4	5.1	11.5
Total Expenses	\$321.8	\$309.0	\$75.7
Net Affiliated Expenses	\$301.3	\$287.2	\$52.1

(a) Refer to Exhibit VI-2 for details regarding administrative cost allocations.
Source: Data Request No. AR-15 and Auditor Analysis

Exhibit VI – 2
Duquesne Light Company
Administrative Costs Charged to and from Affiliates
2009 - 2011

Description	(Thousands of Dollars)		
	2009	2010	2011
Administrative Charges to Affiliates			
Technology	\$10.0	\$14.3	\$14.3
Tech. Support	8.3	3.1	14.9
Voice and Data	9.0	9.0	15.0
Finance Costs	125.5	293.2	92.6
Audit Fees	208.2	233.8	169.7
Tax Fees	152.7	84.8	17.0
Cash Management	59.8	56.1	52.1
Insurance Costs	516.6	733.4	707.4
Payroll Charges	20.2	5.6	11.1
Legal Charges	116.3	760.6	618.1
Employee Time	3,903.3	2,330.7	2,179.1
Materials	16.3	9.9	9.1
Rent	338.3	61.4	55.5
Total Duquesne Light Administrative Charges to Affiliates	\$5,484.5	\$4,595.9	\$3,955.9
Administrative Charges from Affiliates			
Duquesne Power - employee labor	\$19.6	\$34.3	\$0.0
DLH - outside services	0.0	278.5	805.9
DLH - finance charges	1,070.8	1,478.8	0.0
Total Duquesne Light Administrative Charges from Affiliates	\$1,090.4	\$1,791.6	\$805.9
Net Administrative Fee	\$4,394.0	\$2,804.3	\$3,150.0

Source: Data Request No. AR-23

As part of the sale of Duet Investment Holdings Limited's shares in DQE Holdings, LLC (DQE Holdings) to Epsom Investment Pte Ltd., certain corporate structure and ring-fencing protections were agreed to. Ring-fencing is the term used to describe efforts which are intended to insulate a regulated utility from the potentially riskier activities of unregulated affiliates. The object is to ensure the financial stability of the utility and the reliability of its services. The corporate structure and ring fencing protections that Duquesne Light, DLH and DQE Holdings have agreed to follow are:

- Duquesne Light shall not guarantee the debt or credit instruments of DLH or any affiliate not regulated by the Commission, except as approved by the Commission upon a determination that such guarantee provides net benefits to customers.
- Duquesne Light shall not grant a mortgage or other lien on any property used and useful by Duquesne Light in providing retail utility service to the public subject to the Commission's jurisdiction, except for the financing needs of Duquesne Light.
- Duquesne Light shall not make any loan or otherwise extend credit to DLH or any affiliate not regulated by the Commission for a term of one year or more, except as approved by the Commission upon a determination that such loan or credit extension provides net benefits to customers.
- DQE Holdings will not permit a change in ownership among the members of DQE Holdings without prior Commission approval if such change would result in a change in control under the then-applicable Commission standards.
- Duquesne Light will seek Commission approval of all new or amended agreements with affiliates consistent with Chapter 21 of the Public Utility Code.
- Duquesne Light shall continue to have outstanding separately issued debt held by investors not affiliated with Duquesne Light or its affiliates, unless the Commission authorizes to the contrary.
- DLH and its subsidiaries, including Duquesne Light, will provide, upon written request, to the PUC's Office of Trial Staff (now the Bureau of Investigation and Enforcement), Office of Consumer Advocate, and Office of Small Business Advocate access in connection with rate proceedings and other proceedings before the Commission, where relevant, to presentations given by DLH and its subsidiaries to common stock, bond, or rating analysts.
- Duquesne Light's long-term debt ratio as a percentage of total capitalization shall not exceed 60%, absent approval from the Commission.
- Duquesne Light shall notify the Commission of its intention to declare a special cash dividend to DLH, at least 30 days before declaring the dividend.
- The Chief Executive Officer (CEO) of DLH will be a member of DQE Holdings Board of Directors (Board), and will also chair a management committee, which will contain representatives of both the senior management team and the Macquarie Consortium.
- DLH shall maintain, and cause its subsidiaries including Duquesne Light to maintain, separate books and financial records.

- DQE Holdings will maintain corporate organizational and financial policies sufficient to permit Duquesne Light to continue to meet requirements to maintain its own credit ratings, separate from its parent.
- Upon request from the Commission, Duquesne Light shall supply copies of information that it has submitted to credit rating agencies.
- Unless the Commission grants approval to the contrary, for a period of three years from the closing with regard to sale of DUET's interests to Epsom, Duquesne Light shall not make a dividend payment to its parent if doing so causes its debt ratio as a percentage of total capitalization, as defined in Duquesne Light's current bank credit agreement, to exceed 60 percent, or if its debt ratio as so defined at the time of dividend declaration or payment exceeds 60 percent.
- DLH and its subsidiaries shall remain organized in a manner that provides corporate separation of regulated and non-regulated activities.
- Duquesne Light, DLH, and DQE Holdings agree that they will continue to comply with section 1102(a)(3) of the Public Utility Code requiring the approval of changes in control, as interpreted by the Commission's Policy Statement – Utility Stock Transfer under 66 Pa. C.S. § 1102(a)(3). Epsom agrees that it will not increase its voting interest in DQE Holdings beyond the 28.95% approved by the Commission, unless Epsom obtains the Commission's approval of an acquisition increasing that voting interest or a determination by the Commission that approval is not required.
- Epsom shall tender to DQE Holdings, for redemption, the Promissory Note from DQE Holdings to DUET3, which will be acquired by Epsom at closing, no later than 30 days after the closing. Duquesne Light confirmed that (i) pursuant to a Transaction Agreement dated December 9, 2009, to which DQE Holdings and each of its Members is a party, all the Promissory Notes will be tendered to DQE Holdings within thirty (30) days of the closing and the tender by Epsom, and (ii) upon tender, DQE Holdings will redeem all of the promissory notes and the proceeds of such redemptions will simultaneously be reinvested in DQE Holdings as equity capital contributions with no change in the voting interests of the Members of DQE Holdings.

In Duquesne Light's annual report on the status of its Duet Sale-Epsom Purchase Commitments submitted to the Commission on March 23, 2012, the Company indicated that it was in compliance with all of the above commitments. The Audit Staff's review found no lack of compliance with these commitments.

Duquesne Light has established competitive safeguards to comply with PUC regulations at 52 Pa. Code §54.121 and §54.122, and Federal Energy Regulatory Commission (FERC) rules. Employees are instructed that Duquesne Light cannot give any preference to an unregulated affiliate. The PUC's Code of Conduct (i.e., 52 Pa. Code §54.122) has been posted on Duquesne Light's Intranet and its requirements have been incorporated into Customer Service Representative training. Duquesne Light also periodically provides training to other employees on this topic. Duquesne Light also provides annual training in regards to FERC regulations, has limited access to Duquesne Light's transmission function located at the Woods Run Operation Center, has made sure that Marketing employees are not located at the Woods Run Operation

Center and do not have access to it, and has provided training on the FERC Standards of Conduct requirements to all management employees who have access to non-public transmission information. Finally, Duquesne Light uses color-coded identification badges for “marketing” and “transmission” employees’ to allow for easy distinction.

Findings and Conclusions

Our examination of the Affiliated Interests function focused primarily on a review of the cost allocation methodologies; an examination of affiliated interest agreements and inter-company transactions; compliance with existing cost allocation policies, practices, and procedures; ring-fencing efforts; and a review of competitive safeguards. Based on our review, the Company should initiate or devote additional efforts to improving the efficiency and effectiveness of its affiliated interests function by addressing the following:

1. Internal audits of the cost allocation process have not been performed for more than five years.

The Audit staff reviewed copies of internal audit reports issued within the last five years and found none related to affiliate transactions and the allocation of costs amongst affiliates. Periodic internal audits of affiliate transactions and cost allocations should be performed in order to assess the accuracy of, and the consistency in the application of, the cost allocation process. Such audits are recommended by the National Association of Regulatory Utility Commissioners (NARUC). The Company indicated that it develops its internal audit plan by performing risk assessments for approximately 150 potential risk areas. These risk assessments are then prioritized, with the highest risks being included in the internal audit plan. Also, certain core audit areas such as payroll or expense reporting are included in the internal audit plan. Reportedly this process has not identified a material risk with affiliate transactions and the allocation of costs amongst affiliates.

While the accuracy of cost allocations among affiliates are often not identified as a material risk for overall corporate financial reporting purposes that would impact the outside audit firm’s annual audit, nonetheless they often have a sizeable impact for regulatory purposes. Therefore periodic internal audits (i.e., at least every three years) of affiliate transactions and related cost allocation calculations are recommended by NARUC and are a sound business practice for regulated utilities with sizeable affiliated transactions such as those occurring among Duquesne Light, its affiliates and subsidiaries. Inaccurate or inconsistently applied cost allocations could result in the cross-subsidization of non-regulated activities by Duquesne Light and its ratepayers.

2. Duquesne Light has not developed a cost allocation manual as recommended by NARUC in its Guidelines for Cost Allocations and Affiliate Transactions.

Several general accounting policies and procedures are included in the DQE Holdings LLC Finance Policy and Procedure Manual: Intercompany Allocations; Intercompany Receivables; and Intercompany Revenues. The Intercompany Allocations policy describes the allocation process for administrative services, accounting and treasury costs, individual departments allocating costs (e.g., Human Resources), labor and the system used to track an employee's time, etc. The Intercompany Receivables policy describes the process for handling the recording and settlement of intercompany accounts receivable that either directly relate to the revenue cycle for the entity or arise as a result of an administrative function or expense allocation purpose. The Intercompany Revenues policy describes the billing and invoicing procedures for non-regulated, affiliated customer revenues (e.g., Duquesne Power records generation revenue with Duquesne Light under the Provider of Last Resort agreement, while Duquesne Light records generation expense). However, the procedures as previously described, along with other information, have not been incorporated into a cost allocation manual to ensure uniformity in the handling of affiliate transactions.

The NARUC Guidelines for Cost Allocations and Affiliate Transactions (Guidelines) are intended to provide guidance to jurisdictional regulatory authorities and regulated utilities and their affiliates in the development of procedures and recording of transactions for services and products between a regulated entity and affiliates. The prevailing premise of the NARUC Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority. Each entity that provides both regulated and non-regulated services or products should maintain a cost allocation manual (CAM) or its equivalent and notify the jurisdictional regulatory authorities of the CAM's existence. The NARUC Guidelines further state that the determination of what, if any, information should be held confidential should be based on the statutes and rules of the regulatory agency that requires the information. Any entity required to provide notification of a CAM(s) should make arrangements as necessary and appropriate to ensure competitively sensitive information derived therefrom be kept confidential by the regulator. As recommended by NARUC and sound business practices, at a minimum, a utility's CAM should contain the following:

- An organization chart of the holding company, depicting all affiliates, and regulated entities.
- A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.
- A description of all assets, services and products provided by the regulated entity to non-affiliates.
- Detailed descriptions of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

In the absence of a CAM, Duquesne Light and its affiliates have been relying on the DQE Holdings LLC Finance Policy and Procedure Manual for guidance in processing affiliate transactions. The chance of cross-subsidization of non-regulated services or

products by Duquesne Light will be minimized if a formal detailed CAM is developed. A CAM will help to ensure uniformity in the handling of affiliate transactions as personnel and work assignments change.

Recommendations

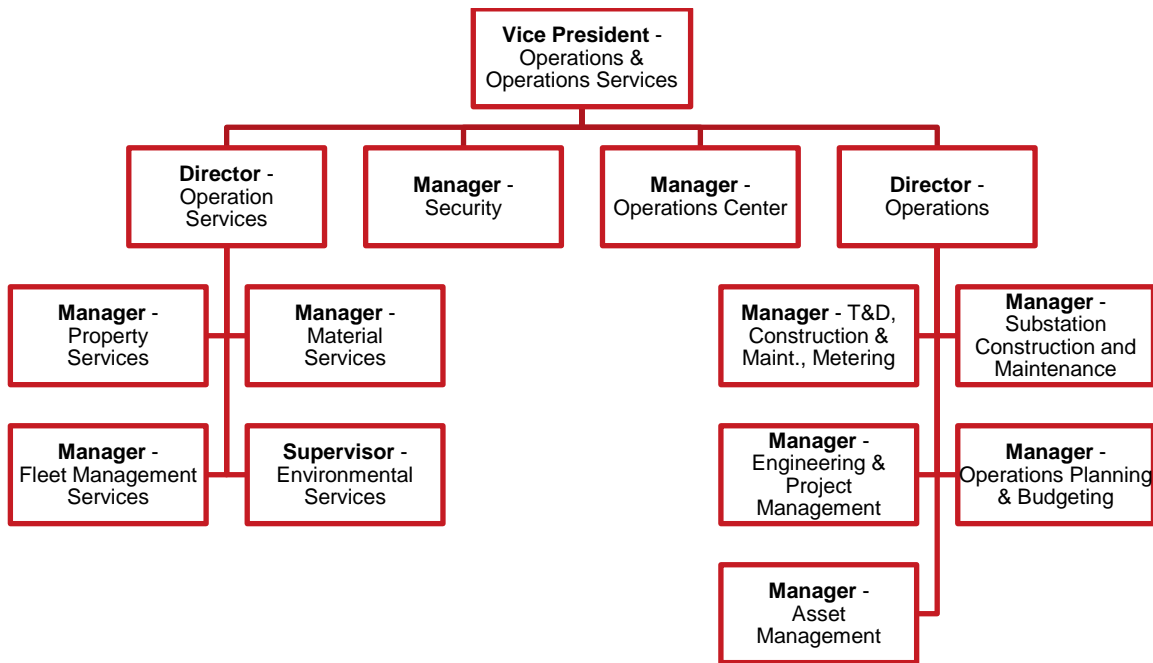
- 1. Conduct periodic internal audits of the entire cost allocation process.**
- 2. Develop a comprehensive cost allocation manual to provide step by step guidance in processing cost allocations and help ensure uniformity in the handling of affiliate transactions.**

VII. TRANSMISSION & DISTRIBUTION

Background

Transmission and Distribution (T&D) functions at Duquesne Light Company (Duquesne Light or Company) are performed under the direction of the Vice President of Operations and Operations Services who oversees the following four groups, and respective subgroups, that fall within the scope of the audit: Operations Services, Security, Operations Center, and Operations (see Exhibit VII-1 for the T&D organizational chart). The groups reporting to the Director of Operation Services provide material, vehicle, property and environmental services to support daily operation, construction and maintenance activities. The group lead by the Manager of Security provides security services for all Duquesne facilities; including roving guards to protect its substations. The Manager of Security is also responsible for maintaining card readers, conducting random employee drug screenings, and background checks. The Manager of the Operations Center is in charge of the Company's supervisory control and data acquisition (SCADA) system and updating data used to calculate reliability metrics for reporting purposes. As of 2011, asset management and accompanying duties are under the direction of the Director of Operations who also oversees budgeting, planning, engineering maintenance, construction and overall management of Duquesne Light's transmission and distribution system.

**Exhibit VII – 1
Duquesne Light Company
Transmission and Distribution Functional Organization
As of January 2012**



Source: Data Request EM-1

Duquesne Light has a total of five service areas encompassing Allegheny and Beaver counties and covering approximately 817 square miles. Duquesne Light separates its service territory into five areas: Preble (City of Pittsburgh), McKeesport (Southeast), Penn Hills (Northeast), Edison (North) and Raccoon (Northwest). Each area has a centrally located service center and garage to operate out of daily. The current mapping system has been in place since 2007 and Duquesne Light does not foresee any changes to it in the near future. The Company utilizes many different types of state of the art mapping techniques, such as geographical information system, Global Positioning System, and SCADA. Additionally, printed maps are also available to field personnel as a backup, should there ever be a need. Typical work at that service center level includes maintenance, emergency restoration, customer commitments (i.e., fulfilling customer requests), and capital work, in conjunction with contracted work when needed.

On May 7, 2004, at Docket No. M-00991220, the Commission adopted amendments to the reliability reporting requirements and benchmarks for electric distribution companies (EDC). Currently, the EDCs primarily measure and report their performance via three indices on a quarterly and annual basis. These indices measure the EDC's frequency and duration of outages at the system or customer level, excluding outages associated with major events. Definitions of the reliability indices reported by the Company are as follows:

- CAIDI – The average interruption duration of sustained interruptions for those customers who experience interruptions during the analysis period. CAIDI represents the average time required to restore service to the average customer per sustained interruption (i.e., outages lasting more than five minutes). It is determined by dividing the sum of all sustained customer interruption durations, in minutes, by the total number of interrupted customers.

$$\text{CAIDI} = \sum \text{Customer interruption minutes} / \sum \text{Customers interrupted}$$

- SAIFI – The average frequency of sustained interruptions per customer occurring during the analysis period. It is calculated by dividing the total number of sustained customer interruptions by the total number of customers served.

$$\text{SAIFI} = \sum \text{Customers interrupted} / \text{Total number of customers}$$

- SAIDI – The average duration of sustained customer interruptions per customer during the analysis period. It is the average time customers were without power. It is determined by dividing the sum of all sustained customer interruption durations, in minutes, by the total number of customers served.

$$\begin{aligned} \text{SAIDI} &= \sum \text{Customer interruption minutes} / \text{Total number of customers} \\ &= \text{CAIDI} * \text{SAIFI} \end{aligned}$$

- Benchmark – An objective level of performance that an EDC should strive to achieve and maintain. As it is currently established, the benchmark represents the statistical average of the EDC's annual, system-wide, reliability performance for the five-year period of 1994-1998.

- Standard – A numerical value that represents the minimal acceptable performance allowed for each reliability index for a given EDC. Performance standards are based on the established benchmark. The standard is the level of performance beyond which the company must either justify its poor performance or provide information on corrective measures it will take to improve performance. There are two standards:
 - Rolling 12-month standard – 120% of benchmark (for major EDC’s)
 - Rolling 3-year standard – 110% of benchmark

- Major event – Either an interruption beyond the control of the EDC which affects at least 10% of the customers in the EDC’s service territory during the course of the event for a duration of five minutes or greater, or an unscheduled interruption of electric service resulting from an action taken by an EDC to maintain the adequacy and security of the electric system

The PUC has established both performance standards and benchmarks for the indices specific to individual EDCs. Duquesne Light’s standards, benchmarks, and actual performance for 2007 through 2011 are displayed in Exhibit VII-2. With regard to all three reliability indices, Duquesne Light should be striving to maintain each index as low as possible. When an EDC’s performance does not meet its Commission established performance standard, the PUC may, as deemed necessary, require additional reporting by the company and more closely monitor its corrective measures. Therefore the EDCs should strive to maintain benchmark or better reliability performance. As shown in Exhibit VII-2, from 2007 through 2011 Duquesne Light successfully sustained its electric reliability performance at better than the required levels.

**Exhibit VII – 2
Duquesne Light Company
Electric Reliability Performance
2007 – 2011**

Year	SAIFI	CAIDI	SAIDI
2007	0.79	107	84
2008	0.99	98	97
2009	0.97	85	82
2010	1.09	80	87
2011	0.93	107	99
Benchmark	1.17	108	126
12-Month Standard	1.40	130	182

Source: PUC Annual Reliability Reports

From 2008 through 2011, Duquesne Light has increased its capital expenditures to replace aging infrastructure as needed. Along with capital projects, the Company has an Operation and Maintenance (O&M) plan to inspect and maintain existing equipment in an effort to ensure safe, reliable service. The Company's capital and O&M budgets as well as actual expenditures for 2007-2011 are provided in Exhibit VII-3. The increase in O&M expenditures in years 2010 and 2011 resulted from additional projects related to energy efficiency and cost savings programs.

**Exhibit VII – 3
Duquesne Light Company
Capital and Operation & Maintenance Budgets
2007 – 2011**

	2007	2008	2009	2010	2011
Capital Budget					
Budgeted	\$160,000,000	\$156,388,085	\$187,133,196	\$274,763,201	\$251,960,148
Actual	\$158,579,649	\$149,431,031	\$202,371,422	\$258,784,897	\$259,559,176
% Variance	-0.9%	-4.4%	8.1%	-5.8%	3.0%
Operations and Maintenance Budget					
Budgeted	\$38,135,000	\$76,606,382	\$79,751,752	\$189,663,301	\$187,809,179
Actual	\$36,680,892	\$59,806,071	\$62,250,255	\$174,509,879	\$181,692,271
% Variance	-3.8%	-21.9%	-21.9%	-8.0%	-3.3%

Source: PUC Annual Reports

Findings and Conclusions

Our examination of the T&D function included a review of emergency operating guidelines, vegetation management, system reliability, maintenance policies and procedures, safety programs, staffing levels, system planning, etc. Based on our review, the Company should initiate or devote additional efforts to improving the efficiency and the effectiveness of its T&D operations by addressing the following:

- 1. Duquesne Light's craft workers have worked excessive levels of overtime annually during the five year period 2007 through 2011.**

Duquesne Light's craft workers are organized into four functional groups: overhead, underground, substation and operations center (i.e., troubleshooters and travelling operators work out of the operations center). Exhibit VII-4 displays the number of craft workers, overtime as a percentage of straight time, and the percentage change over the 2007-2011 period for each group and the shift schedules used by each group. Our analysis by group revealed that, in general, substation craft workers experienced the highest average overtime levels of 31.5% to 34.2%. From 2007 to 2011, total staffing levels for the combined groups increased slightly, by 3.1%; but over

the same period overtime levels increased by 26.3%. The levels of annual overtime have varied between 22.8% and 33.1% of regular or straight time hours during the period 2007 through 2011. The Audit Staff has seen historical overtime levels for craft workers at other EDCs that ranged from 15% to 20% of straight time. Overtime levels that exceed this range can often indicate a need to increase staffing levels and/or adjust the existing staffing levels to other shifts to accomplish the work activities while reducing overtime levels.

