BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. R-2010-2179522

Duquesne Light Company

Statement No. 6

Direct Testimony of Robert L. O'Brien

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DIRECT TESTIMONY
OF
ROBERT L. O'BRIEN

I. INTRODUCTION AND PURPOSE OF TESTIMONY

1. Q. Please state your full name and business address.

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

2. Q. By whom are you employed and in what capacity?

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

3. Q. Please summarize your professional experience and educational background.

A. I have been employed in my current position since January 4, 2008 after my retirement from Black & Veatch Corporation ("B&V) where I worked in the Executive Management Services division as a Principal Consultant since January 2005 when B&V acquired R.J. Rudden Associates ("Rudden"), where I served as Vice President. In these positions, I have assisted clients in the areas of Strategic Planning, State Regulatory Operations, Financial Planning, Cash Working Capital Calculations, Rate Case Preparation and Revenue Requirement Model Design. Prior to joining Rudden in 2000, I was employed by Citizens Communications Company (formerly Citizens Utilities Company) ("Citizens") from 1975 to 1999 holding the positions of Vice President, Strategic Planning and Regulatory Affairs for Citizens' Public Utilities Sector

(1997 to 1999); Vice President, Corporate Regulatory Affairs (1978 to 1997); and Manager of Special Studies (1975 to 1978). From 1967 to 1975, I was employed as controller by a series of companies engaged in the financial, communications, educational and printing industries. Prior to 1967, I was employed by Ernst & Young where I attained the status of Senior Auditor after four years (including two years work experience during a 5-year work-study program at the University of Cincinnati). I graduated from the University of Cincinnati in 1965 with a Bachelor of Business Administration, having majored in Accounting. I am a Certified Public Accountant.

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

A. Yes. I have testified or filed testimony before this Commission many times on behalf of Citizens' water and telephone operations; on behalf of Duquesne Light Company ("Duquesne Light" or the "Company") in its 2006 application for a general rate increase; on behalf of PECO Energy Company in a 2008 gas rate proceeding and again in the 2010 rate applications for its gas division and its electric division. In addition, I have presented testimony and or testified in over 200 proceedings before state regulatory commissions in Arizona, California, Colorado, Hawaii, Idaho, Illinois, Indiana, Missouri, Montana, Nevada, Ohio, Rhode Island, Tennessee, Vermont and West Virginia on behalf of electric, natural gas, communications, water and wastewater utility companies. Those proceedings involved company-initiated rate increases, commission-ordered rate reviews, purchased energy pass-through

proceedings, acquisitions and sales of utility companies, disaster relief requirements and the recovery of acquisition premiums. I have testified concerning all measures of value elements, including deferred income taxes and cash working capital, as well as revenues, operating expenses, income taxes, rate design and rate of return issues. I have also testified in generic proceedings related to income taxes, as well as changes in the regulation of the communications and electric industries.

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

A. I was asked by Duquesne Light to assist it in preparing and presenting a request for a general rate increase for its Pennsylvania electric distribution delivery operations. More specifically, I develop the components of Duquesne Light's overall revenue requirement, and will support certain pro forma ratemaking adjustments for the future test year ended March 31, 2011 ("FTY") and the historic test year ended March 31, 2010 ("HTY"), and portions of the claimed measures of value, including Duquesne Light's cash working capital allowance.

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

A. In general, my assignment was to prepare pro forma adjustments to the Company's FTY budget to obtain a total Company pro forma test year. The total Company values were developed and classified by use of the Federal

Energy Regulatory Commission ("FERC") Uniform System of Accounts for Mr. Crowley to use in his Jurisdictional Separation Study which determines the pro forma earnings at present rates and the revenue increase required for the Company's Pennsylvania jurisdictional distribution assets. As a starting point, I used the budgeted data provided by Mr. Bordo. In addition, I developed, working with Company personnel, pro forma adjustments based on total Company operations. Finally, I provided the total Company pro forma measures of value and operating results for the FTY to Mr. Crowley who, through the Jurisdictional Separation Study, determined the allocated jurisdictional amounts correctly assigned to the Pennsylvania jurisdiction for the Company's distribution operations.

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

A. Yes. Together with other Company witnesses, I am sponsoring portions of Exhibits DLC-2 and DLC-3, which comprise Duquesne Light's principal accounting exhibits for the FTY and the HTY respectively. As explained by Mr. Bordo (DLC St. No. 3), Duquesne Light's Director of Finance, the base data for Exhibit DLC- 2 were derived, for the most part, from Duquesne Light's capital and operating budgets for the twelve months ended March 31, 2011; the corresponding data for Exhibit DLC-3 were taken from Duquesne Light's books and records for the year ended March 31, 2010. In addition, I am responsible for the responses provided to certain of the Commission's standard data filing requirements.

Q. Will you be discussing both Exhibit DLC-2 and Exhibit DLC-3?

A. Yes, I will. However, because Duquesne Light is basing its proposed rate increase on the adjusted FTY (March 31, 2011) data, I will focus my comments on Sections A (Summary), C (Measures of Value/Rate Base) and D (Operating Income/Revenues and Expenses) of Exhibit DLC-2. My testimony regarding Exhibit DLC-3, which is Duquesne Light's HTY (March 31, 2010) accounting summary and is organized in essentially the same format as Exhibit DLC-2, will briefly address the pro forma adjustments and any area that requires additional comment or information.

Q. How is the balance of your testimony structured?

A. In Section II, I present an overview of Duquesne Light's future test year revenue requirement and explain, in summary fashion, how its claimed measures of value, pro forma present rate revenues, operating expenses, depreciation and taxes were determined. Section III of my testimony provides a more detailed description of the individual components comprising Duquesne Light's requested measures of value, while Section IV discusses the derivation, including appropriate ratemaking adjustments, of Duquesne Light's revenue and expense claims. Finally, Section V contains the presentation of the HTY data.

II. OVERVIEW OF DUQUESNE LIGHT'S FUTURE TEST YEAR REVENUE REQUIREMENT

Q. Please explain how the Company's FTY March 31, 2011 measures of value were determined.

A. First, to determine FTY-end utility plant in service, the Company began with the closing plant balances at March 31, 2010, added the budgeted capital expenditures that will close to plant in service during twelve months ended March 31, 2011 and subtracted the appropriate plant retirements. The accumulated depreciation at March 31, 2011 was determined in a similar fashion, using the balances at March 31, 2010 plus the budgeted depreciation expense, amortization of net salvage and the plant retirements for the FTY. The accumulated deferred income taxes ("ADIT") credit includes an amount for the federal ADIT, net of an offset for the federal income tax previously paid by the Company on the receipt of contributions-in-aid-of-construction ("CIAC"). The claimed levels of materials and supplies and customer deposits are based on 13-month historic averages for the period ended December 31, 2009, and working capital was calculated using lead-lag study procedures. Each of these components and the other elements shown on Exhibit DLC-2, Schedule D-1, page 3 of 3, column 1, lines 1 to 11 of the measures of value will be described later in my testimony. This total Company data, as described by Mr. Crowley, are then allocated to the Pennsylvania Jurisdiction as shown in column 2.

Q. How were the revenues at present rates derived?

A. Revenues at present rates were derived by adjusting the budgeted revenues for Duquesne Light's electric operations for the twelve months ending March 31, 2011 to reflect the annualization of customers to year-end levels in the FTY; to reflect anticipated changes in revenues attributable to proposed changes in the Company's customer assistance program ("CAP") and other pro forma revenue adjustments as described in connection with those adjustments which are summarized in Exhibit DLC-2, Schedule D-5.

12. **Q. How were the claimed operating expenses for the FTY determined?**

A. The pro forma FTY expenses were calculated using Duquesne Light's budget for the twelve months ended March 31, 2011 as a starting point. The budgeted expenses, which were prepared based on business activities and related cost elements such as payroll, employee benefits, etc., were distributed to FERC accounts using the distribution actually experienced by the Company during the historical year ended March 31, 2010. The budget data were then annualized or normalized in accordance with established Commission ratemaking practices and other appropriate adjustments are summarized on Exhibit DLC-2, Schedule D-3 pages 1 and 2 and are described in connection with the specific schedules included in Exhibit DLC-2. Each annualization and normalization adjustment was then included in the appropriate FERC accounts.

13. **Q. Please describe how the taxes-other-than-income ("TOTI") were determined for the FTY.**

A. Those amounts were determined by using the budget amounts for the twelve months ended March 31, 2011, with pro forma adjustments to payroll taxes to reflect the impact of the increase to FTY salaries and wages and other adjustments to reflect known and measurable changes, as shown on Exhibit DLC-2, Schedule D-16.

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

A. The pro forma depreciation expense for the FTY was determined using the plant in service balances by FERC account for March 31, 2011 and the proposed depreciation rates, supported by Mr. Spanos in his testimony (DLC St. No. 8). In addition, as shown on page 2 of Exhibit DLC-2, Schedule D-17, there are seven line items which contain an annual amortization amount to eliminate a debit reserve balance over 10 years which will be explained by Mr. Spanos. The total for these calculations is a pro forma depreciation expense of $91.593 million as shown on Exhibit DLC-2, Schedule D-17, page 2, line 67, column 8. The five-year amortization of net salvage is shown by FERC account on pages 3 and 4 totaling $6.812 million as shown on line 67, column 8, page 4. Pages 5 and 6 reflect the sum of the pro forma depreciation expense (pages 1 and 2) and the amortization of the net salvage (pages 3 and 4). The total pro forma depreciation expense is $98.405 million as shown on line 67, page 6, column 8. The pro forma adjustment of $11.631 million is reflected on line 71 of page 6 in column 4 of Exhibit DLC-2, Schedule D-17.

Q. How were income taxes calculated?

A. Income taxes were calculated using the regulatory procedures normally followed by the Commission, including the use of synchronized interest expense; the normalization of the federal method difference for accelerated depreciation; the flow-through of other tax/book timing differences; and the imputation of a consolidated income tax adjustment. The income tax expense for the FTY at present and proposed rates is shown on Exhibit DLC-2, Schedule D-18, page 1 of 2.

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

A. Each of the budgeted and pro forma adjustment amounts, which will be described in testimony related to the specific filing schedule or requirement, were used to determine the total Company pro forma measures of value, revenues and expenses. These total Company amounts were provided to Mr. Crowley and used by Mr. Crowley as the basis for the Jurisdictional Separation Study which determined the fully distributed costs and the revenue requirement for the Pennsylvania distribution operations.

Q. What is the overall required increase in annual revenues for the Company's jurisdictional distribution operations for the FTY?

A. As shown on line 22 of Exhibit DLC-2, Schedule D-1, page 2 of 3, the proposed increase in annual operating revenues is $87.329 million. Mr. Crowley will testify regarding the calculations related to the distribution revenue increase.

Q. Does this include the additional expense the Company will incur from the recently enacted changes in the federal health care coverages contained in Patient Protection and Affordable Care Act ("Health Care Law")?

A. No, it does not. While the Company knows that changes in health care coverages in the Health Care Law will result in an increase in the Company's expenses of at least $500,000, Duquesne Light does not have a more specific estimate of the ongoing expense increase.

Q. Does Duquesne Light plan to update its filing once these amounts are measurable?

A. Yes. The Company will provide a supportable calculation as soon as it is available, either during the discovery process and/or in its rebuttal presentation.

Q. What is contained in Schedule B?

A. Schedule B contains financial data for the FTY which is being sponsored by Messrs. Bordo, Matchett and Moul.

III. MEASURES OF VALUE

A. Plant In Service

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

A. Schedule C-1 summarizes the measures of value for the FTY, the pro forma returns at present rates and the pro forma return at proposed rates for the

Pennsylvania jurisdiction. This data will be described and supported by Mr. Crowley. As shown on line 1, the Company's total Measures of Value for the total Company (column 1, line 1) is $1.889 million and $1.440 million (column 2, line 1) for the Pennsylvania jurisdiction.

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

A. Schedule C-2 contains 11 pages and presents the Company's claimed FTY utility plant in service.

23. Q. How was the utility plant in service of $2.9 billion shown on Schedule C-2, page 1, line 39 determined?

A. That amount represents the estimated plant in service balance at March 31, 2011 and is based on utility plant in service at March 31, 2010 plus budgeted 2010 capital expenditures estimated to be closed to plant in the FTY, less FTY estimated retirements and adjustments to the FTY plant.

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

A. Page 2, column 2, presents the estimated year-end plant balances by functional plant category. The adjustments summarized in column 3 reflect the addition to plant to capitalize the difference between pension plan contributions and amounts capitalized on the Company's books under ASC 713, the reduction of the portion of salaries and wages reduced in the FTY and reclassification to recognize changes included in the depreciation study and the establishment of new depreciation rates as shown on page 9 to 11. The

balance in column 4 reflects the Company's estimated distribution plant in service at the end of the FTY. The estimated total plant in service at March 31, 2011 of $2.941 million shown on line 10 in column 4 is entered on Exhibit DLC-2, Schedule D-1, page 3 of 3 at column 1, line 1 for the total Company.

Q. What is shown on pages 3 and 4 of Schedule C-2?

A. These pages show the plant in service balances budgeted as of the end of the FTY by FERC account in column 2 and the adjustments in column 3 and the total plant by FERC account for the FTY in column 4.