**Exhibit VII – 4
Duquesne Light Company
Craft Worker Staffing and Overtime Levels
2007 – 2011**

		2007	2008	2009	2010	2011	Percentage of Increase (+) or Decrease (-) Over Period
Underground	No. of Craft Workers	55	54	58	58	56	1.8%
	Straight hrs	123,851	119,555	114,774	108,891	108,646	-12.3%
	Overtime hrs	22,004	19,968	18,955	23,538	25,971	18.0%
	Overtime %	17.8%	16.7%	16.5%	21.6%	23.9%	34.3%
Shift(s) -		Monday - Friday from 7:30am - 4:00pm Sunday - Thursday from 10:00pm - 6:00am (6-8 EE)					
Overhead	No. of Craft Workers	244	259	253	261	252	3.3%
	Straight hrs	447,552	404,172	399,626	453,879	443,964	-0.8%
	Overtime hrs	78,251	98,125	81,118	164,960	121,958	55.9%
	Overtime %	17.5%	24.3%	20.3%	36.3%	27.5%	57.1%
Shift(s) -		Monday - Friday from 7:00am - 3:30pm Monday - Friday from 3:00pm - 1:00am (Min. 10 EE)					
Substation	No. of Craft Workers	67	64	64	67	65	-3.0%
	Straight hrs	149,820	135,294	135,649	141,009	139,567	-6.8%
	Overtime hrs	50,929	46,180	45,491	44,484	47,674	-6.4%
	Overtime %	34.0%	34.1%	33.5%	31.5%	34.2%	0.6%
Shift(s) -		Monday - Friday from 7:30am - 4:00pm					
Operations Center	No. of Craft Workers	55	58	61	61	61	10.9%
	Straight hrs	145,409	120,867	107,719	130,059	129,234	-11.1%
	Overtime hrs	46,707	46,328	30,151	43,318	41,341	-11.5%
	Overtime %	32.1%	38.3%	28.0%	33.3%	32.0%	-0.4%
Shift(s) -		Monday - Sunday from 7:00am - 3:00pm Monday - Sunday from 3:00pm - 11:00pm (12 EE) Monday - Sunday from 11:00pm - 7:00am (7 EE)					
ALL	No. of Craft Workers	421	435	436	447	434	3.1%
	Straight hrs	866,632	779,888	757,768	833,838	821,411	-5.2%
	Overtime hrs	197,891	210,601	175,715	276,300	236,944	19.7%
	Overtime %	22.8%	27.0%	23.2%	33.1%	28.8%	26.3%

Source: Data Request TD-04, TD-53, Auditor Analysis

Due to the potentially hazardous nature of working with high voltage lines, excessive amounts of overtime for individual craft workers can result in fatigue and reduced awareness which can result in injuries to employees (see Finding and

Conclusion No. 3) and/or customers and bring unnecessary damage to Company and customer property. Therefore, the Audit Staff also reviewed the amount of overtime individual craft workers from these four groups incurred annually for the same period. Individual employee overtime levels for these groups were provided by the Company and the five employees with the highest overtime levels by group are shown in Exhibit VII-5. Many of the Field Operations employees have exceeded 1,040 hours (or approximately 50% of straight time) of overtime for any given year and even have reached as high as 1,635 overtime hours (or approximately 78.6%).

**Exhibit VII – 5
Duquesne Light Company
Five Employees With Highest Overtimes Levels By Field Operations Group
2007 – 2011**

	2007		2008		2009		2010		2011	
	OT Hrs	OT/ST	OT Hrs	OT/ST	OT Hrs	OT/ST	OT Hrs	OT/ST	OT Hrs	OT/ST
OVERHEAD										
1	951	45.7%	1,296	62.3%	886	42.6%	1,515	72.8%	1,424	68.4%
2	736	35.4%	1,045	50.3%	843	40.5%	1,340	64.4%	1,318	63.7%
3	709	34.1%	962	46.3%	830	39.9%	1,340	64.4%	1,303	62.7%
4	704	33.8%	922	44.3%	816	39.2%	1,304	62.7%	1,218	58.6%
5	702	33.7%	874	42.0%	813	39.1%	1,282	61.6%	1,214	58.4%
UNDERGROUND										
1	1,092	52.5%	747	35.9%	1,161	55.8%	1,170	56.2%	1,105	53.1%
2	1,035	49.8%	728	35.0%	976	46.9%	1,137	54.6%	1,072	51.6%
3	867	41.7%	716	34.4%	776	37.3%	1,109	53.3%	1,061	51.0%
4	836	40.2%	696	33.5%	682	32.8%	1,105	53.1%	1,020	49.1%
5	722	34.7%	664	31.9%	675	32.4%	847	40.7%	996	47.9%
SUBSTATION										
1	1,023	49.2%	1,228	59.1%	1,081	52.0%	1,031	49.5%	1,273	61.2%
2	1,019	48.9%	1,041	50.1%	1,070	51.4%	1,016	48.9%	1,188	57.1%
3	991	47.6%	1,008	48.4%	1,052	50.6%	1,004	48.3%	1,159	55.7%
4	989	47.6%	992	47.7%	1,037	49.9%	990	47.6%	1,105	53.1%
5	976	46.9%	990	47.6%	1,025	49.3%	984	47.3%	1,064	51.1%
OPERATIONS CENTER										
1	1,156	55.6%	1,635	78.6%	1,068	51.3%	1,513	72.3%	1,215	58.4%
2	1,136	54.6%	1,509	72.5%	1,024	49.2%	1,315	63.2%	1,178	56.6%
3	1,116	53.7%	1,279	61.5%	942	45.3%	1,270	61.0%	1,081	51.9%
4	1,115	53.6%	1,266	60.8%	936	44.9%	1,123	53.9%	1,076	51.7%
5	1,110	53.4%	1,232	59.2%	788	37.9%	984	47.3%	980	47.1%

OT – Overtime
ST – Straight Time

Source: Data Request TD-38 & TD-54

To forecast its workload and staffing needs Duquesne Light uses the following two components to budget hours for forecasted work: historical hours incurred in the past for each activity and yearly work plan projects. The next step is to compare the number of hours forecasted for the year to the hours available from field resources. If the forecasted hours needed exceed those available from field resources, Duquesne Light develops overtime and contractor models to determine whether the use of contractor or internal resources (overtime) are appropriate. The models used are based on type of work to be performed, the type of craft resources required to perform the work, in-service date required and the location of the work. When the use of contractors is needed, the resulting contractor and overtime conclusions are reviewed to ensure agreement between the terms of the Collective Bargaining Agreement regarding use of union workers. The hours budgeted for 2007-2011 for field operations is shown on Exhibit VII-6. The budgeted times for overhead, underground and substation are broken into five categories: Restoration of Service, Customer Commitments (i.e., work to fulfill electrical service requested by customers), System Maintenance (i.e., preventive or corrective, and vegetation management), System Improvements (i.e., capital projects to improve or maintain system reliability), and Non-Productive (e.g., vacation, sick, training, etc.). A quick review of forecasted annual overtime hours readily reveals why certain employees have been experiencing extremely high levels of overtime (see Exhibit VII-5) that has continued for several years, as all six groups and the overall annual levels have been routinely projected at more than 15% and most significantly more than 20%.

An analysis of Duquesne Light's historical trend shown on Exhibit VII-6 reveals that the Company budgeted overtime levels for certain work activities (i.e., Restoration of Service and System Improvements) to exceed 50% in 2010 and 2011. In fact, Duquesne Light has been budgeting overtime levels for Restoration of Service work to exceed 50% for the entire 2007-2011 period. It is true that Restoration of Service activity is hard to predict because storm frequency, timing and extent of impact varies significantly from year to year. Nonetheless, Duquesne Light's consistent budgeting of overtime levels in excess of 55% of regular hours over the most recent five year period indicates the Company anticipates the level of Restoration of Service activity to be such that, based on its existing staffing levels, that large numbers of craft workers will routinely experience well over 20% of overtime. As stated previously, overtime levels in excess of 20% of straight time often indicates a need to increase staffing levels and/or adjust existing staffing levels to different shifts to accomplish the work activities while reducing overtime levels.

Based on both projected and actual results during the 2007-2011 period, it appears that Duquesne Light is overdue to perform a detailed examination of its craft worker staffing levels, policies and procedures to ensure that has proper staffing in appropriate shifts and locations to avoid incurring excessive overtime levels (which have increased overall for craft workers by 39.9% from 2007 to 2011) while adequately accomplishing the work activities that need to be performed. Furthermore, from 2008 to 2011, budgeted straight time hours remained relatively constant while budgeted overtime hours rose by almost 40% from 186,300 hours to 260,634 hours. The increase in budgeted overtime hours for that period was attributed to the additional hours required to accomplish work for System Improvements as well as Restoration of

**Exhibit VII – 6
Duquesne Light Company
Field Operation Budgeted Hours
2007 – 2011**

	2007	2008	2009	2010	2011
Restoration of Service					
Straight Hrs	111,220	108,281	111,557	109,534	116,520
Overtime Hrs	62,541	61,467	69,831	63,842	67,985
% OT/ST	56.2%	56.8%	62.6%	58.3%	58.3%
Customer Commits					
Straight Hrs	135,618	172,573	148,416	141,745	140,823
Overtime Hrs	24,284	31,347	30,902	32,121	26,267
% OT/ST	17.9%	18.2%	20.8%	22.7%	18.7%
System Maintenance					
Straight Hrs	75,180	76,048	88,141	79,609	73,529
Overtime Hrs	14,632	25,041	23,979	22,313	15,076
% OT/ST	19.5%	32.9%	27.2%	28.0%	20.5%
System Improvements					
Straight Hrs	259,829	146,976	151,612	169,117	171,893
Overtime Hrs	40,970	45,385	49,541	101,134	111,765
% OT/ST	15.8%	30.9%	32.7%	59.8%	65.0%
Non-Productive					
Straight Hrs	196,944	171,794	164,580	138,740	170,268
Overtime Hrs	N/A	N/A	N/A	N/A	N/A
% OT/ST	N/A	N/A	N/A	N/A	N/A
Operations Center					
Straight Hrs	131,544	129,936	126,888	126,952	126,952
Overtime Hrs	26,668	23,060	24,408	35,552	39,541
% OT/ST	20.3%	17.7%	19.2%	28.0%	31.1%
TOTALS					
Straight Hrs	910,335	805,608	791,194	765,697	799,985
Overtime Hrs	169,095	186,300	198,661	254,962	260,634
% OT/ST	18.6%	23.1%	25.1%	33.3%	32.6%

OT – Overtime, ST – Straight Time

Source: Data Request TD-45 & TD-56

Service. A detailed staffing study for craft workers would enable the Company to assess the cost and benefits of employing different numbers of craft workers on various shifts in certain areas in order to eliminate excessive amounts of overtime. The study should consider the best use of work shifts, relocating personnel between districts, hiring additional craft workers, and use of outside contractors.

In addition to reducing safety concerns related to craft workers working excessive levels of overtime, the Company could also realize cost savings by hiring more craft workers to reduce overtime levels. In accordance with its union contract, craft workers get paid time and a half for any overtime work performed. The Audit Staff's analysis as shown on Exhibit VII-7 indicates the potential cost savings from increasing field operations staff levels to the point no more than an average of 20% overtime would have been incurred during the period 2007-2011. Based on different factors such as the average hourly rate of pay for craft workers, overtime rate, overhead rate, and hiring additional craft workers to reduce overtime hours, we estimated that Duquesne Light could have saved on average approximately \$2.9 million annually during the five year period. However, in recognition that new hires would take approximate 2-3 years to be fully qualified with classroom and on-the-job training; to be conservative we adjusted the practical estimate of net annual savings to be about 50% of the five year average or approximately \$1.45 million annually.

**Exhibit VII – 7
Duquesne Light Company
Potential Savings – Overtime Reduction
2007 – 2011**

	2007	2008	2009	2010	2011	Average
No. of Craft Workers	427	438	436	447	434	436
Overtime Hrs	197,891	210,601	175,715	276,300	236,944	219,490
% OT/ST	22.8%	27.0%	23.2%	33.1%	28.8%	27.0%
Reduce OT to 20%	2.8%	7.0%	3.2%	13.1%	8.8%	7.0%
Total Man Hours	24,868	63,773	29,020	121,799	79,439	63,780
Potential Hires	11	30	13	58	38	30
Cost A =	\$11,572,902	\$14,057,803	\$12,024,141	\$17,587,945	\$14,858,049	\$13,983,246
Cost B =	\$10,413,187	\$11,126,419	\$10,674,706	\$12,006,072	\$11,221,517	\$11,078,870
Potential Savings =	\$1,159,715	\$2,931,384	\$1,349,435	\$5,581,873	\$3,636,532	\$2,904,376
5 Year Savings =		\$14,658,938				\$2,904,376
Potential Savings (50%) =		\$7,329,469				\$1,452,188

Potential Savings = Cost A - Cost B

Cost A = Average Salary * Current No. of Lineworkers * Overtime Rate * Overhead Rate * Overtime %

Cost B = Average Salary * Potential No. of Lineworkers * Overtime Rate * Overhead Rate * 20.0%

Average Salary = Average Hourly Rate * 2,080 Hrs = \$30/hr * 2,080

Overtime Rate = 1.5

Overhead Rate = 1.27

OT – Overtime, ST – Straight Time

Source: Data Request TD-04, TD-40, TD-53, TD-54, Auditor Analysis

2. The Company does not maintain fully detailed third-party hits and collection data.

The number of third-party hits to Duquesne Light's infrastructure is summarized in Exhibit VII-8 by year, service center and basic causes. The basic causes are further identified by the following categories:

- Poles: A third-party damaged a pole owned by Duquesne Light Company.
- Dig-in: A contractor or other utility hit Duquesne Light's underground facilities.
- Downed wires: A third-party contacted and brought down wires only.
- Vandalism: A third-party actively attempted to steal or damage facilities.
- Other: Damage to other facilities such as cars, substations, etc.

**Exhibit VII – 8
Duquesne Light Company
Third Party Damages by Service Center and Cause
2007 – 2011**

Service Center	Poles	Dig-In	Downed Wires	Vandalism	Other	Totals
Raccoon	91	6	5	0	3	105
Edison	41	10	11	0	2	64
Preble	98	4	10	1	5	118
McKeesport	55	2	5	0	0	62
Penn Hills	95	10	9	0	1	115
2007 Totals	380	32	40	1	11	464
Raccoon	60	8	6	0	3	77
Edison	33	9	7	0	2	51
Preble	96	15	8	2	8	129
McKeesport	48	0	4	0	0	52
Penn Hills	89	8	3	0	5	105
2008 Totals	326	40	28	2	18	414
Raccoon	68	7	5	0	3	83
Edison	37	10	9	0	2	58
Preble	122	10	8	0	4	144
McKeesport	58	0	3	0	1	62
Penn Hills	108	5	3	0	13	129
2009 Totals	393	32	28	0	23	476
Raccoon	77	0	12	0	4	93
Edison	29	1	6	0	4	40
Preble	77	10	14	0	4	105
McKeesport	37	2	3	0	1	43
Penn Hills	88	9	7	0	4	108
2010 Totals	308	22	42	0	17	389
Raccoon	70	9	11	2	1	93
Edison	39	3	4	0	0	46
Preble	109	4	13	1	2	129
McKeesport	59	1	5	0	0	65
Penn Hills	69	1	5	1	2	78
2011 Totals	346	18	38	4	5	411

Source: Data Request TD-30

Duquesne Light's overall number of third-party hits from 2007 to 2011 ranged from a high of 476 in 2009 to a low of 389 in 2010. Pole damages accounted for the majority of third-party hits, ranging from 79% to 84% of total damages each year. The Audit Staff was unable to conduct a more detailed analysis of the cause of pole damages, because the Company does not maintain sufficient data to determine why pole hits occur so frequently. There is a need to expand Duquesne Light's database to track causes more specifically, rather than the current categories in place. For example, by breaking the categories like "Poles" into more detailed types of damage causes (e.g., Pole - Contractor Equipment, Pole - Vehicle, Pole – Bad Location, etc.) would enable further analysis. By pinpointing the specific causes to pole damages, the Company may be able to identify additional or better approaches for use in enhancing its damage prevention programs.

The Audit Staff also evaluated Duquesne Light's effort to recover financial damages related to third-party hits. Exhibit VII-9 details the annual amounts invoiced and actual amounts collected by the Company for third-party damages during the years 2007-2011. Based on the way Duquesne Light tracks its third-party damages and related collections it should be noted that the amounts invoiced from a previous year can be shown as collections in following years. At the beginning of our fieldwork in early 2012, the Company's database lacked sufficient information to adequately report the collection of amounts invoiced for third-party damages to our Audit Staff. However, upon reviewing Audit Staff's draft report in late December 2012, the Company performed further analysis to develop the information shown in Exhibit VII-9. Over the period 2007 to 2011, Duquesne Light submitted invoices for approximately \$12.3 million while collecting approximately \$8.5 million, leaving an uncollected balance of approximately \$3.8 million (31.3% of the total amount invoiced). The Audit Staff attempted to analyze which claims were settled and the reasoning for settled amounts; or the grounds for not collecting what was initially invoiced. However, since the Company was unable to easily extract this type of information from its database for reporting purposes, the Audit Staff was unable to assess the reasonableness of any settled claims.

**Exhibit VII – 9
Duquesne Light Company
Third Party Damage Recovery
2007 – 2011**

Year	Amount Invoiced	Amount Collected	Difference
2007	\$1,755,778	\$1,291,654	\$464,124
2008	\$2,615,609	\$1,752,794	\$862,814
2009	\$2,999,476	\$2,155,689	\$843,787
2010	\$2,235,146	\$1,634,164	\$600,982
2011	\$2,694,464	\$1,616,488	\$1,077,976
TOTALS	\$12,300,473	\$8,450,789	\$3,849,684

Source: Data Request TD-36 as revised per the Company's comments to the draft report.

Through damage prevention programs, such as effective contractor education, effective tracking and reporting of third parties that damage the Company's facilities (including the identification of repeat offenders), and diligent damage recovery efforts Duquesne Light can reduce and limit the number of third-party hits it experiences. More specifically, Duquesne Light would benefit by expanding its databases for monitoring causes of third-party hits and tracking the related damage collection performance.

3. Duquesne Light's Occupational Safety and Health Administration (OSHA) recordable incident rate exceeded the industry average and/or Company goals in four of the last six years.

The annual OSHA recordable incident rate represents the number of injuries and illnesses per 100 full time workers (i.e., a lower rate indicates a better performance). During the period 2006 to 2010, the only year Duquesne Light was not above the industry average was in 2009. As shown in Exhibit VII-10, during the years 2006-2011 the Company's OSHA recordable incident rate was above the industry average and in some cases their own internal goal, which began in 2007. In 2011, Duquesne Light experienced its best recordable incident rate (i.e., 3.25 per 100 employees) during the period reviewed. However, as of July 2012 when the Audit Staff's fieldwork was completed, the 2011 OSHA industry average was not yet available for comparing Duquesne Light's performance.

**Exhibit VII – 10
Duquesne Light Company
Occupational Safety and Health Administration Recordable Rates
2006 – 2011**

Year	OSHA Recordable Rate	Industry Average Rate*	Duquesne Internal Goal
2006	5.54	4.80	N/A
2007	4.92	4.90	4.2
2008	5.34	4.00	4.2
2009	3.90	3.90	4.2
2010	4.49	3.40	3.76
2011	3.25	3.70	3.76
* - North American Industry Classification System (NAICS) code 22112, Electric power transmission, control and distribution N/A – Not Available			

Source: Data Request TD-12

Breakdowns of incidents (i.e., injuries and illnesses) that contribute to the OSHA recordable rate were provided to the Audit Staff for review. The data shows that two types of injuries account for the majority of recordable incidences. These incidences

are Slip/Trip/Fall and Strain/Sprain; combined they make up 49% to 75% of the total annual incidences between 2007 and 2011. Furthermore, these incidences occurred in the various field operation groups of Duquesne Light.

Duquesne Light indicates that it considers the prevention of all workplace injuries and illnesses to be of primary concern. The Company strives to maintain and enforce an effective safety program to protect its employees, visitors, contractor personnel, and the general public. To ensure its dedication to continual safety improvements, Duquesne Light hired an outside consultant to review its current safety practices and provide an assessment of future needs. The outside consultant's assessment was completed in March 2012 and a report was provided to the Company. As a result, Duquesne Light has modified and/or created new safety programs in response to the consultant's assessment.