Q. How about Schedule C-2, pages 5 and 6?

A. Pages 5 and 6 set forth the Company's estimated plant additions for the FTY by FERC account in column 2 and the plant adjustments in column 3. The plant addition data were developed based on a review of the FTY capital budget and historic data to determine the appropriate FERC accounts for the additions of $259.3 million of construction expenditures to be closed to plant in the FTY. The adjustments in column 3 are from Schedule C-2, pages 9 and 10, explained subsequently.

Q. Please describe pages 7 and 8 of Schedule C-2.

A. Pages 7 and 8 of Schedule C-2 presents the estimated retirements for the FTY, which were determined using the average of the three prior years' retirements of $57.3 million as shown on line 57 on page 8. This amount was distributed

to the FERC accounts based on the average of the three prior years' retirements.

28. Q. What is contained on pages 9 and 10 of Schedule C-2?

A. Pages 9 and 10 detail the adjustments necessary to determine a fair and reasonable plant in service amount for the FTY. The first adjustment in column 2 reflects the capitalization of the additional pension cost that should be included in plant based on the pension contributions which were allowed by the Commission in the last Duquesne Light rate case compared with the pension costs capitalized by the Company based on the Financial Accounting Standards Board ("FASB") Financial Accounting Statement number 87 ("FAS 87") currently Accounting Standards Codification 715 ("ASC 715"). The calculation of the additional amount of pension costs to be capitalized is contained on page 11. This adjustment is necessary because pension costs were recovered in the last case based upon contributions rather than ASC 715 (Formerly FAS 87) cost with a portion of the contribution to be recovered as expense and the remainder to be capitalized.

The adjustment amount in column 3 of pages 9 and 10 also reflects reclassifications between general plant accounts to reflect plant balances in a single account and to establish the second line to track the amortization of a debit reserve balance as discussed by Mr. Spanos. For example, account 391.1 for Office furniture shows a transfer from the account on line 48 to the account on line 47 in the amount of $1,373,000. This combines plant from

prior to and after January 1, 2005 as used in the depreciation study and permits the use of the second account to track the amortization of the debit reserve balance for that account. For example, Mr. Spanos has identified an amount of $1,701,454 as part of the Unrecovered Adjustment for Amortization for account 391.1 (Statement No. 8) to be recovered through an amortization adjustment over a ten-year period in the amount of $170,145, which is shown on Schedule D-17, page 2, line 48, column 8. The reclassification in column 4 combines the amount charged to the second account in column 1 for the pension adjustment. This is necessary since the pension adjustment was distributed to plant accounts using plant additions for the years 2008 to 2010. During that period charges were made to the accounts combined in the adjustment in column 3. For example, referring to account 394 on lines 54 and 55, the $120,000 added to account 394 on line 55 in column 2 is reclassified to account 394 on line 54 in the same manner that the reclassification was made in column 3. This combines all of the account 394 assets in one account as shown on Schedule D-17, page 2, column 3 on lines 54 and 55.

The final adjustment, reducing plant in service in column 5, reflects the reduction the Company made to its test year employee level that was included in the budget for the FTY. The Company removed 35 budgeted positions from its rate case claim. Since approximately 50 percent of the employee salaries and wages are charged to plant, this adjustment removes the capitalized portion related to the employee level reduction for the FTY.

Q. Please describe the calculation on page 11 of Schedule C-2.

A. The pension contributions made or to be made by Duquesne Light are shown on lines 1 to 4 with the total in column 2 and the amount assigned to capital projects in column 4. This total, $68.25 million represents the total actual expected pension contributions that the Company will have made from the effective date of rates in Docket No. R-00061346 to the end of the FTY where the Commission authorized Duquesne Light to recover its regulatory costs based on contributions to the pension plan as opposed to based on ASC 517. Lines 6 to 9 show the amount of pension costs that has been and will be capitalized using the ASC 517 procedures through March 31, 2011 and the difference by year is shown on lines 11 to 14. The net addition to plant of $55.5 million is shown on line 15 and the amount of accumulated depreciation related to that plant adjustment of $1.464 million is shown on line 16. The related depreciation expense is reflected on line 19 using a composite depreciation rate based on FTY-end plant and the Company's current depreciation rates.

Q. If the Company is recording plant using ASC 517 why is it necessary to reflect this adjustment for ratemaking purposes?

A. This adjustment will reflect the fact that, although the Company is reflecting its pension costs as an expense and capital component using ASC 517 for accounting purposes, the Commission has authorized the Company to recover its pension costs using the contributions made by the Company to its pension

plan. The Company has made an adjustment to pension expense (Exhibit DLC-2, Schedule D-9) and must also therefore make an adjustment to the capitalized portion of the contributions. Without this related adjustment the Company would not have an opportunity to recover a return on the portion of the pension contribution capitalized or recover the capitalized portion of pension contributions through depreciation.

31. **Q. What is the total plant in service pro forma for the FTY?**

A. The total plant in service for the Company in the FTY is $2,941,126,000 as shown on Schedule C-2, page 1 of 11, line 39.

B. Accumulated Depreciation

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

A. This schedule, consisting of 8 pages, presents the accumulated provision for depreciation at March 31, 2011 by FERC account. Duquesne Light's accumulated depreciation at March 31, 2011 is $878.963 million as summarized on page 1, line 39 of Schedule C-3 and then carried forward to page 3, column 1, line 2 of Schedule D-1.

33. **Q. What is contained on the remaining seven pages of Schedule C-3?**

A. Page 2 shows the pro forma accumulated depreciation for the FTY by FERC account category, including the adjustment to the accumulated depreciation related to the plant adjustments to the plant in service are summarized in column 3. Pages 3 and 4 contain the estimated 2010 accumulated

depreciation and pro forma adjustments amounts by FERC account, while pages 5 and 6 show the amount of cost of removal net of salvage included in the test year accumulated depreciation calculations. Finally pages 7 and 8 show the accumulated depreciation related to the plant adjustments discussed in connection with the plant accounts. These adjustments reflect an adjustment in column 3 to change the amortization of net salvage to reflect a current five-year average.

C. Cash Working Capital

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

A. This is a summary of the Cash Working Capital ("CWC") calculations, which are detailed on pages 2 to 11 of this schedule. The total of $58.2 million shown on line 6 is included in Duquesne Light's claimed measures of value as shown on page 3 of 3 of Schedule D-1, column 1, line 4.

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

A. Page 2 summarizes the derivation of Duquesne Light's claimed revenue collection lag and overall operating expense payment lag. The revenue lag days of 53.67 days are shown on line 1; the expense lag days for each of the expense components appear on lines 2 to 6; and the composite O&M expense lag days of 27.96 days is shown on line 8. The net lag in the collection of revenue of 25.71 days (53.67 – 27.96) shown on line 9 is then multiplied by the average daily operating expense balance on line 10 to arrive at the base CWC amount of $36.2 million for operating expenses shown on line 11. The

average daily operating expense balance of $1.408 million on line 10 was determined by dividing the total pro forma annual operating expenses of $523.0 million on line 17, excluding uncollectible accounts expense totaling $9.1 million on line 22, of $513.9 million on line 23 and also on line 7, column 2 by the number of days in a year, 365. The other components of CWC are shown on lines 12 to 15 and will be described in connection with my discussion of related supporting schedules.

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

A. The total revenue lag days shown on line 21 of 53.67 days were determined by dividing the average month-end accounts receivable balances for the thirteen months ended December 31 2009 shown in column 2 on line 17 into the annual revenue billed during 2009, as shown in column 3 on line 17. This results in an accounts receivable turnover rate of 10.01 (column 4, line 17), which is equivalent to 36.46 lag days (365 days divided by 10.01 accounts receivable turnover rate), as shown in column 5 on line 17. This is referred to as the collection lag or the payment portion of the revenue lag. The payment portion of the revenue lag is added to (1) the 2.0-day lag between the meter reading day and the day bills are recorded as revenue and accounts receivable by the Company and (2) the 15.21 day service period lag, which is the time from the mid-point of the service period until the meter reading date, generating a total revenue lag of 53.67 days, as shown on line 21.

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

A. The mid-point of the service period is equal to the days in an average month (365 days divided by 12, or 30.42 days) divided by 2, or 15.21 days.

Q. What is shown on page 4?

A. Page 4 shows the monthly revenue by class of service for the years 2007 to 2009.

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

A. Schedule C-4, page 5, shows the calculation of the expense lags used in the CWC calculation as shown on Schedule C-4, page 2, column 3, lines 3 to 6. Lines 1 to 5 reflect the payroll expense lag. The payroll amounts reflect the budgeted payroll amounts for the FTY as shown on Schedule D-7. The lag periods for the payment of union and non-union payroll are shown separately to reflect Duquesne Light's actual payment cycles for each classification. Lines 6 to 12 show the lag in the payment of pension costs for the years following the FTY. This period is used because the contribution payments during the FTY will not likely be repeated after the FTY. The lag period is calculated using a mid-point of July 1 and the payment dates shown in column 1. This results in an average payment lead of 43.3 days, which was applied to the pro forma pension expense from Schedule D-9, page 1, line 9 and shown on line 4 of Schedule C-4, page 2 of 10.

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

A. Effective January 1, 2011, Duquesne Light will purchase power for its default-service customers through new contracts or on the open market. The Company believes that the payment terms for these new contracts will be the same as or equal to the payment terms of its existing contract, which is 35 days. As such, I am using a 35-day lag period for this expense element as shown on line 13.

Q. Please describe how you determined the payment lag associated with other operating and maintenance expenses.

A. The summary of the average payment lag for all remaining expenses, as set forth on lines 14 to 18 of page 5 of Schedule C-4, was derived from data for the four months shown on page 6 of Schedule C-4. More specifically, I requested that the Company provide a listing of all cash disbursements during each of the four months selected in a format that would show the payee, the date the service was provided or the invoice date, the amount of the disbursement, the date the payment cleared the bank, the account to which the disbursement was charged and certain other data. Each month's listing contained thousands of cash disbursements.

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

A. I added a column to the Company's schedule to show the number of days it took each disbursement to clear the bank and a column to calculate the dollar days (the amount of the disbursement times the number of days the payment

took to clear the bank) and sorted the disbursements by amount. I then eliminated disbursements that should not be included in a CWC calculation.

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

A. First, referring to line 1 of page 6, I started with a total number of cash disbursements of 5,564 (column 1) and a total dollar amount of those disbursements of $68.0 million (column 2). I eliminated all disbursements in excess of $200,000 since those would not be part of the Company's claimed operation and maintenance and excluded purchased power which is addressed in another CWC calculation. Second, I eliminated all expenditures under $1,000 since those amounts, while significant in number, would not have a meaningful impact on the overall lag day calculation. Third, I removed all amounts charged to non-operation and maintenance expense accounts and any charitable contributions with the exception of accounts payable payments to provide a check number to compare to only operating expenses since payments for accounts payable could be for operating expenses. Fourth, I removed the accounts payable payments. The remaining disbursements were used for the CWC payment lag for other disbursements. As reflected on line 2, the total disbursements for the month of February 2010 for accounts payable and expense disbursements contained 618 disbursements for a total amount of $3.9 million. Once I removed the disbursements for the accounts payable, my base for the month of February was 461 disbursements with a total expense of $3.0 million as shown on line 3, columns 1 and 2

respectively. I repeated the process for each of the remaining three months and the total data is shown on lines 13 to 15 of page 6. The monthly data and total data for the total test month expenses disbursements on lines 3, 6, 9 and 12 were reflected on page 5, lines 14 to 17 and the total on line 18 used to determine the total expense lag days for the other disbursements is 38.01 shown on page 5, line 18 column 5. This amount is also shown on page 2, line 6 in column 3.

44. Q. Please explain how the average prepayments of $3.5 million included on line 12 of Schedule C-4, page 2 were determined.

A. That amount is calculated on page 11 of Schedule C-4 and represents the thirteen-month average of actual amounts for each month end from December 2008 through December 2009. As shown on page 11, the prepayments in question comprise thirteen different items, ranging from commission assessments to insurance.

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

A. The calculations on page 7 of Schedule C-4 use the pro forma tax expense at proposed rates shown in column 1 and the net revenue lag days for each tax as shown in column 4. The result of the multiplication of those components is shown in column 3 and used as the working capital related to the taxes paid by

the Company. The net payment lag days for each of the taxes are calculated on page 10 of Schedule C-4.

Q. Please describe the calculation of the interest expense lag shown on page 8 and included on page 2 of Schedule C-4.

A. This calculation measures the lag associated with the semi-annual payment of interest on outstanding debt. The pro forma interest expense is the amount resulting from the synchronized interest calculation using the pro forma measures of value and the weighted cost of debt included in the requested rate of return. The daily interest expense amount, calculated on line 5, is multiplied by the net payment lag of 37.6 for a reduction to the working capital allowance of $4.97 million, as shown on line 9 and included on page 2 at line 14.

Q. Please describe the calculation of the working capital component related to preferred stock payments.

A. This calculation, shown on page 9 of Schedule C-4, follows the same procedures as the calculation for interest expense on page 8. The pro forma dividend amount is developed on lines 1 to 4 and the per day amount shown on line 5. The lag days are calculated based on the quarterly dividend payment and the result is an addition to the working capital requirement of $136,000, as shown on line 9 and also on line 15 of Schedule C-4, page 2.