Duquesne Light has the following safety programs which have been fully implemented or were in pilot stages as of July 2012:

- Safe Driver Program (Launched in January 2012) – Consists of two parts, classroom and practical training. The classroom training entails refresher courses on Pennsylvania driving laws and introductory course on getting to know one's vehicle. The practical part lets employees practice certain driving skills such as parallel parking and backing up. As of March 2012, the program was limited to Field Services personnel.
- Near Miss & Safety Observation Program (Launched in March 2012) – Program was started at the McKeesport Service Center and the Company plans to later offer this program to all Duquesne Light employees. It is a voluntary program intended to create a safer work environment by capturing and tracking leading indicators such as safety observations or near misses with the sole objective of preventing future incidents or accidents.
- Human Performance Training (Launched January 2012) – This program was developed to improve the safety and productivity in the Duquesne Light workforce. It is a proactive initiative which looks for Company latent organizational weaknesses as well as precursors that could lead to events or human errors; this in turn helps to prevent errors or mishaps which cause injuries to individual or damage to equipment. It gives the employees a structured and systematic approach to performing their task or work assignments safer and more efficiently. As of March 14, 2012, over 350 employees have participated in the program.
- Overall Injury Prevention Program – The program focuses on Duquesne Light's leading injuries which are strains and sprains. The program is in its infancy stage and running as an employee led pilot program in the underground group. The program consists of a voluntary stretching program which begins 15 minutes prior to the beginning of an employee's shift and concludes up to 15 minutes into their shift (i.e., a split of employee time and Company time). The program is expected to be adopted and refined by a union/management sub-committee and introduced in other work areas as appropriate.

The Company has a Safety Committee, Safety Steering Committee, and several sub-committees to oversee the progress of each safety program and review data to see whether certain modifications are deemed necessary to increase the effectiveness of each program. The Steering Committee consists of department vice presidents and managers; and the sub-committees consist of several managers, supervisors, and coordinators from various Duquesne Light departments.

Recommendations

- 1. Conduct a staffing study to analyze the costs and benefits of reducing overtime through various practices such as adjusting levels of shift work, relocating personnel between districts, hiring additional craft workers, and/or using more outside contractor hours.**
- 2. Expand the databases used to track and monitor third-party damage and claims to include all pertinent information regarding types of damages, names of parties, invoiced amounts, settled amounts, and settlement reasons in order to better identify the causes of and control third party damage.**
- 3. Strive to achieve average or better Occupational Safety and Health Administration recordable incident rates by monitoring and continually modifying safety programs to address the most current safety issues at the Company.**

VIII. CUSTOMER SERVICE

Background

Customer service functions at Duquesne Light Company (Duquesne Light or Company) are performed by the Customer Care Division (Customer Care), whose organization structure is displayed in Exhibit VIII-1. The Vice President – Customer Care oversees three customer service groups: Customer Revenue Management, Customer Programs, and Customer Contact. Brief descriptions of each group are as follows:

- Customer Revenue Management –

Meter Reading, Billing and Payment Processing – Responsible for the entire revenue cycle, including meter reading, customer billing, and processing of customer payments.

Credit and Collections/Universal Services – Responsible for developing and maintaining the credit and collections function that protects the revenue of the Company; develops, manages and maintains universal service programs as mandated by the Pennsylvania Public Utility Commission (PUC or Commission).

Customer Logistics – Responsible for resource allocations and using Customer Care's resources in the most efficient way; manages Customer Care statistical data.

- Customer Programs – Implements programs to help customers conserve and reduce energy demands. Invites residential, commercial and industrial customers to take advantage of a wide range of energy efficiency, conservation and demand response measures.

- Customer Contact –

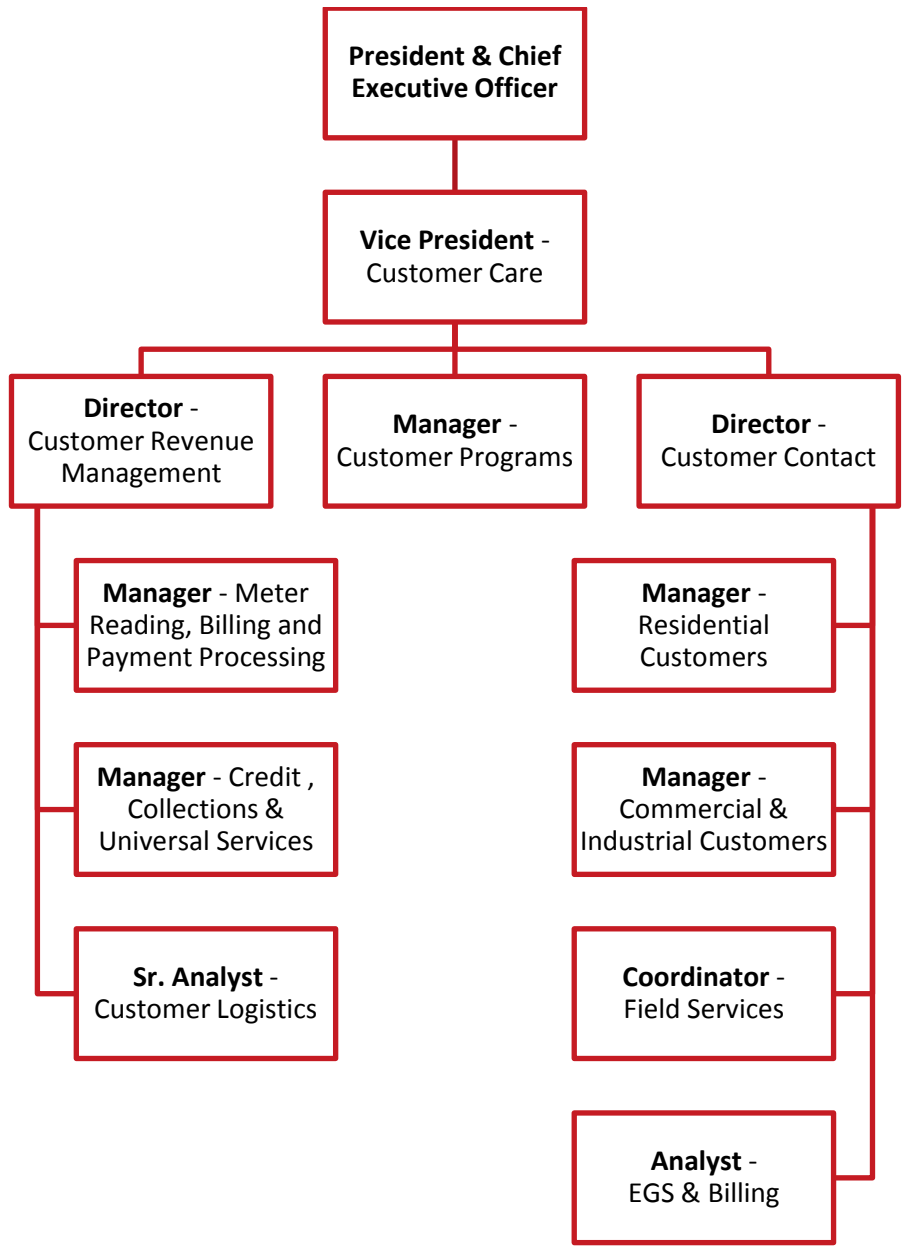
Residential Customers – Responsible for inbound and outbound customer calls concerning residential customer billing, credit, outage, change of address, and customer choice related inquiries.

Commercial and Industrial Customers – Responds to all commercial and industrial customer inquiries on billing, reliability issues, energy conservation, and commercial and industrial customer projects.

Field Services – In charge of disconnection and activation of electric services, including special meter reads, meter and field investigations, termination notices, and resolution of issues involving tampering and theft of service.

Electric Generation Supplier (EGS) and Billing – Is the point of contact for all EGS interactions; liaison between EGS and internal departments.

**Exhibit VIII – 1
Duquesne Light Company
Customer Care Division
As of January 2011**



Source: Data Request No. EM-1

Customer information for each Customer Care group is captured and communicated through the Duquesne Information Service Customer System (DISCuS). DISCuS is capable of recording customer complaints, billing, service requests, outage reports, and Customer Assistance Program (CAP) issues. The Computer Assisted Collections System (CACS) and the Outage Analysis System (OAS) are subsystems of DISCuS which are utilized for customer assistance. CACS is used to manage the credit and collection activities for customer accounts, including payment requests, credit calls, dunning letters and the service termination process. OAS is used for reporting outage information; OAS gathers outage information and links customer accounts to related circuit information which is then available to customer service representatives and the interactive voice response system (IVR). In addition to OAS, the Company has implemented a Power Restoration Update Center website to provide customers with timely or “up-to-the-minute” status of their restoration efforts.

Duquesne Light began to replace DISCuS and related software packages with a new Oracle system in June of 2010, and as of December 2012 completion is expected in the 4th quarter of 2013. This replacement includes updates to the business intelligence and reporting processes, customer web portal and IVR systems. The Oracle system should help Duquesne Light improve and enhance its customer-focused vision and allow the Company to become more technologically advanced. The project has been named FOCUS, and is the foundation for implementing Advanced Metering Infrastructure (AMI) under legislation Act 129, also known as the Smart Meter Program. Duquesne Light anticipates that all of its smart meters will be fully deployed by the end of 2020.

In addition to being the foundation for implementation of AMI, the FOCUS project will provide the Company with the ability to easily make system upgrades and enhancements, offer new customer products and services, and ease the transition to Direct Load Control and Home Energy management practices. Also, the Oracle package will provide customers with access to near real-time information. A few other customer benefits include, but are not limited to: online appointment scheduling, detailed payment arrangement billing, integrated CAP billing, customer account numbers which do not expire, additional electronic billing features, and seasonal mailing address options.

Customer service performance is monitored by the PUC’s Bureau of Consumer Services (BCS). BCS assesses telephone performance by the following three measures of telephone access:

- Busy-Out Rate – the number of calls to a call center that receive a busy signal divided by the total number of calls received at a call center.
- Call Abandonment Rate – the number of calls to a company’s call center that were abandoned divided by the total number of calls that the company received at its call center or business office.
- Percentage of Calls Answered within 30 Seconds – the percentage of calls answered within 30 seconds (“answered” means a company representative is

ready to render assistance to the caller). An acknowledgement that the consumer is on the line does not constitute an answer.

It is important that all three statistics be considered together as telephone access for the consumer may not be accurately portrayed by just one of the statistics. For example, a company may perform well in regards to the Percentage of Calls Answered within 30 Seconds, but it may have a high average Busy-Out rate. Exhibit VIII-2 shows that Duquesne Light’s telephone access performance for the years 2007 – 2011 remained the same for the Busy-Out Rate and decreased for the other two measures.

**Exhibit VIII – 2
Duquesne Light Company
Telephone Access Statistics
2007 – 2011**

Year	Busy-Out Rate	Call Abandonment Rate	% of Calls Answered within 30 Seconds
2007	0%	4%	77%
2008	0%	4%	80%
2009	0%	3%	78%
2010	0%	3%	77%
2011	0%	3%	76%

Source: 2007 – 2011 Bureau of Consumer Services Customer Service Performance Report

Exhibit VIII-3 compares Duquesne Light’s 2011 telephone access statistics to a panel of the other Pennsylvania electric distribution companies (EDCs). In 2011, the Company performed better than the panel in regards to the Busy-Out Rate and Call Abandonment Rate, but performed slightly below the panel in regards to the Percentage of Calls Answered within 30 Seconds.

The CAP program at Duquesne Light is used to help qualified customers remain current with their electric bills through reduced monthly payments, arrearage forgiveness over time, and referrals to community services and programs. The program’s goal is to help reduce future delinquencies or related payment arrangement requests (PARs) and increase cash flow. At Duquesne Light, CAP issues are handled by Credit and Collections/Universal Services, which is located within the Customer Revenue Management group. In addition to CAP, other programs offered include the Low-Income Usage Reduction Program (LIURP), which helps low-income residential customers lower the amount of electricity used through the installation of energy saving features, the Customer Assistance Referral and Evaluation Program (CARES), which helps customers with special needs, the Low-Income Home Energy Assistance

Exhibit VIII – 3
Duquesne Light Company
2011 Telephone Access Statistics
Duquesne Light vs. Electric Distribution Company Panel

Company	Busy-Out Rate	Call Abandonment Rate	% of Calls Answered within 30 Seconds
FirstEnergy*	6%	3%	80%
PECO Energy Co.	1%	5%	80%
PPL Electric Utilities	0%	3%	82%
UGI-Electric	0%	4%	82%
West Penn Power	0%	5%	62%
Panel Average	1%	4%	77%
Duquesne Light	0%	3%	76%

* - Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company Combined

Source: 2011 Bureau of Consumer Services Customer Service Performance Report

Program (LIHEAP), a federal program that provides financial assistance to needy households for home energy bills, and utility company hardship funds, which provide cash assistance to utility customers to help them pay their utility bills. Exhibit VIII-4 shows customer assistance program data for 2007-2011. Each category has seen an increase in enrollment or grants being awarded to customers with the exception of LIURP. The trend displayed on Exhibit VIII-4 demonstrates the positive results of Duquesne Light's proactive efforts to educate and bringing awareness to its customers of the availability of assistance programs.

Exhibit VIII – 4
Duquesne Light Company
Customer Assistance Program Data
2007 – 2011

	2007	2008	2009	2010	2011
CAP Enrollment	27,566	30,799	33,145	35,981	37,893
CARES Enrollment	14,444	16,951	17,901	17,109	21,273
Hardship Fund Grants	1,408	1,036	2,083	2,565	1,792
LIURP Jobs	4,688	4,189	4,250	3,637	3,231
LIHEAP Grants	11,823	12,223	17,406	28,207	23,667

Source: Data Request No. CS-23

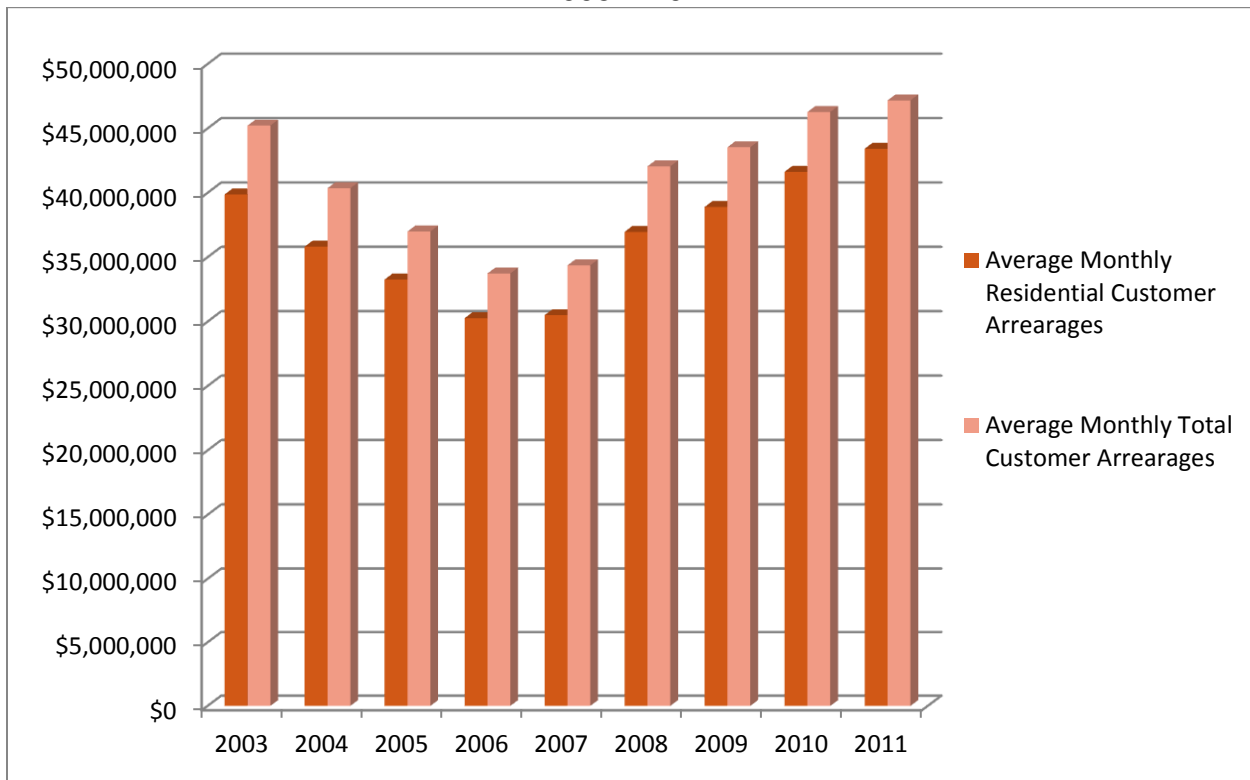
Findings and Conclusions

Our examination of the Customer Service function included a review of the organizational structure, current policies and procedures, performance measures and levels, customer billing and payment processes, credit and collections procedures and meter reading. Based on our review, the Company should initiate or devote additional efforts to improving the efficiency and/or effectiveness of its customer service function by addressing the following issues:

1. Duquesne Light has excessive residential customer arrearages.

Duquesne Light's average monthly residential and total customer arrearages for 2003-2011 are shown in Exhibit VIII-5. From 2003 to 2007, Duquesne Light demonstrated a sizable reduction in total delinquencies from approximately \$45.2 million to approximately \$34.4 million. However, in subsequent years this trend reversed and total delinquencies eventually surpassed the previous high, reaching approximately \$47.2 million in 2011.

**Exhibit VIII – 5
Duquesne Light Company
Average Monthly Residential and Total Customer Arrearages
2003 – 2011**



Source: Data Request No. CS-27 and 2009 Management Efficiency Investigation

Duquesne Light's average monthly customer arrearages, by customer class and in total, for the years 2007-2011 are shown in Exhibit VIII-6. Total customer arrearages increased from approximately \$34.4 million in 2007 to approximately \$47.2 million in 2011, an increase of approximately \$12.8 million or 37.3 %. This increase was primarily due to an increase in residential customer arrearages, which increased from approximately \$30.5 million in 2007 to approximately \$43.4 million in 2011, an increase of \$12.9 million or 42.4 %. Residential customer arrearages, as a percentage of total customer arrearages, increased from 88.7% in 2007 to 92.1% in 2011.

Exhibit VIII – 6
Duquesne Light Company
Average Monthly Customer Arrearages
2007 – 2011

	< 30 Days	30 - 60 Days	61 - 90 Days	> 90 Days	Totals	% of Total	% > 90 Days
2007							
Residential	\$2,304,090	\$3,191,653	\$3,324,135	\$21,688,274	\$30,508,152	88.7%	71.1%
Commercial	\$1,858,087	\$488,115	\$189,771	\$964,950	\$3,500,922	10.2%	27.6%
Industrial	\$244,200	\$98,908	\$5,899	\$20,239	\$369,246	1.1%	5.5%
Totals	\$4,406,377	\$3,778,677	\$3,519,805	\$22,673,462	\$34,378,320	100.0%	66.0%
2008							
Residential	\$2,855,381	\$3,568,065	\$3,554,363	\$26,990,201	\$36,968,009	87.9%	73.0%
Commercial	\$2,260,035	\$551,507	\$247,131	\$1,482,374	\$4,541,048	10.8%	32.6%
Industrial	\$229,370	\$96,962	\$36,572	\$181,610	\$544,514	1.3%	33.4%
Totals	\$5,344,786	\$4,216,534	\$3,838,066	\$28,654,185	\$42,053,571	100.0%	68.1%
2009							
Residential	\$2,808,382	\$3,504,911	\$3,895,898	\$28,690,929	\$38,900,120	89.3%	73.8%
Commercial	\$2,057,185	\$484,377	\$187,867	\$1,387,595	\$4,117,024	9.5%	33.7%
Industrial	\$323,497	\$105,886	\$21,065	\$73,360	\$523,807	1.2%	14.0%
Totals	\$5,189,064	\$4,095,174	\$4,104,830	\$30,151,884	\$43,540,952	100.0%	69.2%
2010							
Residential	\$3,020,811	\$4,047,924	\$4,403,994	\$30,161,352	\$41,634,080	90.0%	72.4%
Commercial	\$1,911,553	\$402,915	\$152,249	\$1,418,879	\$3,885,596	8.4%	36.5%
Industrial	\$378,674	\$198,181	\$8,078	\$168,186	\$753,119	1.6%	22.3%
Totals	\$5,311,038	\$4,649,019	\$4,564,321	\$31,748,417	\$46,272,794	100.0%	68.6%
2011							
Residential	\$3,520,806	\$4,457,436	\$4,896,768	\$30,549,633	\$43,424,642	92.1%	70.4%
Commercial	\$1,762,780	\$347,793	\$149,795	\$992,508	\$3,252,876	6.9%	30.5%
Industrial	\$353,764	\$76,404	\$4,347	\$61,966	\$496,481	1.1%	12.5%
Totals	\$5,637,351	\$4,881,633	\$5,050,910	\$31,604,107	\$47,174,000	100.0%	67.0%

Source: Data Request No. CS-27

Exhibit VIII-7 compares Duquesne Light's average annual residential arrearage per customer to the average of a panel of the other major Pennsylvania EDC's for 2007-2011. The Company's average annual residential arrearage per customer increased by approximately 33.2% from \$382 in 2007 to \$509 in 2011, while the average of the panel of Pennsylvania EDCs increased by approximately 28.6% from \$350 in 2007 to \$450 in 2011. Duquesne Light's average annual residential arrearage per customer has been consistently above the panel average for the years examined. In 2011, Duquesne Light's average annual residential arrearage per customer of \$509 was \$59 (or 13.1%) higher than the panel average of \$450.

Exhibit VIII – 7
Duquesne Light Company
Average Annual Residential Arrearage Per Customer
2007 – 2011

	2007	2008	2009	2010	2011
Metropolitan Edison Company	\$443	\$441	\$442	\$488	\$559
PECO Energy Co.	\$351	\$388	\$478	\$449	\$455
Pennsylvania Electric Company	\$369	\$364	\$352	\$370	\$444
Pennsylvania Power Company	\$438	\$494	\$543	\$559	\$563
PPL Electric Utilities	\$415	\$437	\$454	\$480	\$565
West Penn Power	\$83	\$87	\$98	\$112	\$116
Panel Average	\$350	\$369	\$395	\$410	\$450
Duquesne Light	\$382	\$483	\$508	\$539	\$509

Source: 2007-2011 Bureau of Consumer Services Report on Universal Service Programs and Collections Performance

Exhibit VIII-8 compares the average residential arrearage per customer for all residential customers with that of low-income residential customers. Exhibit VIII-8 goes one step further by distinguishing between customers on a payment agreement and those that are not on a payment agreement. For the most part, the Company's averages are near the panel averages except for one category, low-income residential customers not on a payment agreement, where Duquesne Light exceeds the panel average by \$247, or 49.0%. It is noteworthy that Duquesne Light's average residential arrearage per customer for low-income residential customers not on a payment agreement is higher than for those same customers on a payment agreement, i.e., \$751 versus \$624.

Exhibit VIII – 8
Duquesne Light Company
Comparison of Average Residential Arrearage Per Customer
For All Customers to Low Income Customers to a
Panel of Pennsylvania Electric Distribution Companies
2011

Company	On Payment Agreement		Not on Payment Agreement		Overall Average Arrearage	
	All	Low	All	Low	All	Low
Metropolitan Edison Company	\$821	\$907	\$290	\$356	\$559	\$697
PECO Energy Co.	\$633	\$787	\$419	\$913	\$455	\$881
Pennsylvania Electric Company	\$696	\$736	\$229	\$271	\$444	\$532
Pennsylvania Power Company	\$880	\$962	\$241	\$274	\$563	\$692
PPL Electric Utilities	\$465	\$532	\$604	\$955	\$565	\$802
West Penn Power	\$198	\$209	\$111	\$256	\$116	\$247
Panel Average	\$616	\$689	\$316	\$504	\$450	\$642
Duquesne Light	\$635	\$624	\$373	\$751	\$509	\$684

All – Represents all residential customers

Low – Represents low-income residential customers

Source: 2011 Bureau of Consumer Services Report on Universal Service Programs and Collections Performance

To reduce arrearages, Duquesne Light must strive to acquire constant, timely payments from customers through rapid response to payment arrangement requests (see Recommendation 2), proper negotiation of payment arrangement requests, increased use of CAP and other assistance programs for low-income customers, and persistent collection of delinquent accounts. Moreover, as shown in Exhibit VIII-9, had the Company's average monthly residential arrearage per customer equaled the panel average over the 2007-2011 period, Duquesne Light would have experienced approximately \$2.0 million lower average annual arrearage balances during this five year period. This reduction is based on the difference in arrearage levels between Duquesne Light and the panel of Pennsylvania EDC's (as shown in Exhibit VIII-7) multiplied by the number of Duquesne Light customers in debt for the respective years. Additionally, by reducing arrearage levels, an increase in cash flow would occur, which in return would effectively reduce the amount of money the Company would need to borrow. A computation of the estimated savings Duquesne Light could have achieved from reduced borrowing is also shown in Exhibit VIII-9. Overall, from 2007 to 2011, Duquesne Light could have saved approximately \$410,000 in interest expense, or an average annual savings of approximately \$82,000, by reducing arrearage levels. The average annual prime interest rates were used to calculate the potential savings in interest expense in Exhibit VIII-9. The prime interest rate is the interest charged by

most major banks to their most creditworthy customers. The average annual prime interest rate has dropped from 8.08% in 2007 to 3.25% in the years 2009 - 2011, which greatly reduced the potential savings in the latter years reviewed. The potential savings in the future could be even greater should interest rates increase.

**Exhibit VIII – 9
Duquesne Light Company
Potential Savings From Reduced Borrowing
2007 – 2011**

	2007	2008	2009	2010	2011
Difference in Arrears from Panel	\$32	\$114	\$113	\$129	\$59
Customers in Debt	22,360	22,227	22,659	22,685	21,589
Reduction in Borrowing	\$715,520	\$2,533,878	\$2,560,467	\$2,926,365	\$1,273,751
Avg. Annual Prime Interest Rate	8.08%	5.21%	3.25%	3.25%	3.25%
Potential Savings	\$57,814	\$132,015	\$83,215	\$95,107	\$41,397
Average Annual Savings	\$81,910				

Source: 2007-2011 Bureau of Consumer Services Report on Universal Service Programs and Collections Performance, Federal Reserve Board and Auditor Analysis

2. Duquesne Light’s average response time to customer complaints and payment arrangement requests is too long.

When consumer complaints and payment arrangement requests (PARs) are received by Duquesne Light, they are placed in separate queues and assigned to an analyst. The amount of time an analyst needs to handle a consumer complaint or PAR depends on the nature and complexity of the case. Formal consumer complaints, informal consumer complaints and PARs that are received by the PUC are handled at Duquesne Light by the Regulatory Consumer Relations group in the Office of General Counsel. This group receives informal and PAR matters forwarded from the Commission through automated software. The software batches all material received and is available the following business day. All formal complaints, informal complaints and PARs are then sorted and assigned to personnel in the order they are received, unless one is of higher priority.

Exhibits VIII-10 and VIII-11 compare Duquesne Light’s average response time to residential consumer complaints and PARs with those of a panel of 6 other Pennsylvania EDCs for the period 2006 to 2010. In general, Duquesne Light’s average response time to residential consumer complaints was longer in duration than that of the panel average in every year except 2009. In 2010, Duquesne Light’s average response time to residential consumer complaints was 18.6 days versus the panel average of

12.9 days. In general, the Company's average response time to residential PARs was longer in duration than that of the panel average for the period reviewed. In 2010, Duquesne Light's average response time to residential PARs was 13.3 days versus the panel average of 5.5 days. Furthermore, the best performing EDCs in the panel had an average response time to residential consumer complaints of just over 9 days, and an average response time to residential PARs of 2.3 to 2.5 days.

Exhibit VIII – 10
Duquesne Light Company
Average Response Time to Residential Consumer Complaints (Days)
2006-2010

	2006	2007	2008	2009	2010	Compound Growth
Metropolitan Edison Company	14.2	16.6	13.0	12.3	11.0	-6.2%
PECO Energy Co.	13.7	20.7	19.3	14.8	11.8	-3.7%
Pennsylvania Electric Company	15.0	12.5	12.0	13.5	9.3	-11.3%
Pennsylvania Power Company	8.4	14.9	11.5	11.5	9.4	2.9%
PPL Electric Utilities	23.9	22.5	19.5	20.1	22.7	-1.3%
West Penn Power	20.1	14.1	22.1	10.7	13.2	-10.0%
Panel Average	15.9	16.9	16.2	13.8	12.9	-5.1%
Duquesne Light	20.8	23.6	22.9	12.7	18.6	-2.8%

Source: 2006-2010 Bureau of Consumer Services Utility Consumer Activities Report and Evaluation

Exhibit VIII – 11
Duquesne Light Company
Average Response Time to Residential Payment Arrangement Requests (Days)
2006 – 2010

	2006	2007	2008	2009	2010	Compound Growth
Metropolitan Edison Company	1.8	2.7	2.3	3.1	2.3	6.3%
PECO Energy Co.	13.8	13.7	13.0	5.3	4.7	-23.6%
Pennsylvania Electric Company	2.6	2.7	2.5	2.8	2.5	-1.0%
Pennsylvania Power Company	2.2	2.7	2.3	2.5	2.5	3.2%
PPL Electric Utilities	24.0	6.1	8.1	10.3	10.3	-19.1%
West Penn Power	18.4	13.8	22.9	6.7	10.9	12.3%
Panel Average	10.5	7.0	8.5	5.1	5.5	-14.7%
Duquesne Light	15.1	22.7	16.9	8.7	13.3	-3.1%

Source: 2006-2010 Bureau of Consumer Services Utility Consumer Activities Report and Evaluation

As shown in Exhibit VIII-12, the numbers of consumer complaints and PARs have risen for both Duquesne Light and other Pennsylvania EDCs. Despite these increases, Duquesne Light's Regulatory Consumer Relations group's staffing levels have remained steady and the Company does not plan on making any significant staffing changes.

**Exhibit VIII – 12
Duquesne Light Company
Number of Residential Consumer Complaints & Payment Arrangement Requests
2006 – 2010**

	2006	2007	2008	2009	2010	Compound Growth Rate
Consumer Complaints						
Duquesne Light	252	322	467	323	500	19%
Other PA EDCs	4,585	5,737	5,731	5,539	5,352	4%
Payment Arrangement Requests						
Duquesne Light	2,859	3,507	5,089	4,482	4,859	14%
Other PA EDCs	22,412	24,834	33,832	30,703	32,707	10%

Source: 2006 – 2010 Bureau of Consumer Services Utility Consumer Activities Report and Evaluation

The Company should work with BCS to determine if policy or procedural changes can be made to reduce the high response times to residential consumer complaints and PARs. Other considerations to improving response times are underway or in the thought process at the Company (e.g., FOCUS project and developing a standardized form to use that might be mutually acceptable to the Company and BCS). With the implementation of FOCUS, the Regulatory Consumer Relations group will be provided a new software package enabling formal forwarded complaints and PARs to be received in real-time and the ability to respond to cases in a more efficient and timely manner.

Recommendations

1. **Enhance current measures to reduce residential customer arrearages.**
2. **Examine potential policy, procedure and staffing level changes that may be necessary to efficiently respond to the increasing levels of customer complaints and Payment Arrangement Requests with the PUC's Bureau of Consumer Services.**

IX. EMERGENCY PREPAREDNESS

Background

Effective June 11, 2005, Pennsylvania Public Utility Commission (PUC or Commission) regulations at 52 Pa. Code § 101.1-101.7 (Section 101) require jurisdictional utilities to develop and maintain appropriate written physical security, cyber security, emergency response, and business continuity plans to protect the Commonwealth’s infrastructure and ensure safe, continuous and reliable utility service. Along with the requirement to establish these “emergency preparedness” plans, a utility is also required to annually submit a Self Certification Form with the Commission. This form is comprised of 13 questions as shown in Exhibit IX-1 below.

Exhibit IX – 1 Pennsylvania Public Utility Commission Public Utility Security Planning and Readiness Self Certification Form

Item No.	Classification	Response (Yes-No-N/A*)
1	Does your company have a physical security plan?	1.
2	Has your physical security plan been reviewed in the last year and updated as needed?	2.
3	Is your physical security plan tested annually?	3.
4	Does your company have a cyber security plan?	4.
5	Has your cyber security plan been reviewed in the last year and updated as needed?	5.
6	Is your cyber security plan tested annually?	6.
7	Does your company have an emergency response plan?	7.
8	Has your emergency response plan been reviewed in the last year and updated as needed?	8.
9	Is your emergency response plan tested annually?	9.
10	Does your company have a business continuity plan?	10.
11	Does your business continuity plan have a section or annex addressing pandemics?	11.
12	Has your business continuity plan been reviewed in the last year and updated as needed?	12.
13	Is your business continuity plan tested annually?	13.

* Attach a sheet with a brief explanation if N/A is supplied as a response to a question.
Source: Public Utility Planning and Readiness Self Certification Form, as available on the PUC website at http://www.puc.state.pa.us/general/onlineforms/pdf/Physical_Cyber_Security_Form.pdf.

The Audit Staff reviewed the most recent (2011) Self Certification Form submitted by Duquesne Light Company (Duquesne Light or Company) to determine the status of its responses. Our examination of the Company’s emergency preparedness included a review of the physical security plan, cyber security plan, emergency response plan, business continuity plan, and all associated security measures. This included a review of emergency response manuals to ensure that proper identification of PUC and other government agency contacts were sufficient and up to date. In addition, the Audit Staff also reviewed measures taken by the Company to safeguard its areas of vulnerability. If situations were to occur, however, which prevented normal

operations from occurring; the Business Continuity Plan adequately addresses contingencies for people, equipment, facilities and services provided. Due to the sensitive nature of the information reviewed in this functional area, specific information is not revealed in this report but rather the generalities of the information reviewed is summarized.

Duquesne Light has a written emergency response plan which the Company calls its “Storm Plan” that provides guidelines and procedures for managing response to service interruption events that result from any cause (i.e., not just for weather related events). The Company’s Storm Plan addresses identification and assessment of events; event classification based on lockouts (i.e., a circuit breaker physically switches off the transmission of electricity) and the number of neighborhoods affected (i.e., Blue, Yellow or Red Event – see Exhibit IX-2 for brief descriptions), restoration plan strategy, response priorities, field investigations and communication of service interruption (i.e., local media outlets, Twitter, Facebook, Company webpage, text messages, and Interactive Voice Response system). Additionally, Duquesne Light has implemented an outage map as part of their Power Restoration Update Center webpage to show where outages are occurring. The Power Restoration Update Center webpage, which is activated when 25,000 or more customers are affected by a storm for longer than 24 hours, provides timely updates on the status of the Company’s restoration efforts.

**Exhibit IX – 2
Duquesne Light Company
Outage Event Classifications
As of July 2012**

Event	Description
Blue	Five or less lockouts or six or less neighborhoods out
Yellow	Eight or less lockouts or fifteen or less neighborhoods out
Red	16+ lockouts and 21+ neighborhoods out (10,000 customers)

Source: Data Request No. EP-15

To protect physical and cyber security, the measures used by the Company include the following:

- Physical access to buildings, service centers, garages, and maintenance areas is restricted through various security measures.
- Cyber access allows varying levels of access to internet, intranet and software applications. The amount of access permitted is determined by an employee’s job description and title.
- Duquesne Light utilizes multiple types of clustered industry standard firewalls to secure and protect its critical cyber infrastructure.
- Cyber risk and vulnerability assessments are conducted periodically.

Duquesne Light tests its physical security, cyber security, emergency response and business continuity plans at least annually and, in some instances, multiple times a year. A review is completed to ensure each plan has been tested, results of testing have been evaluated, and the necessary corrective measures have been taken as necessary. The plans are updated accordingly following the testing and review of the individual plan.

Findings and Conclusions

Our examination of Duquesne Light's Emergency Preparedness included review of the physical security plan, cyber security plan, emergency response plan, business continuity plan, vulnerability assessment and all associated security measures. Based on our review of the Company's emergency preparedness efforts, no evidence came to our attention that would lead the Audit Staff to conclude that areas reviewed were not being addressed adequately.

Recommendations

None.

X. ACKNOWLEDGEMENTS

We wish to express our appreciation for the cooperation and assistance given to us during the course of this Focused Management and Operations Audit by the officers and staff of Duquesne Light Company.

This audit was conducted by Bryan Borres and Eric McKeever of the Management Audit Staff of the Bureau of Audits.

XI. APPENDICES

- Appendix A Duquesne Light Company Financial and Operating Data and Statistics
- Appendix B Duquesne Light Company Balance Sheet
- Appendix C Comparative Data and Statistics for the Pennsylvania Panel

Duquesne Light Company
Financial and Operating Data and Statistics

	2007	2008	2009	2010	2011	Compound Growth
Plant In Service						
Land and Land Rights	\$11,036,921	\$11,032,775	\$11,032,775	\$11,032,775	\$11,017,639	0.0%
Structures and Improvements	\$7,277,306	\$7,277,306	\$8,298,431	\$8,951,218	\$17,784,177	25.0%
Station Equipment	\$157,108,319	\$180,248,831	\$192,570,500	\$202,529,611	\$241,099,657	11.3%
Towers and Fixtures	\$63,671,500	\$66,964,316	\$66,953,073	\$67,677,234	\$65,566,320	0.7%
Poles and Fixtures	\$10,141,958	\$10,161,467	\$10,118,034	\$12,488,320	\$30,408,154	31.6%
Overhead Conductors and Devices	\$44,619,616	\$45,132,273	\$47,243,157	\$51,641,865	\$61,764,381	8.5%
Underground Conduit	\$36,065,992	\$61,211,987	\$61,739,991	\$62,403,977	\$62,942,559	14.9%
Underground Conductors and Devices	\$19,896,640	\$42,213,924	\$42,213,924	\$42,213,924	\$42,344,395	20.8%
Roads and Trails	\$4,354	\$4,354	\$0	\$0	\$0	-100.0%
Asset Retirement Costs for Transmission Plant	\$0	\$0	\$0	\$0	\$2,091,746	NM
Total Transmission Plant	\$349,822,606	\$424,247,233	\$440,169,885	\$458,938,924	\$535,019,028	11.2%
Land and Land Rights	\$9,968,106	\$9,968,106	\$9,960,660	\$9,960,660	\$9,907,226	-0.2%
Structures and Improvements	\$49,934,971	\$50,916,397	\$51,619,618	\$54,917,637	\$57,710,126	3.7%
Station Equipment	\$289,447,837	\$302,609,175	\$311,445,194	\$338,305,435	\$365,450,396	6.0%
Poles, Towers, and Fixtures	\$295,883,341	\$301,335,331	\$309,944,162	\$320,120,949	\$343,427,412	3.8%
Overhead Conductors and Devices	\$281,435,929	\$286,900,406	\$301,024,051	\$321,588,022	\$344,174,324	5.2%
Underground Conduit	\$94,586,992	\$95,931,622	\$102,063,659	\$105,061,686	\$107,161,499	3.2%
Underground Conductors and Devices	\$206,674,090	\$214,325,340	\$227,695,434	\$245,701,689	\$261,857,818	6.1%
Line Transformers	\$226,253,702	\$239,463,668	\$247,391,980	\$260,837,100	\$279,555,657	5.4%
Services	\$78,452,643	\$81,380,047	\$84,467,101	\$87,569,830	\$84,411,413	1.8%
Meters	\$106,990,250	\$107,360,663	\$97,604,123	\$99,921,395	\$94,378,015	-3.1%
Street Lighting and Signal Systems	\$33,810,794	\$34,284,306	\$34,818,539	\$34,694,834	\$38,871,790	3.5%
Total Distribution Plant	\$1,673,438,655	\$1,724,475,061	\$1,778,034,521	\$1,878,679,237	\$1,986,905,676	4.4%
Total Plant In Service	\$2,023,261,261	\$2,148,722,294	\$2,218,204,406	\$2,337,618,161	\$2,521,924,704	5.7%
Total Materials and Supplies						
Assigned - Operations and Maintenance						
Transmission Plant (estimated)	\$1,315,989	\$2,104,149	\$1,731,924	\$874,164	\$1,431,272	2.1%
Distribution Plant (estimated)	\$12,828,471	\$11,871,411	\$13,035,664	\$17,067,202	\$15,719,489	5.2%
Operating Revenues						
Sales of Electricity						
Residential Sales	\$451,564,522	\$469,775,021	\$466,453,255	\$511,240,918	\$523,025,311	3.7%
Commercial Sales	\$323,564,567	\$342,062,535	\$294,363,794	\$298,583,403	\$259,525,290	-5.4%
Industrial Sales	\$53,962,122	\$57,588,222	\$49,431,045	\$52,857,816	\$50,388,265	-1.7%
Public Street and Highway Lighting Sales	\$14,093,545	\$15,271,034	\$14,978,549	\$14,673,388	\$13,117,952	-1.8%
Total Sales to Ultimate Customers	\$843,184,756	\$884,696,812	\$825,226,643	\$877,355,525	\$846,056,818	0.1%
Sales for Resale	\$1,348,755	\$1,362,510	\$1,310,918	\$1,199,851	\$1,350,916	0.0%
Total Sales of Electricity	\$844,533,511	\$886,059,322	\$826,537,561	\$878,555,376	\$847,407,734	0.1%
Provision for Rate Refunds	\$0	\$15,158,215	\$12,346,646	\$15,005,963	\$12,996,698	NM
Total Revenues Net Provisions	\$844,533,511	\$870,901,107	\$814,190,915	\$863,549,413	\$834,411,036	-0.3%
Megawatt Hours Sold						
Sales of Electricity						
Residential Sales	4,210,531	4,060,410	3,945,655	4,326,761	4,231,990	0.1%
Commercial Sales	6,715,380	6,631,125	6,537,414	6,712,326	6,612,422	-0.4%
Industrial Sales	3,145,181	3,008,742	2,616,153	2,987,278	3,119,737	-0.2%
Public Street and Highway Lighting Sales	67,288	66,903	64,351	63,598	63,006	-1.6%
Total Sales to Ultimate Customers	14,138,380	13,767,180	13,163,573	14,089,963	14,027,155	-0.2%
Sales for Resale	22,479	22,708	21,848	19,997	22,515	0.0%
Total Sales of Electricity	14,160,859	13,789,888	13,185,421	14,109,960	14,049,670	-0.2%
Average Number of Customers Per Month						
Sales of Electricity						
Residential Sales	524,412	524,404	524,351	524,584	524,865	0.0%
Commercial Sales	58,224	58,839	58,724	58,707	58,923	0.3%
Industrial Sales	1,369	1,200	1,185	1,171	1,158	-4.1%
Public Street and Highway Lighting Sales	1,939	2,533	2,575	2,632	2,664	8.3%
Total Sales to Ultimate Customers	585,944	586,976	586,835	587,094	587,610	0.1%
Sales for Resale	1	1	1	2	2	18.9%
Total Sales of Electricity	585,945	586,977	586,836	587,096	587,612	0.1%