Q. What is presented on page 10 of Schedule C-4?

A. As noted previously, this page provides the calculations of the net payment lag days for the tax expense components of Duquesne Light's CWC allowance. The type of tax and the payment schedule for that tax are shown in the description column with the actual payment dates reflected in column 1. The payment lead or (lag) from the midpoint of the year is shown in column 3. The pro forma payment amount for each tax is shown in column 4 on the line with the name of the tax. For example, the federal income tax amount of $80.6 million is shown on line 1 in column 4. The payment amounts required are reflected for each tax on the dates shown in column 1 and the weighted lead (lag) for each payment is calculated in column 5 for each tax. The payment lead (lag) days are calculated and shown on the total line for each tax. These days are compared to the lag days for revenue shown in column 7 and the net payment lag is shown in column 8 and also reflected on page 7 of Schedule C-4.

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

A. This is necessary because each of the tax expense items has separate payment dates. For example, as shown on page 10 of Schedule C-4, 25 percent of the estimated federal income tax liability is due on April 15, June 15, September 15 and December 15 of each year. The tax payment dates and percents due for other tax expense items are not the same. Using a separate calculation for each tax expense provides a matching of the cash requirement for payment of those expenses with the anticipated cash from revenues.

50. Q. What is shown on Schedule C-4, page 11?

A. This page shows the calculation of the average prepaid expenses included in the CWC. The thirteen-month average for prepaid expenses for the electric distribution operations of $3.5 million is shown on line 19 of Schedule C-4, page 11 and on page 1 of Schedule C-4, on line 2.

51. Q. What is the total amount of CWC included in the claimed measures of value?

A. That amount is the $58.2 million shown on Schedule C-4, page 1, line 6 and on Schedule D-1, page 3 of 3, column 1, line 4.

52. Q. Please describe Schedule C-5.

A. Schedule C-5 reflects the Materials and Supplies for the FTY based on the thirteen month average from December 2008 through December 2009 as shown on lines 1 to 16. The distribution of the average to various functions is shown on lines 17 to 22.

D. Accumulated Deferred Income Taxes

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

A. Schedule C-6 shows the March 31, 2011 balance of accumulated deferred income taxes ("ADIT") that is deducted in the determination of the measures of value. The ADIT shown on line 5 of $241.8 million reflects the federal income tax that must be deferred in compliance with the normalization provisions concerning the use of accelerated tax depreciation on test year plant balances. The accelerated tax depreciation used in the determination of

taxable income for federal and state income tax expense calculations is reflected on Schedule D-18, page 1

54. Q. Have you made an adjustment for the federal income tax on contributions-in-aid-of-construction?

A. Yes. Duquesne Light follows the modified gross up procedure to pay the income taxes on contributions-in-aid-of-construction ("CIAC") received. This procedure results in payment of taxes by the Company on the contribution with recovery through future tax deductions on the property constructed with contributions. The ADIT must be reduced by amounts related to the CIAC plant so the Company can recover its prepaid income taxes and the earnings related to that prepaid income tax. The amount shown on line 4 is the amount related to the CIAC reducing the ADIT used to reduce the measures of value for the FTY.

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

A. The amount is $241.8 million as shown on line 5 of Schedule C-6 and on line 9 of page 3 of Schedule D-1 in columns 1.

E. Customer Deposits

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

A. The amount for customer deposits shown in column 1 reflects the average month-end balance for the thirteen months ended December 31, 2009. The

amount for the interest expense paid to customers on the customer deposits is shown in column 2. The customer deposit amount is reflected as a reduction to the measures of value and the interest expense is shown as an operating expense for the FTY.

57. Q. What is the amount of customer deposits used in the measures of value?

A. The amount is a deduction of $5.977 million, as shown on line 15 of Schedule C-7 and on Schedule D-1, page 3, line 8, column 1.

58. Q. What is the Company's claimed measures of value in this proceeding?

A. Duquesne Light's claimed measures of value, or rate base, equals $1,889,030,000, as shown on line 11, page 3, column 1 of Schedule D-1 for the total Company and $1,439,932,000 for the Pennsylvania jurisdictional measures of value shown on Schedule D-1, page 3, column 2, line 11,which will be supported by Mr. Crowley.

IV. REVENUES AND EXPENSES

59. Q. What is shown on Schedule D-1 of Exhibit DLC-2?

A. Schedule D-1, which is supported by Mr. Crowley, contains three pages showing the calculation of the Pennsylvania jurisdictional revenue requirement including the measures of value, revenues and expenses at present rates, the revenue increase required and the revenues and expenses at proposed rates.

Q. Please describe Schedule D-2.

A. Schedule D-2 shows the revenues and expenses by major FERC account classification. It begins with the Company's budgeted revenues and expenses for the FTY in column 1, and then annualizes and/or normalizes those figures through adjustments summarized in column 2. The pro forma data in column 3 are summarized and brought forward to Schedule D-1, page 2, column 1 and used in the determination of the required revenue increase. The various revenue adjustments in column 2 are summarized on Schedule D-3 and listed by adjustment on Schedule D-5, and the expense adjustments are summarized on Schedule D-3 and described in more detail on the separate adjustment schedules beginning with Schedule D-6.

Q. Please describe Schedule D-3.

A. Schedule D-3 summarizes the various adjustments that were made to the budgeted revenue and expense data to derive the pro forma present rate revenues that appear in column 3 of Schedule D-2 and are included in the adjusted amounts that are carried forward to Schedule D-1. The budgeted amounts are shown in column 1 on page 1 and the revenue adjustment totals are shown in column 2 on page 1. The various expense adjustments are reflected in columns 4 to 11 of page 1 and in columns 14 to 22 of page 2 of Schedule D-3. Each of the pro forma adjustments will be described in connection with the specific schedule supporting the adjustment.

Q. Please describe Schedule D-4.

A. Schedule D-4 contains two pages and presents a summary of the total Company budget, total Company pro forma for the FTY and Pennsylvania jurisdictional data for the FTY by FERC account.

A. Revenue Adjustments

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

A. Schedule D-5 presents a summary of the separate pro forma adjustments to revenue for the FTY. Each of these adjustments will be described in detail in connection with the separate calculation of the adjustment shown on Schedules D-5A to D-5C and reflected on Schedule D-5 as adjustments D-5D and D-5E.

64. **Q. Please describe the adjustment calculated on Schedule D-5A, which is shown on Schedule D-5 in column 3.**

A. This adjustment updates various FTY revenue amounts from the original budget reflected in column 2 on Schedule D-5 to estimates and calculations based on more current data and in a format used for regulatory proceedings. These are based on numbers of customers and customer usage by tariff schedule and used in the proof of revenue calculations presented the Company. The updated FTY revenue amounts at present rates shown in column 2 of adjustment D-5A are used to calculate the adjustment in column 3 of Schedule D-5A.