NM - Not Meaningful

Source: Pa PUC Annual Reports

Duquesne Light Company
Financial and Operating Data and Statistics

	2007	2008	2009	2010	2011	Compound Growth
Operation and Maintenance Expenses						
Transmission						
Total Operation	\$4,146,105	\$5,543,688	\$6,902,706	\$2,323,927	\$4,136,431	-0.1%
Maintenance Supervision and Engineering	\$202,298	\$159,565	\$138,431	\$156,535	\$177,683	-3.2%
Maintenance of Structures	\$9,503	\$381,427	\$986,424	\$602,054	\$759,619	199.0%
Maintenance of Station Equipment	\$625,583	\$1,102,975	\$1,501,247	\$1,528,947	\$1,728,075	28.9%
Maintenance of Overhead Lines	\$999,140	\$1,514,841	\$1,398,870	\$1,086,644	\$1,828,686	16.3%
Maintenance of Underground Lines	\$11,923	\$1,284	\$2,199	\$440	\$1,393	-41.5%
Maintenance of Misc. Transmission Plant	\$0	\$47,163	\$95,562	\$259,762	\$688,434	NM
Total Maintenance	\$1,848,447	\$3,207,255	\$4,122,733	\$3,634,382	\$5,183,890	29.4%
Total Transmission O&M Expenses	\$5,994,552	\$8,750,943	\$11,025,439	\$5,958,309	\$9,320,321	11.7%
Distribution						
Total Operation	\$12,787,341	\$12,769,514	\$9,930,856	\$12,829,169	\$13,180,462	0.8%
Maintenance Supervision/Engineering	\$299,825	\$69,331	\$14,504	\$165,113	\$324,460	2.0%
Maintenance of Structures	(\$25,043)	\$130,518	\$126,624	\$123,328	\$169,466	NM
Maintenance of Station Equipment	\$2,032,036	\$1,441,332	\$1,944,170	\$5,142,542	\$3,138,101	11.5%
Maintenance of Overhead Lines	\$9,774,434	\$11,396,773	\$12,903,562	\$17,999,388	\$14,555,134	10.5%
Maintenance of Underground Lines	\$428,847	\$532,403	\$1,119,410	\$1,238,484	\$1,503,167	36.8%
Maintenance of Line Transformers	\$106,222	\$18,277	\$58,036	\$78,532	\$37,075	-23.1%
Maintenance of Street Lighting/Signal Systems	\$36,706	\$443,790	\$429,825	\$403,623	\$396,186	81.3%
Maintenance of Meters	\$1,471,547	\$1,293,953	\$1,368,150	\$1,371,962	\$52,267	-56.6%
Maintenance of Misc. Distribution Plant	\$264,165	\$322,656	\$241,208	\$233,548	\$141,447	-14.5%
Total Maintenance	\$14,388,739	\$15,649,033	\$18,205,489	\$26,756,520	\$20,317,303	9.0%
Total Distribution O&M Expenses	\$27,176,080	\$28,418,547	\$28,136,345	\$39,585,689	\$33,497,765	5.4%
Total Transmission and Distribution Expenses	\$33,170,632	\$37,169,490	\$39,161,784	\$45,543,998	\$42,818,086	6.6%
Customer Service and Info. Expenses						
Supervision	\$0	\$0	\$0	\$0	\$0	0.0%
Customer Assistance Expenses	\$2,604,716	\$2,520,089	\$2,606,934	\$27,359,161	\$22,941,658	72.3%
Information and Instructional Expenses	\$0	\$0	\$0	\$0	\$0	0.0%
Misc Customer Service and Info. Expenses	\$0	\$0	\$0	\$0	\$0	0.0%
Total Customer Service and Info. Expenses	\$2,604,716	\$2,520,089	\$2,606,934	\$27,359,161	\$22,941,658	72.3%
Administrative and General Expenses						
Administrative and General Salaries	\$31,803,539	\$19,345,849	\$18,694,673	\$14,514,405	\$14,814,571	-17.4%
Office Supplies and Expenses	\$3,786,693	\$7,737,737	\$3,304,959	\$2,997,085	\$3,564,387	-1.5%
Outside Services Employed	\$11,477,542	\$11,265,151	\$11,768,445	\$10,598,452	\$11,548,176	0.2%
Property Insurance	\$5,467,018	\$4,096,500	\$4,722,927	\$5,319,329	\$5,392,190	-0.3%
Injuries and Damages	\$755,740	\$2,042,109	\$1,130,678	\$457,319	\$787,133	1.0%
Employee Pension and Benefits	\$31,719,047	\$16,461,810	\$19,609,439	\$19,532,432	\$31,937,033	0.2%
Regulatory Commission Expenses	\$5,552,557	\$3,016,839	\$7,226,226	\$685,856	\$675,258	-40.9%
General Advertising Expenses	\$1,280,544	\$1,057,570	\$1,016,336	\$1,041,270	\$561,220	-18.6%
Miscellaneous General Expenses	\$7,149,030	\$7,486,723	\$935,029	\$3,144,076	\$4,859,815	-9.2%
Rent	\$3,491,572	\$3,731,185	\$3,494,590	\$2,549,998	\$2,281,684	-10.1%
Total Admin. And General Expenses	\$102,483,282	\$76,241,473	\$71,903,302	\$60,840,222	\$76,421,467	-7.1%
Total Operation & Maintenance Expenses	\$138,258,630	\$115,931,052	\$113,672,020	\$133,743,381	\$142,181,211	0.7%
Disposition of Energy (Megawatt Hours)						
Sales to Ultimate Customers	14,138,380	13,767,180	13,163,573	14,089,963	14,027,155	-0.2%
Sales for Resale	22,479	22,708	21,848	19,997	22,515	0.0%
Energy Used by Company	30,068	30,222	30,499	29,246	28,923	-1.0%
Total Energy Losses	842,166	804,251	732,784	816,116	873,045	0.9%
Energy Loss as a Percent of Total Available	5.6%	5.5%	5.3%	5.5%	5.8%	1.0%
Total Energy Available	15,033,093	14,624,361	13,948,704	14,955,322	14,951,638	-0.1%

NM - Not Meaningful

Source: Pa PUC Annual Reports

**Duquesne Light Company
Balance Sheet**

**Appendix B
Page 1 of 2**

BALANCE SHEET	2007	2008	2009	2010	2011	Compound Growth
UTILITY PLANT						
Utility Plant	\$2,245,560,602	\$2,387,303,282	\$2,463,203,501	\$2,598,845,818	\$2,796,216,987	5.6%
Construction Work in Progress	\$280,900,962	\$238,543,727	\$297,633,929	\$369,339,841	\$361,352,912	6.5%
TOTAL UTILITY PLANT	\$2,526,461,564	\$2,625,847,009	\$2,760,837,430	\$2,968,185,659	\$3,157,569,899	5.7%
Accum. Depreciation and Amortization	\$785,098,776	\$817,254,160	\$831,258,579	\$872,854,774	\$909,312,831	3.7%
NET UTILITY PLANT	\$1,741,362,788	\$1,808,592,849	\$1,929,578,851	\$2,095,330,885	\$2,248,257,068	6.6%
OTHER PROPERTY AND INVESTMENTS						
Nonutility Property	\$1,430,206	\$1,430,206	\$1,437,652	\$1,437,652	\$641,342	-18.2%
Accum. Depreciation and Amortization	(\$1,090,663)	(\$1,090,663)	(\$1,090,663)	(\$1,090,663)	(\$294,991)	-27.9%
Investments in Associated Companies	\$0	\$0	\$0	\$0	\$0	0.0%
Investment in Subsidiary Companies	\$6,990,107	\$7,144,604	\$7,287,722	\$6,826,330	\$6,828,129	-0.6%
Noncurrent Portion of Allowances	\$0	\$0	\$0	\$0	\$0	0.0%
Other Investments	\$597,103	\$330,754	\$269,496	\$260,809	\$215,217	-22.5%
Special Funds	\$59,501,155	\$1,199,512	\$1,229,612	\$1,267,812	\$2,814,872	-53.4%
TOTALS	\$67,427,908	\$9,014,413	\$9,133,819	\$8,701,940	\$10,204,569	-37.6%
CURRENT AND ACCRUED ASSETS						
Cash	\$1,661,726	\$7,419,516	\$4,311,024	\$5,666,362	\$6,518,237	40.7%
Special Deposits	\$46,190	\$46,652	\$0	\$0	\$0	-100.0%
Working Fund	\$26,679	\$26,679	\$0	\$9,000	\$9,000	-23.8%
Temporary Cash Investments	\$22,581,000	\$14,149,000	\$16,911,000	\$1,240,000	\$40,700,000	15.9%
Notes Receivable	\$0	\$0	\$0	\$0	\$0	0.0%
Customer Accounts Receivable	\$119,437,341	\$136,455,414	\$130,538,699	\$143,053,580	\$136,266,912	3.4%
Other Accounts Receivable	\$9,025,330	\$8,116,845	\$5,267,410	\$6,418,521	\$8,703,444	-0.9%
Accum. for Uncollectible Accounts	(\$22,360,060)	(\$18,371,497)	(\$17,064,179)	(\$19,098,168)	(\$21,761,265)	-0.7%
Notes Receivable from Assoc. Companies	\$0	\$0	\$0	\$0	\$0	0.0%
Accts Receivable from Assoc. Companies	\$10,952,690	\$523,238	\$494,834	\$1,476,593	\$1,824,963	-36.1%
Fuel Stock	\$0	\$0	\$0	\$0	\$0	0.0%
Fuel Stock Expenses Undistributed	\$0	\$0	\$0	\$0	\$0	0.0%
Residuals and Extracted Products	\$0	\$0	\$0	\$0	\$0	0.0%
Plant Materials and Operating Supplies	\$17,019,944	\$15,851,109	\$16,962,376	\$19,038,987	\$18,482,961	2.1%
Merchandise	\$0	\$0	\$0	\$0	\$0	0.0%
Other Materials and Supplies	\$0	\$0	\$0	\$0	\$0	0.0%
Nuclear Materials Held for Sales	\$0	\$0	\$0	\$0	\$0	0.0%
Allowances	\$0	\$0	\$0	\$0	\$0	0.0%
Noncurrent Portion of Allowances	\$0	\$0	\$0	\$0	\$0	0.0%
Stores Expense Undistributed	\$0	\$0	\$0	\$0	\$26,155	NM
Gas Stored Underground-Current	\$0	\$0	\$0	\$0	\$0	0.0%
Liquefied Gas Stored and Held for Proc.	\$0	\$0	\$0	\$0	\$0	0.0%
Prepayments	\$6,296,731	\$4,723,184	\$1,978,039	\$3,143,065	\$3,341,884	-14.6%
Advances for Gas	\$0	\$0	\$0	\$0	\$0	0.0%
Interest and Dividends Receivable	\$83,156	\$9,508	\$785	\$645	\$3,689	-54.1%
Rents Receivable	\$0	\$0	\$0	\$0	\$0	0.0%
Accrued Utility Revenues	\$0	\$0	\$0	\$0	\$0	0.0%
Miscellaneous Current and Accrued Assets	\$250,727	\$3,945,959	\$1,660,372	\$736,573	\$348,455	8.6%
TOTALS	\$165,021,454	\$172,895,607	\$161,060,360	\$161,685,158	\$194,464,435	4.2%
DEFERRED DEBITS						
Unamortized Debt Expenses	\$5,463,509	\$5,121,298	\$2,624,358	\$2,339,600	\$3,125,097	-13.0%
Extraordinary Property Losses	\$0	\$0	\$0	\$0	\$0	0.0%
Unrecovered Plant and Regulatory Study	\$0	\$0	\$0	\$0	\$0	0.0%
Other Regulatory Assets	\$265,175,782	\$476,935,924	\$520,496,921	\$552,079,365	\$679,688,358	26.5%
Prelim. Survey and Investigation Charges	\$0	\$0	\$0	\$0	\$0	0.0%
Clearing Accounts	\$0	\$229	\$0	\$0	\$0	0.0%
Temporary Facilities	\$0	\$0	\$0	\$0	\$0	0.0%
Misc. Deferred Debits	\$3,216,948	\$491,983	\$55,570	\$1,184,979	\$2,578,997	-5.4%
Def. Losses from Disposition of Plant	\$0	\$0	\$0	\$0	\$0	0.0%
Research, Devel. and Demonstration	\$0	\$0	\$0	\$0	\$0	0.0%
Unamortized Loss on Reacquired Debt	\$44,917,809	\$42,153,721	\$41,935,072	\$39,183,597	\$36,621,129	-5.0%
Accum. Deferred Income Taxes	\$95,258,142	\$144,066,135	\$164,214,560	\$188,875,368	\$209,534,786	21.8%
TOTALS	\$414,032,190	\$668,769,290	\$729,326,481	\$783,662,909	\$931,548,367	22.5%
TOTAL ASSETS AND OTHER DEBITS	\$2,387,844,340	\$2,659,272,159	\$2,829,099,511	\$3,049,380,892	\$3,384,474,439	9.1%

NM - Not Meaningful

Source: Pa PUC Annual Reports

**Duquesne Light Company
Balance Sheet**

**Appendix B
Page 2 of 2**

BALANCE SHEET	2007	2008	2009	2010	2011	Compound Growth
PROPRIETARY CAPITAL						
Common Stock Issued	\$10	\$10	\$10	\$10	\$10	0.0%
Preferred Stock Issued	\$107,935,500	\$107,935,500	\$107,935,500	\$107,935,500	\$107,935,500	0.0%
Capital Stock Subscribed	\$0	\$0	\$0	\$0	\$0	0.0%
Stock Liability for Conversion	\$0	\$0	\$0	\$0	\$0	0.0%
Premium on Capital Stock	\$137,344	\$137,344	\$137,344	\$137,344	\$137,344	0.0%
Donations from Stockholders	\$99,090,350	\$99,090,350	\$99,090,350	\$99,090,350	\$99,090,351	0.0%
Gain on Required Capital Stock	\$383,677,738	\$383,677,738	\$383,677,738	\$383,677,738	\$889,336,170	23.4%
Other Paid-in Capital Stock	\$505,658,433	\$505,658,433	\$505,658,433	\$505,658,433	\$0	-100.0%
Installments Received on Capital Stock	\$0	\$0	\$0	\$0	\$0	0.0%
Discount on Capital Stock	\$0	\$0	\$0	\$0	\$0	0.0%
Capital Stock Expense	(\$2,162,283)	(\$2,162,283)	(\$2,162,283)	(\$2,162,283)	(\$2,162,283)	0.0%
Retained Earnings	\$127,388,258	\$96,388,384	\$112,272,989	\$82,724,339	\$95,008,715	-7.1%
Unappropriated Undistributed Earnings	(\$15,838,650)	(\$15,684,153)	(\$15,541,035)	(\$16,002,427)	(\$16,000,628)	0.3%
Reacquired Capital Stock	\$0	\$0	\$0	\$0	\$0	0.0%
Other	(\$7,549,133)	(\$7,926,942)	(\$10,886,288)	(\$9,997,383)	(\$9,450,483)	5.8%
TOTALS	\$1,198,337,567	\$1,167,114,381	\$1,180,182,758	\$1,151,061,621	\$1,163,894,696	-0.7%
LONG-TERM DEBT						
Bonds	\$200,000,000	\$200,000,000	\$300,000,000	\$300,000,000	\$300,000,000	10.7%
Reacquired Bonds	\$0	\$0	\$0	\$0	\$0	0.0%
Advances from Associated Companies	\$0	\$0	\$0	\$150,000,000	\$300,000,000	NM
Other Long-Term Debt	\$142,175,000	\$142,175,000	\$142,175,000	\$142,175,000	\$159,905,000	3.0%
Unamortized Premium on Long-Term Debt	\$0	\$0	\$0	\$0	\$0	0.0%
Unamortized Discount on Long-Term Debt	(\$88,467)	(\$68,437)	(\$48,237)	(\$27,188)	(\$6,139)	-48.7%
TOTALS	\$342,086,533	\$342,106,563	\$442,126,763	\$592,147,812	\$759,898,861	22.1%
OTHER NONCURRENT LIABILITIES						
Obligations Under Capital Leases-Noncurrent	\$0	\$0	\$0	\$0	\$0	0.0%
Accum. Provision for Property Insurance	\$0	\$0	\$0	\$0	\$0	0.0%
Accum. Provision for Injuries and Damages	\$5,359,222	\$4,203,642	\$4,623,394	\$4,504,739	\$4,565,438	-3.9%
Accum. Provision for Pensions and Benefits	\$57,587,835	\$50,992,577	\$55,073,816	\$50,521,179	\$45,800,119	-5.6%
Accum. Misc. Operating Provisions	\$2,485,000	\$1,800,000	\$1,800,000	\$1,866,000	\$1,824,000	-7.4%
Accum. Provision for Rate Refunds	\$0	\$0	\$0	\$0	\$0	0.0%
Long-Term Portion - Instrument Liabilities	\$0	\$0	\$11,974,812	\$21,473,927	\$10,105,137	NM
TOTALS	\$65,432,057	\$56,996,219	\$73,472,022	\$78,365,845	\$62,294,694	-1.2%
CURRENT AND ACCRUED LIABILITIES						
Notes Payable	\$0	\$45,000,000	\$0	\$0	\$0	0.0%
Accounts Payable	\$40,458,017	\$54,925,394	\$79,905,912	\$73,969,367	\$92,236,977	22.9%
Notes Payable to Associated Companies	\$0	\$30,000,000	\$45,000,000	\$75,000,000	\$0	0.0%
Account Payable to Associated Companies	\$75,443,790	\$84,359,890	\$61,988,300	\$63,387,186	\$49,575,396	-10.0%
Customer Deposits	\$2,006,692	\$4,949,270	\$6,988,513	\$7,363,584	\$7,927,479	41.0%
Taxes Accrued	\$40,104,802	\$32,246,323	\$3,071,059	(\$45,712,485)	\$25,471,839	-10.7%
Interest Accrued	\$3,993,172	\$4,176,275	\$6,806,209	\$9,917,076	\$7,945,561	18.8%
Dividends Declared	\$1,554,444	\$1,554,444	\$1,553,635	\$1,553,635	\$1,553,635	0.0%
Matured Long-Term Debt	\$0	\$0	\$0	\$0	\$0	0.0%
Matured Interests	\$0	\$0	\$0	\$0	\$0	0.0%
Tax Collections Payable	\$2,006,706	\$2,055,666	\$1,650,884	\$1,606,518	\$477,391	-30.2%
Misc. Current and Accrued Liabilities	\$30,187,834	\$30,305,506	\$31,779,314	\$4,942,044	\$27,289,495	-2.5%
Obligations Under Capital Leases-Current	\$0	\$0	\$0	\$31,707,961	\$16,745,538	NM
TOTALS	\$195,755,457	\$289,572,768	\$238,743,826	\$223,734,886	\$229,223,311	4.0%
DEFERRED CREDITS						
Customer Advances for Construction	\$62,627	\$41,313	\$0	\$163,660	\$3,181,208	167.0%
Accum. Deferred Investments Tax Credits	\$5,086,509	\$3,631,818	\$2,177,127	\$0	\$0	-100.0%
Def. Gains from Disposition of Utility Plant	\$0	\$0	\$0	\$0	\$0	0.0%
Other Deferred Credits	\$75,905,667	\$250,356,419	\$301,865,235	\$294,472,740	\$374,687,253	49.1%
Other Regulatory Liabilities	\$34,133,177	\$15,540,387	\$7,341,303	\$22,361,052	\$15,035,706	-18.5%
Unamortized Gain on Reacquired Debt	\$259,091	\$139,428	\$19,761	\$0	\$0	-100.0%
Accum. Deferred Income Taxes	\$470,785,655	\$533,772,863	\$583,170,716	\$687,073,276	\$776,258,710	13.3%
TOTALS	\$586,232,726	\$803,482,228	\$894,574,142	\$1,004,070,728	\$1,169,162,877	18.8%
TOTAL LIABILITIES AND OTHER CREDITS	\$2,387,844,340	\$2,659,272,159	\$2,829,099,511	\$3,049,380,892	\$3,384,474,439	9.1%