65. **Q. How did you calculate the revenue adjustment shown on Schedule D-5B?**

A. This adjustment annualizes revenues for the projected number of customers at the end of the FTY. Line 1 shows the distribution non-commodity revenue for each customer classification for the FTY. These non-commodity revenues are divided by the average number of customers for the test year on line 2 to determine the average non-commodity revenue per customer on line 3. The average non-commodity revenue, or margin, per customer for the FTY on line 3 was then multiplied by the difference between the average number of customers (line 2) and the number of customers at the end of the FTY (line 4) which difference is shown on line 5, yielding additional revenue of approximately $593,000 for the residential and residential heating customer classes as shown on line 6 by customer classification. This pro forma adjustment is then reflected on Schedule D-5, column 4.

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

A. This adjustment captures the impact on revenues of the Company's Customer Assistance Programs ("CAP") for the FTY. The $12.5 million on lines 1 and 2 reflects the revenue credits calculated by the Company for the FTY ended March 31, 2011 based on the estimated number of CAP participants during the FTY and included in the FTY budget. The pro forma adjustment of $3.1 million on line 6 reflects the annualization of the CAP revenue credit for participants annualized to the end of the FTY.

67.21 **Q. What amount was included for the CAP revenue credits in the updated revenue of $897.446 million shown on line 24, column 3 of Schedule D-5A?**

A. The CAP revenue credit amount included in the FTY budget was $12.512 million.

Q. Has the Company always reflected the CAP revenue credits as offsets to revenue?

A. No, prior to 2009 the Company has reflected these as expenses as part of CAP expenses that included the write-off of frozen arrearages which were reflected in the uncollectible accounts expense. In this filing we are showing the revenue credits as a revenue adjustment while the write-off of the frozen arrearages are reflected with the write-off of general accounts used to determine the uncollectible expense pro forma for the FTY as described in connection with Schedule D-10.

Q. Please describe adjustment D-5D shown on Schedule D-5, column 6.

A. This reduction in FTY revenue reflects the reduction in the administrative fees the Company receives in processing the purchase of accounts receivable from electric generation suppliers under the Company's purchase of receivables plan. The percentage currently received of 0.70 percent will be reduced to 0.28 percent for medium C & I customers and 0.52 percent for residential and small C & I customers effective January 1, 2011. Therefore the Company is reflecting that reduction in other revenue in as a pro forma adjustment for the FTY.

Q. Please describe the adjustment shown on Schedule D-5E.

A. This adjustment contains two components. First, the Company is removing $29.1 million of revenue budgeted for recovery through a surcharge of costs associated with the implementation of energy efficiency and conservation programs. It is my understanding that Act 129 allows that such costs be recovered through a separate Section 1307 reconcilable adjustment clause. Duquesne Light will be utilizing this surcharge mechanism for the recovery of these costs and therefore has removed these surcharge revenues from the base revenue. Second, the Company has removed revenues currently recovered through the customer education surcharge ("CES") of $730,000 so those amounts can be included in the base rates and the CES revenue surcharge amount be reset to zero.

B. Operating Expense Adjustments

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

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

Q. How were the 2010 budget data restated by FERC account for purposes of preparing this rate application?

A. The recorded FERC balances for the 12 months ended March 31, 2010 ("HTY") were analyzed to develop a chart showing each cost element within each FERC account. After this process was completed, I then distributed the budgeted FTY charges by cost elements to the FERC accounts using the ratios

actually experienced in the HTY. For example, I determined how much of the payroll expensed in the HTY was charged to each FERC account in the HTY and then distributed the FTY budgeted payroll to FERC accounts based on those ratios. This process was used for each cost element category to transform the FTY expense by cost element budget to a FERC-based budget.

73. **Q. Why was it necessary to transform the 2010 cost category budget to a FERC-based budget?**

A. Essentially for three reasons. First, the Company's annual reports to the Commission are presented on a FERC-account basis, and having the future test-year budget presented in the same format facilitates a comparison of the FTY budget data to prior years' experience. Second, it was necessary to have the test year data available by FERC account for use by Mr. Crowley in his Jurisdictional Separation Study and finally for use by Mr. Gorman in his Cost of Service Study.

74. **Q. Did Company personnel review your proposed distribution of the budgeted expense data across the FERC accounts?**

A. Yes, and they confirmed the reasonableness of the process and the results.

75. **Q. In your opinion, does this process result in a fair presentation of the Company's 2010 budgeted expenses by FERC account?**

A. Yes, it does.

76. Q. Were each of the pro forma adjustments reflected on Schedule D-3 also charged to the appropriate FERC accounts?

A. Yes, they were.

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

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

78. Q. What is contained on Schedule D-6?

A. Schedule D-6 contains adjustments to five cost element expenses and also to purchased power expense for the FTY. These update the FTY to reflect changes to the budget data.

79. Q. Please describe the adjustments on Schedule D-6.

A. The first adjustment is to Salaries & Wages ("S&W") in column 2 reflects the reduction of 35 positions from the FTY budget number of 1,268 employees. I note that the budgeted employee count included a vacancy factor of 2 percent. Nevertheless, the Company believes that the number of employees at the end of the FTY will be 1,233 and that its original vacancy factor of 2 percent will

still be appropriate. The S&W adjustment in column 2 has been distributed to the FERC accounts based on the S&W distribution in the FTY. The second adjustment in column 3 removes the portion of the incentive compensation related to financial goals. The third adjustment in column 4 removes the employee benefits related to the S&W adjusted in column 2. The fourth adjustment in column 5 removes expenses that were included in the FTY budget that the Company believes will not be incurred in the FTY. Finally, the adjustment in column 6 for outside services reduces the FTY level of outside services based on a currently expected level during the FTY.

Q. Please describe Schedule D-7.

A. Schedule D-7 consists of two pages and shows the calculation of the FTY annualization adjustments for salaries and wages ("S&W"). Page 1, column 2 contains the FTY budget data summarized by FERC account categories showing a total to be expensed of $49.4 million on line 16, columns 2 and 4. Column 5 shows the annualization adjustment of $913,000 distributed to the FERC expense categories, while column 6 lists the pro forma amounts claimed, totaling $50.4 million as shown on line 16 and an annualization adjustment to increase S&W of 1.847 percent as shown on line 17. The adjustment of $913,000 is reflected on Schedule D-3, column 4 on lines 21 through 26.

Q. How was the annualization adjustment derived?

A. The calculation is shown on page 2 of Schedule D-7. In short, the adjustment annualizes budgeted S&W expense to reflect the number of employees at the end of the FTY and certain pay rate increases to become effective during or shortly after the FTY. More specifically, I have annualized the union pay rate increase that will become effective on October 31, 2010 (lines 4 to 6 in column 2) and the 3.0 percent increase for non-union employees which will be effective on January 1, 2011 (lines 4 to 6 in column 3. As shown on line 6, each of these adjustments reflects the portion of these S&W increases that was not included in the FTY budget. These adjustments seek to capture the S&W expense that Duquesne Light will incur during the first year that the rates set in this case are in effect.