NM - Not Meaningful

Source: Pa PUC Annual Reports

Duquesne Light Company
Comparative Data and Statistics for the Pennsylvania Panel

Total Transmission Plant + Total Distribution Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$1,671,276,688	\$1,760,627,857	\$1,859,582,255	\$1,939,195,918	\$2,155,275,809	6.6%
PECO Energy Company	\$4,891,462,518	\$5,121,291,901	\$5,351,546,790	\$5,544,546,339	\$5,907,541,609	4.8%
PPL Electric Utilities Corporation	\$4,496,201,822	\$4,687,334,681	\$4,842,645,872	\$5,093,574,430	\$5,401,411,492	4.7%
West Penn Power	\$1,630,259,075	\$1,718,734,308	\$1,757,221,287	\$1,846,011,282	\$1,923,402,122	4.2%
Pennsylvania Electric Company	\$2,017,433,341	\$2,109,609,422	\$2,214,998,523	\$2,315,358,557	\$2,595,291,843	6.5%
Panel Average	\$2,941,326,689	\$3,079,519,634	\$3,205,198,945	\$3,347,737,305	\$3,596,584,575	5.2%
Duquesne Light Company	\$2,023,261,261	\$2,148,722,294	\$2,218,204,406	\$2,337,618,161	\$2,521,924,704	5.7%

Megawatt Hours Sold To Ultimate Consumers	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	14,337,188	14,239,798	13,488,679	13,995,525	13,969,632	-0.6%
PECO Energy Company	39,891,529	39,459,943	38,114,056	39,737,244	46,882,859	4.1%
PPL Electric Utilities Corporation	38,264,621	38,006,123	36,681,588	36,998,015	36,941,727	-0.9%
West Penn Power	20,547,856	20,353,663	19,199,226	20,040,381	20,104,091	-0.5%
Pennsylvania Electric Company	14,286,471	14,378,604	13,574,794	14,115,793	14,133,623	-0.3%
Panel Average	25,465,533	25,287,626	24,211,669	24,977,392	26,406,386	0.9%
Duquesne Light Company	14,138,380	13,767,180	13,163,573	14,089,963	14,027,155	-0.2%

Average Number Of Ultimate Consumers Per Month	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	543,811	547,557	549,818	551,776	552,631	0.4%
PECO Energy Company	1,555,342	1,567,250	1,564,433	1,566,872	1,573,976	0.3%
PPL Electric Utilities Corporation	1,385,081	1,392,441	1,397,730	1,401,657	1,403,889	0.3%
West Penn Power	711,050	713,401	714,966	716,108	717,269	0.2%
Pennsylvania Electric Company	588,871	589,017	589,201	589,852	589,651	0.0%
Panel Average	956,831	961,933	963,230	965,253	1,063,304	2.7%
Duquesne Light Company	585,944	586,976	586,835	587,094	587,610	0.1%

Total T&D Operation & Maintenance Expenses Per Total Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.2088	\$0.2082	\$0.1013	\$0.1588	\$0.0276	-39.7%
PECO Energy Company	\$0.0919	\$0.0938	\$0.0850	\$0.0889	\$0.0641	-8.6%
PPL Electric Utilities Corporation	\$0.0736	\$0.0701	\$0.0619	\$0.0500	\$0.0463	-10.9%
West Penn Power	\$0.0591	\$0.0566	\$0.0519	\$0.0612	\$0.0361	-11.6%
Pennsylvania Electric Company	\$0.0911	\$0.0849	\$0.0600	\$0.0737	\$0.0178	-33.5%
Panel Average	\$0.1049	\$0.1027	\$0.0720	\$0.0865	\$0.0384	-22.2%
Duquesne Light Company	\$0.0171	\$0.0179	\$0.0156	\$0.0199	\$0.0170	-0.1%

Total T&D Operation & Maintenance Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$24.34	\$25.74	\$13.97	\$22.01	\$4.25	-35.3%
PECO Energy Company	\$11.27	\$12.17	\$11.93	\$12.40	\$8.08	-8.0%
PPL Electric Utilities Corporation	\$8.65	\$8.65	\$8.17	\$6.88	\$6.77	-6.0%
West Penn Power	\$4.69	\$4.78	\$4.75	\$5.63	\$3.46	-7.3%
Pennsylvania Electric Company	\$12.87	\$12.46	\$9.79	\$12.09	\$3.27	-29.0%
Panel Average	\$12.36	\$12.76	\$9.72	\$11.80	\$5.17	-19.6%
Duquesne Light Company	\$2.44	\$2.79	\$2.62	\$3.29	\$3.05	5.7%

Duquesne Light Company
Comparative Data and Statistics for the Pennsylvania Panel

Total T&D Operation & Maintenance Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$641.58	\$669.51	\$342.76	\$558.20	\$107.51	-36.0%
PECO Energy Company	\$289.11	\$306.35	\$290.61	\$314.45	\$240.67	-4.5%
PPL Electric Utilities Corporation	\$239.03	\$235.98	\$214.54	\$181.72	\$178.11	-7.1%
West Penn Power	\$135.56	\$136.29	\$127.57	\$157.67	\$96.89	-8.1%
Pennsylvania Electric Company	\$312.16	\$304.19	\$225.52	\$289.40	\$78.42	-29.2%
Panel Average	\$323.49	\$330.47	\$240.20	\$300.29	\$140.32	-18.8%
Duquesne Light Company	\$59.00	\$65.64	\$58.93	\$79.13	\$72.87	5.4%

Transmission Operation Expenses Per Transmission Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$1.0262	\$1.0353	\$0.4718	\$0.8157	\$0.0177	-63.8%
PECO Energy Company	\$0.2827	\$0.2902	\$0.2502	\$0.2474	\$0.1081	-21.4%
PPL Electric Utilities Corporation	\$0.1527	\$0.1448	\$0.1335	\$0.0691	\$0.0529	-23.3%
West Penn Power	\$0.1402	\$0.1420	\$0.1349	\$0.1505	\$0.0747	-14.6%
Pennsylvania Electric Company	\$0.3491	\$0.3454	\$0.2384	\$0.3489	\$0.0089	-60.0%
Panel Average	\$0.3902	\$0.3915	\$0.2458	\$0.3263	\$0.0525	-39.4%
Duquesne Light Company	\$0.0158	\$0.0163	\$0.0053	\$0.0071	\$0.0077	-16.4%

Transmission Operation Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$20.32	\$22.21	\$11.16	\$19.00	\$0.45	-61.4%
PECO Energy Company	\$6.74	\$7.25	\$6.76	\$6.56	\$2.73	-20.2%
PPL Electric Utilities Corporation	\$4.32	\$4.38	\$4.30	\$2.35	\$1.93	-18.2%
West Penn Power	\$2.26	\$2.33	\$2.32	\$2.53	\$1.25	-13.8%
Pennsylvania Electric Company	\$8.26	\$8.20	\$6.34	\$9.36	\$0.28	-57.1%
Panel Average	\$13.53	\$14.73	\$8.96	\$12.78	\$1.59	-41.5%
Duquesne Light Company	\$0.39	\$0.50	\$0.18	\$0.23	\$0.29	-7.1%

Transmission Operation Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$535.75	\$577.59	\$273.86	\$482.01	\$11.31	-61.9%
PECO Energy Company	\$172.77	\$182.59	\$164.58	\$166.49	\$81.35	-17.2%
PPL Electric Utilities Corporation	\$119.22	\$119.57	\$112.84	\$62.10	\$50.80	-19.2%
West Penn Power	\$65.28	\$66.38	\$62.41	\$70.89	\$34.97	-14.4%
Pennsylvania Electric Company	\$200.49	\$200.25	\$146.10	\$223.94	\$6.67	-57.3%
Panel Average	\$218.70	\$229.28	\$151.96	\$201.09	\$37.02	-35.9%
Duquesne Light Company	\$9.46	\$11.76	\$3.96	\$5.51	\$7.04	-7.1%

Transmission Maintenance Expenses Per Transmission Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.0254	\$0.0195	\$0.0141	\$0.0136	\$0.0132	-15.1%
PECO Energy Company	\$0.0236	\$0.0259	\$0.0254	\$0.0262	\$0.0240	0.4%
PPL	\$0.0165	\$0.0130	\$0.0135	\$0.0201	\$0.0196	4.4%
West Penn Power	\$0.0162	\$0.0130	\$0.0176	\$0.0158	\$0.0174	1.8%
Pennsylvania Electric Company	\$0.0282	\$0.0264	\$0.0153	\$0.0134	\$0.0143	-15.6%
Panel Average	\$0.0220	\$0.0196	\$0.0172	\$0.0178	\$0.0177	-5.3%
Duquesne Light Company	\$0.0053	\$0.0076	\$0.0094	\$0.0079	\$0.0100	17.2%

Source: Pa PUC Annual Reports

Duquesne Light Company
Comparative Data and Statistics for the Pennsylvania Panel

Transmission Maintenance Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.50	\$0.42	\$0.33	\$0.32	\$0.33	-9.9%
PECO Energy Company	\$0.56	\$0.65	\$0.69	\$0.70	\$0.61	2.2%
PPL Electric Utilities Corporation	\$0.47	\$0.39	\$0.44	\$0.68	\$0.72	11.3%
West Penn Power	\$0.26	\$0.21	\$0.30	\$0.27	\$0.29	2.8%
Pennsylvania Electric Company	\$0.67	\$0.63	\$0.41	\$0.36	\$0.45	-9.5%
Panel Average	\$0.49	\$0.46	\$0.43	\$0.47	\$0.48	-0.5%
Duquesne Light Company	\$0.13	\$0.23	\$0.31	\$0.26	\$0.37	29.9%

Transmission Maintenance Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$13.27	\$10.88	\$8.20	\$8.02	\$8.47	-10.6%
PECO Energy Company	\$14.41	\$16.26	\$16.70	\$17.67	\$18.07	5.8%
PPL Electric Utilities Corporation	\$12.85	\$10.73	\$11.45	\$18.04	\$18.83	10.0%
West Penn Power	\$7.52	\$6.06	\$8.16	\$7.42	\$8.12	1.9%
Pennsylvania Electric Company	\$16.17	\$15.30	\$9.38	\$8.60	\$10.69	-9.8%
Panel Average	\$12.84	\$11.85	\$10.78	\$11.95	\$12.84	0.0%
Duquesne Light Company	\$3.15	\$5.46	\$7.03	\$6.19	\$8.82	29.4%

Distribution Operation Expenses Per Distribution Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.0090	\$0.0091	\$0.0060	\$0.0063	\$0.0049	-14.1%
PECO Energy Company	\$0.0103	\$0.0111	\$0.0116	\$0.0124	\$0.0110	1.7%
PPL Electric Utilities Corporation	\$0.0224	\$0.0220	\$0.0192	\$0.0196	\$0.0212	-1.4%
West Penn Power	\$0.0086	\$0.0083	\$0.0074	\$0.0079	\$0.0069	-5.4%
Pennsylvania Electric Company	\$0.0116	\$0.0095	\$0.0078	\$0.0065	\$0.0050	-19.0%
Panel Average	\$0.0124	\$0.0120	\$0.0104	\$0.0105	\$0.0098	-5.7%
Duquesne Light Company	\$0.0076	\$0.0074	\$0.0056	\$0.0068	\$0.0066	-3.5%

Distribution Operation Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.87	\$0.93	\$0.68	\$0.72	\$0.64	-7.4%
PECO Energy Company	\$1.01	\$1.16	\$1.32	\$1.40	\$1.11	2.4%
PPL	\$2.00	\$2.05	\$1.91	\$2.03	\$2.33	3.9%
West Penn Power	\$0.54	\$0.56	\$0.55	\$0.60	\$0.54	0.0%
Pennsylvania Electric Company	\$1.36	\$1.17	\$1.06	\$0.89	\$0.77	-13.3%
Panel Average	\$1.16	\$1.17	\$1.10	\$1.13	\$1.08	-1.8%
Duquesne Light Company	\$0.90	\$0.93	\$0.75	\$0.91	\$0.94	1.1%

Distribution Operation Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$22.99	\$24.09	\$16.75	\$18.30	\$16.08	-8.5%
PECO Energy Company	\$26.01	\$29.31	\$32.09	\$35.45	\$32.97	6.1%
PPL Electric Utilities Corporation	\$55.16	\$56.00	\$50.24	\$53.51	\$61.18	2.6%
West Penn Power	\$15.66	\$16.12	\$14.77	\$16.71	\$15.19	-0.8%
Pennsylvania Electric Company	\$33.07	\$28.62	\$24.39	\$21.41	\$18.38	-13.7%
Panel Average	\$30.58	\$30.83	\$27.65	\$29.08	\$28.76	-1.5%
Duquesne Light Company	\$21.82	\$21.75	\$16.92	\$21.85	\$22.43	0.7%

Duquesne Light Company
Comparative Data and Statistics for the Pennsylvania Panel

Distribution Maintenance Expenses Per Distribution Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.0273	\$0.0214	\$0.0157	\$0.0171	\$0.0220	-5.3%
PECO Energy Company	\$0.0300	\$0.0296	\$0.0280	\$0.0331	\$0.0361	4.7%
PPL Electric Utilities Corporation	\$0.0210	\$0.0196	\$0.0153	\$0.0176	\$0.0164	-6.0%
West Penn Power	\$0.0258	\$0.0246	\$0.0212	\$0.0297	\$0.0174	-9.4%
Pennsylvania Electric Company	\$0.0219	\$0.0200	\$0.0145	\$0.0108	\$0.0117	-14.5%
Panel Average	\$0.0252	\$0.0230	\$0.0189	\$0.0217	\$0.0207	-4.8%
Duquesne Light Company	\$0.0086	\$0.0091	\$0.0102	\$0.0142	\$0.0102	4.4%

Distribution Maintenance Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$2.64	\$2.19	\$1.79	\$1.97	\$2.83	1.8%
PECO Energy Company	\$2.96	\$3.11	\$3.17	\$3.74	\$3.64	5.3%
PPL Electric Utilities Corporation	\$1.87	\$1.82	\$1.52	\$1.82	\$1.80	-0.9%
West Penn Power	\$1.63	\$1.67	\$1.57	\$2.24	\$1.38	-4.1%
Pennsylvania Electric Company	\$2.57	\$2.46	\$1.98	\$1.48	\$1.78	-8.8%
Panel Average	\$2.33	\$2.25	\$2.01	\$2.25	\$2.29	-0.4%
Duquesne Light Company	\$1.02	\$1.14	\$1.38	\$1.90	\$1.45	9.2%

Distribution Maintenance Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$69.58	\$56.96	\$43.95	\$49.86	\$71.65	0.7%
PECO Energy Company	\$75.92	\$78.19	\$77.24	\$94.85	\$108.28	9.3%
PPL Electric Utilities Corporation	\$51.80	\$49.69	\$40.01	\$48.06	\$47.31	-2.2%
West Penn Power	\$47.11	\$47.74	\$42.24	\$62.64	\$38.60	-4.9%
Pennsylvania Electric Company	\$62.43	\$60.02	\$45.65	\$35.45	\$42.69	-9.1%
Panel Average	\$61.37	\$58.52	\$49.82	\$58.17	\$61.71	0.1%
Duquesne Light Company	\$24.56	\$26.66	\$31.02	\$45.57	\$34.58	8.9%

Maintenance of Line Transformer per Line Transformer Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.0003	\$0.0001	\$0.0000	\$0.0000	\$0.0000	-45.5%
PECO Energy Company	\$0.0042	\$0.0037	\$0.0045	\$0.0039	\$0.0028	-9.6%
PPL Electric Utilities Corporation	\$0.0057	\$0.0043	\$0.0045	\$0.0063	\$0.0033	-12.6%
West Penn Power	\$0.0019	\$0.0018	\$0.0015	\$0.0013	\$0.0005	-29.4%
Pennsylvania Electric Company	\$0.0001	\$0.0001	\$0.0000	\$0.0000	\$0.0002	17.4%
Panel Average	\$0.0024	\$0.0020	\$0.0021	\$0.0023	\$0.0014	-12.6%
Duquesne Light Company	\$0.0005	\$0.0001	\$0.0002	\$0.0003	\$0.0001	-27.1%

Customer Assistance Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.70	\$1.14	\$1.63	\$2.21	\$3.30	47.4%
PECO Energy Company	\$0.21	\$0.23	\$0.23	\$1.49	\$1.30	57.7%
PPL Electric Utilities Corporation	\$0.44	\$0.35	\$0.58	\$2.07	\$2.90	60.2%
West Penn Power	\$0.19	\$0.19	\$0.43	\$0.53	\$0.05	-28.4%
Pennsylvania Electric Company	\$0.89	\$1.53	\$2.03	\$2.42	\$3.34	39.2%
Panel Average	\$0.49	\$0.69	\$0.98	\$1.74	\$2.18	45.2%
Duquesne Light Company	\$0.18	\$0.18	\$0.20	\$1.94	\$1.64	73.7%

Source: Pa PUC Annual Reports

Duquesne Light Company
Comparative Data and Statistics for the Pennsylvania Panel

Customer Assistance Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$18.45	\$29.56	\$40.10	\$55.97	\$83.30	45.8%
PECO Energy Company	\$5.38	\$5.91	\$5.70	\$37.87	\$38.79	63.9%
PPL Electric Utilities Corporation	\$12.04	\$9.64	\$15.19	\$54.51	\$76.19	58.6%
West Penn Power	\$5.57	\$5.45	\$11.62	\$14.89	\$1.48	-28.2%
Pennsylvania Electric Company	\$21.71	\$37.38	\$46.85	\$57.82	\$79.97	38.5%
Panel Average	\$12.63	\$17.59	\$23.89	\$44.21	\$55.95	45.1%
Duquesne Light Company	\$4.45	\$4.29	\$4.44	\$46.60	\$39.04	72.1%

Average Collection Period (Days)	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	12.71	14.81	16.95	12.14	28.63	22.5%
PECO Energy Company	22.53	24.39	16.13	35.15	38.31	14.2%
PPL Electric Utilities Corporation	25.02	24.13	25.98	39.47	54.31	21.4%
West Penn Power	24.70	22.34	22.14	22.13	27.31	2.5%
Pennsylvania Electric Company	12.08	13.84	16.32	12.39	29.51	25.0%
Panel Average	19.41	19.90	19.50	24.26	35.61	16.4%
Duquesne Light Company	51.70	56.30	57.74	59.51	58.79	3.3%