Q. Please explain the calculations on lines 12 to 18 of Schedule D-7, page 2.

A. These calculations would normally provide an annualization for an increase in the number of employees during the FTY. However, since the FTY budget included most of the new hires for the FTY in January they are already included in the budget for a full year and therefore the annualization adjustment for new hires in the FTY is zero as shown on line 18.

Q. What is the total pro forma adjustment for S&W for the FTY?

A. The amount is $913,000, which is an adjustment of 1.847 percent as shown on lines 21 and 22 respectively.

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

A. Schedule D-8 shows the adjustment to normalize rate case expense. The Company expended approximately $197,000 on this filing through March 31, 2010 (line 3) and has budgeted an additional $3.8 million for the FTY. This total, $4.0 million (line 6) is normalized over a period of 2.75 years as shown on lines 7 and 8, which results in a total estimated normalized cost per year for this case of $1.455 million as shown on line 8.

85. **Q. Why are you using a 2.75 year period for the normalization of the rate case expenses related to this proceeding?**

A. As of now, the Company plans to file its next rate increase application before April 30, 2013 using a future test year ended December 31, 2013 with new rates effective on January 1, 2014. This is 2 years, nine months after new rates in this proceeding are expected to be effective. The normalization period of 2.75 years reflects this period.

86. **Q. Please describe the normalization for the POLR "V" costs shown on lines 9 to 13.**

A. This normalization adjustment is related to the expenses incurred by Duquesne Light related to the development, processing and approval of the POLR "V" rates in Docket No. P-2009-2135500 which plan was approved by Order entered June 21, 2010 and which will become effective on January 1, 2011. Since these rates will be effective until May 31, 2013, the Company is normalizing these expenses over those 29 months, or 2.4167 years. The Company is using this period since the POLR "V" rates will be replaced by

POLR "VI" rates which will cause the Company to incur new expenses for that approval process. The total normalization amount for the FTY is $2.489 million as shown on line 14. The adjustment on line 16 of $1.272 million recognizes that $1.217 million was included in the FTY budget amounts as shown on line 15. The adjustment of $1.272 million is reflected on Schedule D-3, page 1, line 26, column 6.

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

A. Schedule D-9 reflects the calculation of the pension cost adjustment for the FTY. The adjustment reflects a three-year average of the expense component of contributions that the Company will make to its pension funds during the FTY and two subsequent years, which are supported by the testimony of Mr. Beebe. Since the Company is required to make a substantial contribution in the FTY totaling $106.5 million and lesser amounts in the following years, the Company has used a forward looking three-year average as shown on lines 1 to 6. This results in a pro forma FTY amount for pension costs of $67.8 million as shown on line 6. Since a portion of these pension costs are included in charges to construction, the Company has reduced this amount by 50 percent to reflect the portion of the pension contribution that will be expensed. This amount, $33.9 million shown on line 9 is the pro forma pension expense for the FTY. The $11.2 million on line 12 is the amount included in the Company's FTY budgeted expenses and is used to reduce the pro forma pension expense resulting in a pro forma adjustment of $22.7

million as shown on line 16 and brought forward to Schedule D-3, page 1, column 7, line 26.

88. **Q. Why is the Company using its pension contributions to determine its FTY expense level?**

A. The Commission, in its order in Docket No. R-00061346 approved the use of pension contributions as the basis for the determination of pension expense in the Company's rate proceedings. While the Company uses the ASC 517 procedures for recording the pension expense reflected on its financial statements, as shown on lines 10 to 12, the pension contributions are used to determine the pro forma expenses for setting rates.

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

A. Schedule D-10 calculates an adjustment to the Company's budgeted uncollectible expenses. Lines 1 to 5 develop a four-year average rate of net uncollectible accounts charged off to total tariff revenue for the 2006-2009 period, which is then used in determining the level of uncollectibles expense at pro forma proposed rates, as shown in column 2 of Schedule D-2. It is also used to adjust the amount of uncollectible expense in the budget to conform to the four-year average for the charge offs. The resulting 1.030 percent shown on line 5 in column 5 of Schedule D-10 is used on line 15 with the pro forma revenues at present rates for the FTY to calculate the pro forma uncollectibles of $8.2 million shown in column 5 on line 16. This pro forma uncollectible amount for the FTY is then added to the three-year average of expected write

offs of frozen arrearages ("FA") associated with the CAP for the years 2011 to 2013 to reflect the FA anticipated with the number of CAP participants during those years, which are not included in other accounts. This FA average is shown as $3.85 million on line 13 in column 5. The total pro forma amount for uncollectibles at present rates for the FTY is $12.055 million which is a net decrease of $509,000 to the budget as shown on line 19 and brought forward to Schedule D-3 in column 8 on line 23 on page 1. In addition, the 1.030 percent rate is used to provide for uncollectible expenses associated with the required revenue increase as shown on Schedule D-2, line 23 in the reference column.

Q. Please describe Schedule D-11.

A. Schedule D-11 reflects the detail of the budgeted expenses included in the FTY for the energy efficiency ("EE") programs implemented by the Company to comply with the provisions of Act 129 requiring load reductions from Company activities beginning in 2010, where a load reduction of 1 percent is required and continuing until 2013 when a continuing annual load reduction of 3 percent is required. The Company will recover these expenses through a non-base rate recovery mechanism. This reduction to FTY expenses of $23.5 million shown on line 10 is also shown on Schedule D-3, line 23, column 9.

Q. Please describe Schedule D-12.

A. Schedule D-12 reflects the detail of the budgeted expenses included in the FTY for the smart meter programs implemented by the Company to comply

with the provisions of Act 129. The Company will recover these expenses through a non-base rate recovery mechanism. This reduction to FTY expenses of $7.0 million is shown on line 10 is also shown on Schedule D-3, line 23, column 10.

C. Taxes – Other Than Income Taxes

92. Q. Please describe Schedule D-16.

A. Schedule D-16 contains 2 pages. Page 1 presents a summary of the budget amounts for the FTY (column 3), adjustments to those amounts in column 4, and the pro forma expense amounts in column 5. The calculations for the payroll related changes are made on Schedule D-16, page 2 while the changes in the gross receipts tax ("GRT") are shown on page 1, lines 12 to 19. The calculations for the increase in payroll taxes, as shown on page 2, lines 1 to 4 for FICA expense, use the ratio of tax expense to payroll expense included in the FTY budget times the payroll adjustment for the FTY to produce an adjustment to FICA expense for the FTY of $66,000 as shown on line 4. The same procedures were followed for the other related payroll tax items. The total pro forma increase of $81,000, shown on page 2, column 5. These amounts are then reflected on page 1 in column 4. The adjustment to decrease GRT on line 7 of page 1 in the amount of $3.664 million calculated on page 1, lines 12 to 19. The total adjustment is shown on Schedule D-3, page 2, columns 15 and 16, line 30 as an increase in FTY payroll related tax expense of $81,000 (column 16) and a reduction of GRT in the amount of $3.664 million (column 15) for a net decrease of $3.583 million in pro forma

FTY expense for taxes other than income. The pro forma taxes other than income expense is $55.4 million as shown on Schedule D-16, page 1, line 11, column 5.