Duquesne Light Company
Financial and Operating Data and Statistics

	2007	2008	2009	2010	2011	Compound Growth
Plant In Service						
Land and Land Rights	\$11,036,921	\$11,032,775	\$11,032,775	\$11,032,775	\$11,017,639	0.0%
Structures and Improvements	\$7,277,306	\$7,277,306	\$8,298,431	\$8,951,218	\$17,784,177	25.0%
Station Equipment	\$157,108,319	\$180,248,831	\$192,570,500	\$202,529,611	\$241,099,657	11.3%
Towers and Fixtures	\$63,671,500	\$66,964,316	\$66,953,073	\$67,677,234	\$65,566,320	0.7%
Poles and Fixtures	\$10,141,958	\$10,161,467	\$10,118,034	\$12,488,320	\$30,408,154	31.6%
Overhead Conductors and Devices	\$44,619,616	\$45,132,273	\$47,243,157	\$51,641,865	\$61,764,381	8.5%
Underground Conduit	\$36,065,992	\$61,211,987	\$61,739,991	\$62,403,977	\$62,942,559	14.9%
Underground Conductors and Devices	\$19,896,640	\$42,213,924	\$42,213,924	\$42,213,924	\$42,344,395	20.8%
Roads and Trails	\$4,354	\$4,354	\$0	\$0	\$0	-100.0%
Asset Retirement Costs for Transmission Plant	\$0	\$0	\$0	\$0	\$2,091,746	NM
Total Transmission Plant	\$349,822,606	\$424,247,233	\$440,169,885	\$458,938,924	\$535,019,028	11.2%
Land and Land Rights	\$9,968,106	\$9,968,106	\$9,960,660	\$9,960,660	\$9,907,226	-0.2%
Structures and Improvements	\$49,934,971	\$50,916,397	\$51,619,618	\$54,917,637	\$57,710,126	3.7%
Station Equipment	\$289,447,837	\$302,609,175	\$311,445,194	\$338,305,435	\$365,450,396	6.0%
Poles, Towers, and Fixtures	\$295,883,341	\$301,335,331	\$309,944,162	\$320,120,949	\$343,427,412	3.8%
Overhead Conductors and Devices	\$281,435,929	\$286,900,406	\$301,024,051	\$321,588,022	\$344,174,324	5.2%
Underground Conduit	\$94,586,992	\$95,931,622	\$102,063,659	\$105,061,686	\$107,161,499	3.2%
Underground Conductors and Devices	\$206,674,090	\$214,325,340	\$227,695,434	\$245,701,689	\$261,857,818	6.1%
Line Transformers	\$226,253,702	\$239,463,668	\$247,391,980	\$260,837,100	\$279,555,657	5.4%
Services	\$78,452,643	\$81,380,047	\$84,467,101	\$87,569,830	\$84,411,413	1.8%
Meters	\$106,990,250	\$107,360,663	\$97,604,123	\$99,921,395	\$94,378,015	-3.1%
Street Lighting and Signal Systems	\$33,810,794	\$34,284,306	\$34,818,539	\$34,694,834	\$38,871,790	3.5%
Total Distribution Plant	\$1,673,438,655	\$1,724,475,061	\$1,778,034,521	\$1,878,679,237	\$1,986,905,676	4.4%
Total Plant In Service	\$2,023,261,261	\$2,148,722,294	\$2,218,204,406	\$2,337,618,161	\$2,521,924,704	5.7%
Total Materials and Supplies						
Assigned - Operations and Maintenance						
Transmission Plant (estimated)	\$1,315,989	\$2,104,149	\$1,731,924	\$874,164	\$1,431,272	2.1%
Distribution Plant (estimated)	\$12,828,471	\$11,871,411	\$13,035,664	\$17,067,202	\$15,719,489	5.2%
Operating Revenues						
Sales of Electricity						
Residential Sales	\$451,564,522	\$469,775,021	\$466,453,255	\$511,240,918	\$523,025,311	3.7%
Commercial Sales	\$323,564,567	\$342,062,535	\$294,363,794	\$298,583,403	\$259,525,290	-5.4%
Industrial Sales	\$53,962,122	\$57,588,222	\$49,431,045	\$52,857,816	\$50,388,265	-1.7%
Public Street and Highway Lighting Sales	\$14,093,545	\$15,271,034	\$14,978,549	\$14,673,388	\$13,117,952	-1.8%
Total Sales to Ultimate Customers	\$843,184,756	\$884,696,812	\$825,226,643	\$877,355,525	\$846,056,818	0.1%
Sales for Resale	\$1,348,755	\$1,362,510	\$1,310,918	\$1,199,851	\$1,350,916	0.0%
Total Sales of Electricity	\$844,533,511	\$886,059,322	\$826,537,561	\$878,555,376	\$847,407,734	0.1%
Provision for Rate Refunds	\$0	\$15,158,215	\$12,346,646	\$15,005,963	\$12,996,698	NM
Total Revenues Net Provisions	\$844,533,511	\$870,901,107	\$814,190,915	\$863,549,413	\$834,411,036	-0.3%
Megawatt Hours Sold						
Sales of Electricity						
Residential Sales	4,210,531	4,060,410	3,945,655	4,326,761	4,231,990	0.1%
Commercial Sales	6,715,380	6,631,125	6,537,414	6,712,326	6,612,422	-0.4%
Industrial Sales	3,145,181	3,008,742	2,616,153	2,987,278	3,119,737	-0.2%
Public Street and Highway Lighting Sales	67,288	66,903	64,351	63,598	63,006	-1.6%
Total Sales to Ultimate Customers	14,138,380	13,767,180	13,163,573	14,089,963	14,027,155	-0.2%
Sales for Resale	22,479	22,708	21,848	19,997	22,515	0.0%
Total Sales of Electricity	14,160,859	13,789,888	13,185,421	14,109,960	14,049,670	-0.2%
Average Number of Customers Per Month						
Sales of Electricity						
Residential Sales	524,412	524,404	524,351	524,584	524,865	0.0%
Commercial Sales	58,224	58,839	58,724	58,707	58,923	0.3%
Industrial Sales	1,369	1,200	1,185	1,171	1,158	-4.1%
Public Street and Highway Lighting Sales	1,939	2,533	2,575	2,632	2,664	8.3%
Total Sales to Ultimate Customers	585,944	586,976	586,835	587,094	587,610	0.1%
Sales for Resale	1	1	1	2	2	18.9%
Total Sales of Electricity	585,945	586,977	586,836	587,096	587,612	0.1%

NM - Not Meaningful

Source: Pa PUC Annual Reports

Duquesne Light Company
Financial and Operating Data and Statistics

	2007	2008	2009	2010	2011	Compound Growth
Operation and Maintenance Expenses						
Transmission						
Total Operation	\$4,146,105	\$5,543,688	\$6,902,706	\$2,323,927	\$4,136,431	-0.1%
Maintenance Supervision and Engineering	\$202,298	\$159,565	\$138,431	\$156,535	\$177,683	-3.2%
Maintenance of Structures	\$9,503	\$381,427	\$986,424	\$602,054	\$759,619	199.0%
Maintenance of Station Equipment	\$625,583	\$1,102,975	\$1,501,247	\$1,528,947	\$1,728,075	28.9%
Maintenance of Overhead Lines	\$999,140	\$1,514,841	\$1,398,870	\$1,086,644	\$1,828,686	16.3%
Maintenance of Underground Lines	\$11,923	\$1,284	\$2,199	\$440	\$1,393	-41.5%
Maintenance of Misc. Transmission Plant	\$0	\$47,163	\$95,562	\$259,762	\$688,434	NM
Total Maintenance	\$1,848,447	\$3,207,255	\$4,122,733	\$3,634,382	\$5,183,890	29.4%
Total Transmission O&M Expenses	\$5,994,552	\$8,750,943	\$11,025,439	\$5,958,309	\$9,320,321	11.7%
Distribution						
Total Operation	\$12,787,341	\$12,769,514	\$9,930,856	\$12,829,169	\$13,180,462	0.8%
Maintenance Supervision/Engineering	\$299,825	\$69,331	\$14,504	\$165,113	\$324,460	2.0%
Maintenance of Structures	(\$25,043)	\$130,518	\$126,624	\$123,328	\$169,466	NM
Maintenance of Station Equipment	\$2,032,036	\$1,441,332	\$1,944,170	\$5,142,542	\$3,138,101	11.5%
Maintenance of Overhead Lines	\$9,774,434	\$11,396,773	\$12,903,562	\$17,999,388	\$14,555,134	10.5%
Maintenance of Underground Lines	\$428,847	\$532,403	\$1,119,410	\$1,238,484	\$1,503,167	36.8%
Maintenance of Line Transformers	\$106,222	\$18,277	\$58,036	\$78,532	\$37,075	-23.1%
Maintenance of Street Lighting/Signal Systems	\$36,706	\$443,790	\$429,825	\$403,623	\$396,186	81.3%
Maintenance of Meters	\$1,471,547	\$1,293,953	\$1,368,150	\$1,371,962	\$52,267	-56.6%
Maintenance of Misc. Distribution Plant	\$264,165	\$322,656	\$241,208	\$233,548	\$141,447	-14.5%
Total Maintenance	\$14,388,739	\$15,649,033	\$18,205,489	\$26,756,520	\$20,317,303	9.0%
Total Distribution O&M Expenses	\$27,176,080	\$28,418,547	\$28,136,345	\$39,585,689	\$33,497,765	5.4%
Total Transmission and Distribution Expenses	\$33,170,632	\$37,169,490	\$39,161,784	\$45,543,998	\$42,818,086	6.6%
Customer Service and Info. Expenses						
Supervision	\$0	\$0	\$0	\$0	\$0	0.0%
Customer Assistance Expenses	\$2,604,716	\$2,520,089	\$2,606,934	\$27,359,161	\$22,941,658	72.3%
Information and Instructional Expenses	\$0	\$0	\$0	\$0	\$0	0.0%
Misc Customer Service and Info. Expenses	\$0	\$0	\$0	\$0	\$0	0.0%
Total Customer Service and Info. Expenses	\$2,604,716	\$2,520,089	\$2,606,934	\$27,359,161	\$22,941,658	72.3%
Administrative and General Expenses						
Administrative and General Salaries	\$31,803,539	\$19,345,849	\$18,694,673	\$14,514,405	\$14,814,571	-17.4%
Office Supplies and Expenses	\$3,786,693	\$7,737,737	\$3,304,959	\$2,997,085	\$3,564,387	-1.5%
Outside Services Employed	\$11,477,542	\$11,265,151	\$11,768,445	\$10,598,452	\$11,548,176	0.2%
Property Insurance	\$5,467,018	\$4,096,500	\$4,722,927	\$5,319,329	\$5,392,190	-0.3%
Injuries and Damages	\$755,740	\$2,042,109	\$1,130,678	\$457,319	\$787,133	1.0%
Employee Pension and Benefits	\$31,719,047	\$16,461,810	\$19,609,439	\$19,532,432	\$31,937,033	0.2%
Regulatory Commission Expenses	\$5,552,557	\$3,016,839	\$7,226,226	\$685,856	\$675,258	-40.9%
General Advertising Expenses	\$1,280,544	\$1,057,570	\$1,016,336	\$1,041,270	\$561,220	-18.6%
Miscellaneous General Expenses	\$7,149,030	\$7,486,723	\$935,029	\$3,144,076	\$4,859,815	-9.2%
Rent	\$3,491,572	\$3,731,185	\$3,494,590	\$2,549,998	\$2,281,684	-10.1%
Total Admin. And General Expenses	\$102,483,282	\$76,241,473	\$71,903,302	\$60,840,222	\$76,421,467	-7.1%
Total Operation & Maintenance Expenses	\$138,258,630	\$115,931,052	\$113,672,020	\$133,743,381	\$142,181,211	0.7%
Disposition of Energy (Megawatt Hours)						
Sales to Ultimate Customers	14,138,380	13,767,180	13,163,573	14,089,963	14,027,155	-0.2%
Sales for Resale	22,479	22,708	21,848	19,997	22,515	0.0%
Energy Used by Company	30,068	30,222	30,499	29,246	28,923	-1.0%
Total Energy Losses	842,166	804,251	732,784	816,116	873,045	0.9%
Energy Loss as a Percent of Total Available	5.6%	5.5%	5.3%	5.5%	5.8%	1.0%
Total Energy Available	15,033,093	14,624,361	13,948,704	14,955,322	14,951,638	-0.1%

NM - Not Meaningful

Source: Pa PUC Annual Reports

**Duquesne Light Company
Balance Sheet**

**Appendix B
Page 1 of 2**

BALANCE SHEET	2007	2008	2009	2010	2011	Compound Growth
UTILITY PLANT						
Utility Plant	\$2,245,560,602	\$2,387,303,282	\$2,463,203,501	\$2,598,845,818	\$2,796,216,987	5.6%
Construction Work in Progress	\$280,900,962	\$238,543,727	\$297,633,929	\$369,339,841	\$361,352,912	6.5%
TOTAL UTILITY PLANT	\$2,526,461,564	\$2,625,847,009	\$2,760,837,430	\$2,968,185,659	\$3,157,569,899	5.7%
Accum. Depreciation and Amortization	\$785,098,776	\$817,254,160	\$831,258,579	\$872,854,774	\$909,312,831	3.7%
NET UTILITY PLANT	\$1,741,362,788	\$1,808,592,849	\$1,929,578,851	\$2,095,330,885	\$2,248,257,068	6.6%
OTHER PROPERTY AND INVESTMENTS						
Nonutility Property	\$1,430,206	\$1,430,206	\$1,437,652	\$1,437,652	\$641,342	-18.2%
Accum. Depreciation and Amortization	(\$1,090,663)	(\$1,090,663)	(\$1,090,663)	(\$1,090,663)	(\$294,991)	-27.9%
Investments in Associated Companies	\$0	\$0	\$0	\$0	\$0	0.0%
Investment in Subsidiary Companies	\$6,990,107	\$7,144,604	\$7,287,722	\$6,826,330	\$6,828,129	-0.6%
Noncurrent Portion of Allowances	\$0	\$0	\$0	\$0	\$0	0.0%
Other Investments	\$597,103	\$330,754	\$269,496	\$260,809	\$215,217	-22.5%
Special Funds	\$59,501,155	\$1,199,512	\$1,229,612	\$1,267,812	\$2,814,872	-53.4%
TOTALS	\$67,427,908	\$9,014,413	\$9,133,819	\$8,701,940	\$10,204,569	-37.6%
CURRENT AND ACCRUED ASSETS						
Cash	\$1,661,726	\$7,419,516	\$4,311,024	\$5,666,362	\$6,518,237	40.7%
Special Deposits	\$46,190	\$46,652	\$0	\$0	\$0	-100.0%
Working Fund	\$26,679	\$26,679	\$0	\$9,000	\$9,000	-23.8%
Temporary Cash Investments	\$22,581,000	\$14,149,000	\$16,911,000	\$1,240,000	\$40,700,000	15.9%
Notes Receivable	\$0	\$0	\$0	\$0	\$0	0.0%
Customer Accounts Receivable	\$119,437,341	\$136,455,414	\$130,538,699	\$143,053,580	\$136,266,912	3.4%
Other Accounts Receivable	\$9,025,330	\$8,116,845	\$5,267,410	\$6,418,521	\$8,703,444	-0.9%
Accum. for Uncollectible Accounts	(\$22,360,060)	(\$18,371,497)	(\$17,064,179)	(\$19,098,168)	(\$21,761,265)	-0.7%
Notes Receivable from Assoc. Companies	\$0	\$0	\$0	\$0	\$0	0.0%
Accts Receivable from Assoc. Companies	\$10,952,690	\$523,238	\$494,834	\$1,476,593	\$1,824,963	-36.1%
Fuel Stock	\$0	\$0	\$0	\$0	\$0	0.0%
Fuel Stock Expenses Undistributed	\$0	\$0	\$0	\$0	\$0	0.0%
Residuals and Extracted Products	\$0	\$0	\$0	\$0	\$0	0.0%
Plant Materials and Operating Supplies	\$17,019,944	\$15,851,109	\$16,962,376	\$19,038,987	\$18,482,961	2.1%
Merchandise	\$0	\$0	\$0	\$0	\$0	0.0%
Other Materials and Supplies	\$0	\$0	\$0	\$0	\$0	0.0%
Nuclear Materials Held for Sales	\$0	\$0	\$0	\$0	\$0	0.0%
Allowances	\$0	\$0	\$0	\$0	\$0	0.0%
Noncurrent Portion of Allowances	\$0	\$0	\$0	\$0	\$0	0.0%
Stores Expense Undistributed	\$0	\$0	\$0	\$0	\$26,155	NM
Gas Stored Underground-Current	\$0	\$0	\$0	\$0	\$0	0.0%
Liquefied Gas Stored and Held for Proc.	\$0	\$0	\$0	\$0	\$0	0.0%
Prepayments	\$6,296,731	\$4,723,184	\$1,978,039	\$3,143,065	\$3,341,884	-14.6%
Advances for Gas	\$0	\$0	\$0	\$0	\$0	0.0%
Interest and Dividends Receivable	\$83,156	\$9,508	\$785	\$645	\$3,689	-54.1%
Rents Receivable	\$0	\$0	\$0	\$0	\$0	0.0%
Accrued Utility Revenues	\$0	\$0	\$0	\$0	\$0	0.0%
Miscellaneous Current and Accrued Assets	\$250,727	\$3,945,959	\$1,660,372	\$736,573	\$348,455	8.6%
TOTALS	\$165,021,454	\$172,895,607	\$161,060,360	\$161,685,158	\$194,464,435	4.2%
DEFERRED DEBITS						
Unamortized Debt Expenses	\$5,463,509	\$5,121,298	\$2,624,358	\$2,339,600	\$3,125,097	-13.0%
Extraordinary Property Losses	\$0	\$0	\$0	\$0	\$0	0.0%
Unrecovered Plant and Regulatory Study	\$0	\$0	\$0	\$0	\$0	0.0%
Other Regulatory Assets	\$265,175,782	\$476,935,924	\$520,496,921	\$552,079,365	\$679,688,358	26.5%
Prelim. Survey and Investigation Charges	\$0	\$0	\$0	\$0	\$0	0.0%
Clearing Accounts	\$0	\$229	\$0	\$0	\$0	0.0%
Temporary Facilities	\$0	\$0	\$0	\$0	\$0	0.0%
Misc. Deferred Debits	\$3,216,948	\$491,983	\$55,570	\$1,184,979	\$2,578,997	-5.4%
Def. Losses from Disposition of Plant	\$0	\$0	\$0	\$0	\$0	0.0%
Research, Devel. and Demonstration	\$0	\$0	\$0	\$0	\$0	0.0%
Unamortized Loss on Reacquired Debt	\$44,917,809	\$42,153,721	\$41,935,072	\$39,183,597	\$36,621,129	-5.0%
Accum. Deferred Income Taxes	\$95,258,142	\$144,066,135	\$164,214,560	\$188,875,368	\$209,534,786	21.8%
TOTALS	\$414,032,190	\$668,769,290	\$729,326,481	\$783,662,909	\$931,548,367	22.5%
TOTAL ASSETS AND OTHER DEBITS	\$2,387,844,340	\$2,659,272,159	\$2,829,099,511	\$3,049,380,892	\$3,384,474,439	9.1%

NM - Not Meaningful

Source: Pa PUC Annual Reports

**Duquesne Light Company
Balance Sheet**

**Appendix B
Page 2 of 2**

BALANCE SHEET	2007	2008	2009	2010	2011	Compound Growth
PROPRIETARY CAPITAL						
Common Stock Issued	\$10	\$10	\$10	\$10	\$10	0.0%
Preferred Stock Issued	\$107,935,500	\$107,935,500	\$107,935,500	\$107,935,500	\$107,935,500	0.0%
Capital Stock Subscribed	\$0	\$0	\$0	\$0	\$0	0.0%
Stock Liability for Conversion	\$0	\$0	\$0	\$0	\$0	0.0%
Premium on Capital Stock	\$137,344	\$137,344	\$137,344	\$137,344	\$137,344	0.0%
Donations from Stockholders	\$99,090,350	\$99,090,350	\$99,090,350	\$99,090,350	\$99,090,351	0.0%
Gain on Required Capital Stock	\$383,677,738	\$383,677,738	\$383,677,738	\$383,677,738	\$889,336,170	23.4%
Other Paid-in Capital Stock	\$505,658,433	\$505,658,433	\$505,658,433	\$505,658,433	\$0	-100.0%
Installments Received on Capital Stock	\$0	\$0	\$0	\$0	\$0	0.0%
Discount on Capital Stock	\$0	\$0	\$0	\$0	\$0	0.0%
Capital Stock Expense	(\$2,162,283)	(\$2,162,283)	(\$2,162,283)	(\$2,162,283)	(\$2,162,283)	0.0%
Retained Earnings	\$127,388,258	\$96,388,384	\$112,272,989	\$82,724,339	\$95,008,715	-7.1%
Unappropriated Undistributed Earnings	(\$15,838,650)	(\$15,684,153)	(\$15,541,035)	(\$16,002,427)	(\$16,000,628)	0.3%
Reacquired Capital Stock	\$0	\$0	\$0	\$0	\$0	0.0%
Other	(\$7,549,133)	(\$7,926,942)	(\$10,886,288)	(\$9,997,383)	(\$9,450,483)	5.8%
TOTALS	\$1,198,337,567	\$1,167,114,381	\$1,180,182,758	\$1,151,061,621	\$1,163,894,696	-0.7%
LONG-TERM DEBT						
Bonds	\$200,000,000	\$200,000,000	\$300,000,000	\$300,000,000	\$300,000,000	10.7%
Reacquired Bonds	\$0	\$0	\$0	\$0	\$0	0.0%
Advances from Associated Companies	\$0	\$0	\$0	\$150,000,000	\$300,000,000	NM
Other Long-Term Debt	\$142,175,000	\$142,175,000	\$142,175,000	\$142,175,000	\$159,905,000	3.0%
Unamortized Premium on Long-Term Debt	\$0	\$0	\$0	\$0	\$0	0.0%
Unamortized Discount on Long-Term Debt	(\$88,467)	(\$68,437)	(\$48,237)	(\$27,188)	(\$6,139)	-48.7%
TOTALS	\$342,086,533	\$342,106,563	\$442,126,763	\$592,147,812	\$759,898,861	22.1%
OTHER NONCURRENT LIABILITIES						
Obligations Under Capital Leases-Noncurrent	\$0	\$0	\$0	\$0	\$0	0.0%
Accum. Provision for Property Insurance	\$0	\$0	\$0	\$0	\$0	0.0%
Accum. Provision for Injuries and Damages	\$5,359,222	\$4,203,642	\$4,623,394	\$4,504,739	\$4,565,438	-3.9%
Accum. Provision for Pensions and Benefits	\$57,587,835	\$50,992,577	\$55,073,816	\$50,521,179	\$45,800,119	-5.6%
Accum. Misc. Operating Provisions	\$2,485,000	\$1,800,000	\$1,800,000	\$1,866,000	\$1,824,000	-7.4%
Accum. Provision for Rate Refunds	\$0	\$0	\$0	\$0	\$0	0.0%
Long-Term Portion - Instrument Liabilities	\$0	\$0	\$11,974,812	\$21,473,927	\$10,105,137	NM
TOTALS	\$65,432,057	\$56,996,219	\$73,472,022	\$78,365,845	\$62,294,694	-1.2%
CURRENT AND ACCRUED LIABILITIES						
Notes Payable	\$0	\$45,000,000	\$0	\$0	\$0	0.0%
Accounts Payable	\$40,458,017	\$54,925,394	\$79,905,912	\$73,969,367	\$92,236,977	22.9%
Notes Payable to Associated Companies	\$0	\$30,000,000	\$45,000,000	\$75,000,000	\$0	0.0%
Account Payable to Associated Companies	\$75,443,790	\$84,359,890	\$61,988,300	\$63,387,186	\$49,575,396	-10.0%
Customer Deposits	\$2,006,692	\$4,949,270	\$6,988,513	\$7,363,584	\$7,927,479	41.0%
Taxes Accrued	\$40,104,802	\$32,246,323	\$3,071,059	(\$45,712,485)	\$25,471,839	-10.7%
Interest Accrued	\$3,993,172	\$4,176,275	\$6,806,209	\$9,917,076	\$7,945,561	18.8%
Dividends Declared	\$1,554,444	\$1,554,444	\$1,553,635	\$1,553,635	\$1,553,635	0.0%
Matured Long-Term Debt	\$0	\$0	\$0	\$0	\$0	0.0%
Matured Interests	\$0	\$0	\$0	\$0	\$0	0.0%
Tax Collections Payable	\$2,006,706	\$2,055,666	\$1,650,884	\$1,606,518	\$477,391	-30.2%
Misc. Current and Accrued Liabilities	\$30,187,834	\$30,305,506	\$31,779,314	\$4,942,044	\$27,289,495	-2.5%
Obligations Under Capital Leases-Current	\$0	\$0	\$0	\$31,707,961	\$16,745,538	NM
TOTALS	\$195,755,457	\$289,572,768	\$238,743,826	\$223,734,886	\$229,223,311	4.0%
DEFERRED CREDITS						
Customer Advances for Construction	\$62,627	\$41,313	\$0	\$163,660	\$3,181,208	167.0%
Accum. Deferred Investments Tax Credits	\$5,086,509	\$3,631,818	\$2,177,127	\$0	\$0	-100.0%
Def. Gains from Disposition of Utility Plant	\$0	\$0	\$0	\$0	\$0	0.0%
Other Deferred Credits	\$75,905,667	\$250,356,419	\$301,865,235	\$294,472,740	\$374,687,253	49.1%
Other Regulatory Liabilities	\$34,133,177	\$15,540,387	\$7,341,303	\$22,361,052	\$15,035,706	-18.5%
Unamortized Gain on Reacquired Debt	\$259,091	\$139,428	\$19,761	\$0	\$0	-100.0%
Accum. Deferred Income Taxes	\$470,785,655	\$533,772,863	\$583,170,716	\$687,073,276	\$776,258,710	13.3%
TOTALS	\$586,232,726	\$803,482,228	\$894,574,142	\$1,004,070,728	\$1,169,162,877	18.8%
TOTAL LIABILITIES AND OTHER CREDITS	\$2,387,844,340	\$2,659,272,159	\$2,829,099,511	\$3,049,380,892	\$3,384,474,439	9.1%

NM - Not Meaningful

Source: Pa PUC Annual Reports

Duquesne Light Company
Comparative Data and Statistics for the Pennsylvania Panel

Total Transmission Plant + Total Distribution Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$1,671,276,688	\$1,760,627,857	\$1,859,582,255	\$1,939,195,918	\$2,155,275,809	6.6%
PECO Energy Company	\$4,891,462,518	\$5,121,291,901	\$5,351,546,790	\$5,544,546,339	\$5,907,541,609	4.8%
PPL Electric Utilities Corporation	\$4,496,201,822	\$4,687,334,681	\$4,842,645,872	\$5,093,574,430	\$5,401,411,492	4.7%
West Penn Power	\$1,630,259,075	\$1,718,734,308	\$1,757,221,287	\$1,846,011,282	\$1,923,402,122	4.2%
Pennsylvania Electric Company	\$2,017,433,341	\$2,109,609,422	\$2,214,998,523	\$2,315,358,557	\$2,595,291,843	6.5%
Panel Average	\$2,941,326,689	\$3,079,519,634	\$3,205,198,945	\$3,347,737,305	\$3,596,584,575	5.2%
Duquesne Light Company	\$2,023,261,261	\$2,148,722,294	\$2,218,204,406	\$2,337,618,161	\$2,521,924,704	5.7%

Megawatt Hours Sold To Ultimate Consumers	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	14,337,188	14,239,798	13,488,679	13,995,525	13,969,632	-0.6%
PECO Energy Company	39,891,529	39,459,943	38,114,056	39,737,244	46,882,859	4.1%
PPL Electric Utilities Corporation	38,264,621	38,006,123	36,681,588	36,998,015	36,941,727	-0.9%
West Penn Power	20,547,856	20,353,663	19,199,226	20,040,381	20,104,091	-0.5%
Pennsylvania Electric Company	14,286,471	14,378,604	13,574,794	14,115,793	14,133,623	-0.3%
Panel Average	25,465,533	25,287,626	24,211,669	24,977,392	26,406,386	0.9%
Duquesne Light Company	14,138,380	13,767,180	13,163,573	14,089,963	14,027,155	-0.2%

Average Number Of Ultimate Consumers Per Month	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	543,811	547,557	549,818	551,776	552,631	0.4%
PECO Energy Company	1,555,342	1,567,250	1,564,433	1,566,872	1,573,976	0.3%
PPL Electric Utilities Corporation	1,385,081	1,392,441	1,397,730	1,401,657	1,403,889	0.3%
West Penn Power	711,050	713,401	714,966	716,108	717,269	0.2%
Pennsylvania Electric Company	588,871	589,017	589,201	589,852	589,651	0.0%
Panel Average	956,831	961,933	963,230	965,253	1,063,304	2.7%
Duquesne Light Company	585,944	586,976	586,835	587,094	587,610	0.1%

Total T&D Operation & Maintenance Expenses Per Total Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.2088	\$0.2082	\$0.1013	\$0.1588	\$0.0276	-39.7%
PECO Energy Company	\$0.0919	\$0.0938	\$0.0850	\$0.0889	\$0.0641	-8.6%
PPL Electric Utilities Corporation	\$0.0736	\$0.0701	\$0.0619	\$0.0500	\$0.0463	-10.9%
West Penn Power	\$0.0591	\$0.0566	\$0.0519	\$0.0612	\$0.0361	-11.6%
Pennsylvania Electric Company	\$0.0911	\$0.0849	\$0.0600	\$0.0737	\$0.0178	-33.5%
Panel Average	\$0.1049	\$0.1027	\$0.0720	\$0.0865	\$0.0384	-22.2%
Duquesne Light Company	\$0.0171	\$0.0179	\$0.0156	\$0.0199	\$0.0170	-0.1%

Total T&D Operation & Maintenance Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$24.34	\$25.74	\$13.97	\$22.01	\$4.25	-35.3%
PECO Energy Company	\$11.27	\$12.17	\$11.93	\$12.40	\$8.08	-8.0%
PPL Electric Utilities Corporation	\$8.65	\$8.65	\$8.17	\$6.88	\$6.77	-6.0%
West Penn Power	\$4.69	\$4.78	\$4.75	\$5.63	\$3.46	-7.3%
Pennsylvania Electric Company	\$12.87	\$12.46	\$9.79	\$12.09	\$3.27	-29.0%
Panel Average	\$12.36	\$12.76	\$9.72	\$11.80	\$5.17	-19.6%
Duquesne Light Company	\$2.44	\$2.79	\$2.62	\$3.29	\$3.05	5.7%

Duquesne Light Company
Comparative Data and Statistics for the Pennsylvania Panel

Total T&D Operation & Maintenance Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$641.58	\$669.51	\$342.76	\$558.20	\$107.51	-36.0%
PECO Energy Company	\$289.11	\$306.35	\$290.61	\$314.45	\$240.67	-4.5%
PPL Electric Utilities Corporation	\$239.03	\$235.98	\$214.54	\$181.72	\$178.11	-7.1%
West Penn Power	\$135.56	\$136.29	\$127.57	\$157.67	\$96.89	-8.1%
Pennsylvania Electric Company	\$312.16	\$304.19	\$225.52	\$289.40	\$78.42	-29.2%
Panel Average	\$323.49	\$330.47	\$240.20	\$300.29	\$140.32	-18.8%
Duquesne Light Company	\$59.00	\$65.64	\$58.93	\$79.13	\$72.87	5.4%

Transmission Operation Expenses Per Transmission Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$1.0262	\$1.0353	\$0.4718	\$0.8157	\$0.0177	-63.8%
PECO Energy Company	\$0.2827	\$0.2902	\$0.2502	\$0.2474	\$0.1081	-21.4%
PPL Electric Utilities Corporation	\$0.1527	\$0.1448	\$0.1335	\$0.0691	\$0.0529	-23.3%
West Penn Power	\$0.1402	\$0.1420	\$0.1349	\$0.1505	\$0.0747	-14.6%
Pennsylvania Electric Company	\$0.3491	\$0.3454	\$0.2384	\$0.3489	\$0.0089	-60.0%
Panel Average	\$0.3902	\$0.3915	\$0.2458	\$0.3263	\$0.0525	-39.4%
Duquesne Light Company	\$0.0158	\$0.0163	\$0.0053	\$0.0071	\$0.0077	-16.4%

Transmission Operation Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$20.32	\$22.21	\$11.16	\$19.00	\$0.45	-61.4%
PECO Energy Company	\$6.74	\$7.25	\$6.76	\$6.56	\$2.73	-20.2%
PPL Electric Utilities Corporation	\$4.32	\$4.38	\$4.30	\$2.35	\$1.93	-18.2%
West Penn Power	\$2.26	\$2.33	\$2.32	\$2.53	\$1.25	-13.8%
Pennsylvania Electric Company	\$8.26	\$8.20	\$6.34	\$9.36	\$0.28	-57.1%
Panel Average	\$13.53	\$14.73	\$8.96	\$12.78	\$1.59	-41.5%
Duquesne Light Company	\$0.39	\$0.50	\$0.18	\$0.23	\$0.29	-7.1%

Transmission Operation Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$535.75	\$577.59	\$273.86	\$482.01	\$11.31	-61.9%
PECO Energy Company	\$172.77	\$182.59	\$164.58	\$166.49	\$81.35	-17.2%
PPL Electric Utilities Corporation	\$119.22	\$119.57	\$112.84	\$62.10	\$50.80	-19.2%
West Penn Power	\$65.28	\$66.38	\$62.41	\$70.89	\$34.97	-14.4%
Pennsylvania Electric Company	\$200.49	\$200.25	\$146.10	\$223.94	\$6.67	-57.3%
Panel Average	\$218.70	\$229.28	\$151.96	\$201.09	\$37.02	-35.9%
Duquesne Light Company	\$9.46	\$11.76	\$3.96	\$5.51	\$7.04	-7.1%

Transmission Maintenance Expenses Per Transmission Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.0254	\$0.0195	\$0.0141	\$0.0136	\$0.0132	-15.1%
PECO Energy Company	\$0.0236	\$0.0259	\$0.0254	\$0.0262	\$0.0240	0.4%
PPL	\$0.0165	\$0.0130	\$0.0135	\$0.0201	\$0.0196	4.4%
West Penn Power	\$0.0162	\$0.0130	\$0.0176	\$0.0158	\$0.0174	1.8%
Pennsylvania Electric Company	\$0.0282	\$0.0264	\$0.0153	\$0.0134	\$0.0143	-15.6%
Panel Average	\$0.0220	\$0.0196	\$0.0172	\$0.0178	\$0.0177	-5.3%
Duquesne Light Company	\$0.0053	\$0.0076	\$0.0094	\$0.0079	\$0.0100	17.2%

Source: Pa PUC Annual Reports

Duquesne Light Company
Comparative Data and Statistics for the Pennsylvania Panel

Transmission Maintenance Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.50	\$0.42	\$0.33	\$0.32	\$0.33	-9.9%
PECO Energy Company	\$0.56	\$0.65	\$0.69	\$0.70	\$0.61	2.2%
PPL Electric Utilities Corporation	\$0.47	\$0.39	\$0.44	\$0.68	\$0.72	11.3%
West Penn Power	\$0.26	\$0.21	\$0.30	\$0.27	\$0.29	2.8%
Pennsylvania Electric Company	\$0.67	\$0.63	\$0.41	\$0.36	\$0.45	-9.5%
Panel Average	\$0.49	\$0.46	\$0.43	\$0.47	\$0.48	-0.5%
Duquesne Light Company	\$0.13	\$0.23	\$0.31	\$0.26	\$0.37	29.9%

Transmission Maintenance Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$13.27	\$10.88	\$8.20	\$8.02	\$8.47	-10.6%
PECO Energy Company	\$14.41	\$16.26	\$16.70	\$17.67	\$18.07	5.8%
PPL Electric Utilities Corporation	\$12.85	\$10.73	\$11.45	\$18.04	\$18.83	10.0%
West Penn Power	\$7.52	\$6.06	\$8.16	\$7.42	\$8.12	1.9%
Pennsylvania Electric Company	\$16.17	\$15.30	\$9.38	\$8.60	\$10.69	-9.8%
Panel Average	\$12.84	\$11.85	\$10.78	\$11.95	\$12.84	0.0%
Duquesne Light Company	\$3.15	\$5.46	\$7.03	\$6.19	\$8.82	29.4%

Distribution Operation Expenses Per Distribution Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.0090	\$0.0091	\$0.0060	\$0.0063	\$0.0049	-14.1%
PECO Energy Company	\$0.0103	\$0.0111	\$0.0116	\$0.0124	\$0.0110	1.7%
PPL Electric Utilities Corporation	\$0.0224	\$0.0220	\$0.0192	\$0.0196	\$0.0212	-1.4%
West Penn Power	\$0.0086	\$0.0083	\$0.0074	\$0.0079	\$0.0069	-5.4%
Pennsylvania Electric Company	\$0.0116	\$0.0095	\$0.0078	\$0.0065	\$0.0050	-19.0%
Panel Average	\$0.0124	\$0.0120	\$0.0104	\$0.0105	\$0.0098	-5.7%
Duquesne Light Company	\$0.0076	\$0.0074	\$0.0056	\$0.0068	\$0.0066	-3.5%

Distribution Operation Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.87	\$0.93	\$0.68	\$0.72	\$0.64	-7.4%
PECO Energy Company	\$1.01	\$1.16	\$1.32	\$1.40	\$1.11	2.4%
PPL	\$2.00	\$2.05	\$1.91	\$2.03	\$2.33	3.9%
West Penn Power	\$0.54	\$0.56	\$0.55	\$0.60	\$0.54	0.0%
Pennsylvania Electric Company	\$1.36	\$1.17	\$1.06	\$0.89	\$0.77	-13.3%
Panel Average	\$1.16	\$1.17	\$1.10	\$1.13	\$1.08	-1.8%
Duquesne Light Company	\$0.90	\$0.93	\$0.75	\$0.91	\$0.94	1.1%

Distribution Operation Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$22.99	\$24.09	\$16.75	\$18.30	\$16.08	-8.5%
PECO Energy Company	\$26.01	\$29.31	\$32.09	\$35.45	\$32.97	6.1%
PPL Electric Utilities Corporation	\$55.16	\$56.00	\$50.24	\$53.51	\$61.18	2.6%
West Penn Power	\$15.66	\$16.12	\$14.77	\$16.71	\$15.19	-0.8%
Pennsylvania Electric Company	\$33.07	\$28.62	\$24.39	\$21.41	\$18.38	-13.7%
Panel Average	\$30.58	\$30.83	\$27.65	\$29.08	\$28.76	-1.5%
Duquesne Light Company	\$21.82	\$21.75	\$16.92	\$21.85	\$22.43	0.7%

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Distribution Maintenance Expenses Per Distribution Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.0273	\$0.0214	\$0.0157	\$0.0171	\$0.0220	-5.3%
PECO Energy Company	\$0.0300	\$0.0296	\$0.0280	\$0.0331	\$0.0361	4.7%
PPL Electric Utilities Corporation	\$0.0210	\$0.0196	\$0.0153	\$0.0176	\$0.0164	-6.0%
West Penn Power	\$0.0258	\$0.0246	\$0.0212	\$0.0297	\$0.0174	-9.4%
Pennsylvania Electric Company	\$0.0219	\$0.0200	\$0.0145	\$0.0108	\$0.0117	-14.5%
Panel Average	\$0.0252	\$0.0230	\$0.0189	\$0.0217	\$0.0207	-4.8%
Duquesne Light Company	\$0.0086	\$0.0091	\$0.0102	\$0.0142	\$0.0102	4.4%

Distribution Maintenance Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$2.64	\$2.19	\$1.79	\$1.97	\$2.83	1.8%
PECO Energy Company	\$2.96	\$3.11	\$3.17	\$3.74	\$3.64	5.3%
PPL Electric Utilities Corporation	\$1.87	\$1.82	\$1.52	\$1.82	\$1.80	-0.9%
West Penn Power	\$1.63	\$1.67	\$1.57	\$2.24	\$1.38	-4.1%
Pennsylvania Electric Company	\$2.57	\$2.46	\$1.98	\$1.48	\$1.78	-8.8%
Panel Average	\$2.33	\$2.25	\$2.01	\$2.25	\$2.29	-0.4%
Duquesne Light Company	\$1.02	\$1.14	\$1.38	\$1.90	\$1.45	9.2%

Distribution Maintenance Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$69.58	\$56.96	\$43.95	\$49.86	\$71.65	0.7%
PECO Energy Company	\$75.92	\$78.19	\$77.24	\$94.85	\$108.28	9.3%
PPL Electric Utilities Corporation	\$51.80	\$49.69	\$40.01	\$48.06	\$47.31	-2.2%
West Penn Power	\$47.11	\$47.74	\$42.24	\$62.64	\$38.60	-4.9%
Pennsylvania Electric Company	\$62.43	\$60.02	\$45.65	\$35.45	\$42.69	-9.1%
Panel Average	\$61.37	\$58.52	\$49.82	\$58.17	\$61.71	0.1%
Duquesne Light Company	\$24.56	\$26.66	\$31.02	\$45.57	\$34.58	8.9%

Maintenance of Line Transformer per Line Transformer Plant In Service	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.0003	\$0.0001	\$0.0000	\$0.0000	\$0.0000	-45.5%
PECO Energy Company	\$0.0042	\$0.0037	\$0.0045	\$0.0039	\$0.0028	-9.6%
PPL Electric Utilities Corporation	\$0.0057	\$0.0043	\$0.0045	\$0.0063	\$0.0033	-12.6%
West Penn Power	\$0.0019	\$0.0018	\$0.0015	\$0.0013	\$0.0005	-29.4%
Pennsylvania Electric Company	\$0.0001	\$0.0001	\$0.0000	\$0.0000	\$0.0002	17.4%
Panel Average	\$0.0024	\$0.0020	\$0.0021	\$0.0023	\$0.0014	-12.6%
Duquesne Light Company	\$0.0005	\$0.0001	\$0.0002	\$0.0003	\$0.0001	-27.1%

Customer Assistance Expenses Per Megawatt Hours Sold	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$0.70	\$1.14	\$1.63	\$2.21	\$3.30	47.4%
PECO Energy Company	\$0.21	\$0.23	\$0.23	\$1.49	\$1.30	57.7%
PPL Electric Utilities Corporation	\$0.44	\$0.35	\$0.58	\$2.07	\$2.90	60.2%
West Penn Power	\$0.19	\$0.19	\$0.43	\$0.53	\$0.05	-28.4%
Pennsylvania Electric Company	\$0.89	\$1.53	\$2.03	\$2.42	\$3.34	39.2%
Panel Average	\$0.49	\$0.69	\$0.98	\$1.74	\$2.18	45.2%
Duquesne Light Company	\$0.18	\$0.18	\$0.20	\$1.94	\$1.64	73.7%

Source: Pa PUC Annual Reports

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Customer Assistance Expenses Per Customer	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	\$18.45	\$29.56	\$40.10	\$55.97	\$83.30	45.8%
PECO Energy Company	\$5.38	\$5.91	\$5.70	\$37.87	\$38.79	63.9%
PPL Electric Utilities Corporation	\$12.04	\$9.64	\$15.19	\$54.51	\$76.19	58.6%
West Penn Power	\$5.57	\$5.45	\$11.62	\$14.89	\$1.48	-28.2%
Pennsylvania Electric Company	\$21.71	\$37.38	\$46.85	\$57.82	\$79.97	38.5%
Panel Average	\$12.63	\$17.59	\$23.89	\$44.21	\$55.95	45.1%
Duquesne Light Company	\$4.45	\$4.29	\$4.44	\$46.60	\$39.04	72.1%

Average Collection Period (Days)	2007	2008	2009	2010	2011	Compound Growth
Metropolitan Edison	12.71	14.81	16.95	12.14	28.63	22.5%
PECO Energy Company	22.53	24.39	16.13	35.15	38.31	14.2%
PPL Electric Utilities Corporation	25.02	24.13	25.98	39.47	54.31	21.4%
West Penn Power	24.70	22.34	22.14	22.13	27.31	2.5%
Pennsylvania Electric Company	12.08	13.84	16.32	12.39	29.51	25.0%
Panel Average	19.41	19.90	19.50	24.26	35.61	16.4%
Duquesne Light Company	51.70	56.30	57.74	59.51	58.79	3.3%