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

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

D. Depreciation Expense

94. **Q. Please describe the adjustment to depreciation expense on Schedule D-17, pages 1 to 6.**

A. The adjustment of $11.631 million shown on page 6, line 71 is the difference between the Company's claimed depreciation and amortization expense allowance of $98.4 million as shown on page 6 of Schedule D-17, column 8, line 67 and the budgeted amounts for the FTY of $86.774 million shown on line 70. This adjustment is based on the pro forma plant in service balances at March 31, 2011 and the depreciation rates proposed by Mr. Spanos for Duquesne Light as shown in Company Statement No. 8. This amount includes both depreciation expense (pages 1 and 2) and the average

amortization of net salvage (pages 3 and 4) which are totaled by FERC account on pages 5 and 6.

Q. Please describe Schedule D-17.

A. Schedule 17, pages 1 and 2, shows the utility plant in service at the end of the HTY and the FTY in columns 2 and 3 respectively. The depreciation rates currently used by Duquesne Light are shown in column 4 by FERC account. The pro forma depreciation expense for the FTY is calculated in column 5 and the annualized depreciation expense for the FTY is calculated in column 6. The proposed depreciation rates for each FERC account are shown in column 7 and the pro forma annualized depreciation expense at the proposed rates shown in column 8.

Q. Will the depreciation expense calculated in column 5 be equal to the budgeted depreciation expense for the FTY?

A. No, it will not. The depreciation expense calculated in column 5 on pages 1 and 2 reflects changes in the average plant balances caused by using the final plant in service amounts at March 31, 2010, which were not available when the budgeted amounts were calculated. In addition, there will be other changes resulting from using more current closed to plant estimates for the FTY.

Q. Please describe the depreciation expense shown in column 6.

A. These amounts show the depreciation expense using the year-end plant for the FTY to reflect an adjustment for the annualization of depreciation expense at the FTY plant levels. This recognizes that the FTY year-end plant will be in place and depreciated on April 1, 2011 when the new revenues from this rate case are expected to become effective.

98. Q. What is the significance of the depreciation expense shown in column 8?

A. These amounts show the pro forma depreciation expense for the FTY using the updated depreciation rates supported by the testimony of Mr. Spanos which are shown by FERC account in column 7. This column also reflects, for general plant accounts designated by [a] to the right of column 8, the annual amortization amount to recover certain debit reserve balances over a ten-year amortization period, which will be described by Mr. Spanos.

99. Q. Please discuss the data presented on pages 3 and 4.

A. These pages present, by FERC account, the amortization of net salvage included in the FTY budget totaling $8.391 million (columns 5 and 6) and the pro forma amounts totaling $6.812 million included in column 8. The separate amounts for each FERC account are included in the totals by FERC account on pages 5 and 6.

100. Q. Please discuss the data presented on pages 5 and 6

A. These pages present, by FERC account, the total for depreciation and amortization of net salvage for each calculation. The total pro forma amount

for the FTY is shown in column 8 on line 67 in the amount of $98.4 million. The pro forma adjustment to depreciation expense is $13.210 million as reflected on Schedule D-3, page 2, column 17, line 27 and the pro forma adjustment for the amortization of net salvage of $(1.579) million is reflected on Schedule D-3, page 2, column 17, line 28). The net of these two adjustments, $11.631 is shown on Schedule D-17, page 6, line 71 and also on Schedule D-3, page 2, column 17, lines 60 and 61.

E. Income Taxes

101. **Q. Please describe the income tax calculation shown on Schedule D-18, page 1.**

A. This schedule calculates the pro forma income tax expense for the FTY at present rates for the total Company in column 2 and for the Pennsylvania Jurisdictional operations at present and proposed rates, as set forth in columns 3 to 5, respectively. The calculations in all columns follow the procedures use in Pennsylvania including the use of synchronized interest expense (lines 2 to 4) and the flow-through of various timing differences where allowable. Line 1 shows the operating income before income taxes. Synchronized interest expense is calculated on lines 2 to 4 using the total measures of value for the FTY on line 2 and the weighted cost of debt recommended by Mr. Moul (DLC St. No. 12) on line 3.

In compliance with Commission practice, the difference between accelerated tax depreciation and pro forma book depreciation (line 5) is used to adjust the state taxable income. The Company then used the statutory state income tax

rate of 9.99 percent to determine the pro forma state income tax expenses as shown on line 9. Federal income tax expense is calculated on lines 10 to 19 and the calculated total income tax expense for each column is reflected on line 20. The other adjustments include the amortization of the investment tax credit ("ITC") for the budget, pro forma and the Pennsylvania jurisdictional amounts for the FYT are reflected on line 22. Finally, the adjustment for the consolidated income tax offset is shown on line 23. The total net income tax expense for each column is shown on line 24.

102. Q. Why have you not reflected a reduction for the amortization of the?

A. The amortization of the ITC was completed by the end of 2010 and therefore was removed since it would not be recurring in 2011 or at the end of the FTY which is March 31, 2011.

103. Q. Please briefly describe the Pennsylvania Jurisdictional calculations shown in columns 3 to 5.

A. The Pennsylvania Jurisdictional amounts in columns 3 to 5 are based on Mr. Crowley's Jurisdictional Separation Study and the pro forma adjustments described and reflected earlier in my testimony. Each of the pro forma FTY amounts for the total Company, as testified to by Mr. Crowley, were separated into the Distribution operations components which were used in the determination of the pro forma FTY data at present rates shown in column 3. The calculations in column 4 use the procedures discussed earlier for the revenue increase and the total in column 5 is the total of columns 3 and 4.

104. Q. What is Duquesne Light's total income tax expense claim for its Pennsylvania Jurisdictional operations in this proceeding?

A. The income taxes are shown on Schedule 18, page 1 of 2, line 24 for pro forma expense at present rates in column 3 of $46.0 million, the increment of income tax expense on the revenue increase shown in column 4 of $33.7 million and the pro forma income tax expense of $79.7 million at proposed rates is shown in column 5.

105. Q. Please describe Schedule D-18, page 2.

A. This schedule shows the calculation of the gross revenue conversion factor (GRCF) used on Schedule A-1 to determine the revenues required to achieve the overall rate of return requested by Duquesne Light. The conversion factor captures the additional uncollectibles, GRT, regulatory fees and federal and state income taxes attributable to the additional revenues resulting from the proposed rate increase.

V. HISTORIC TEST YEAR

106. Q. Please describe the process used to prepare the pro forma HTY presentation contained in Exhibit DLC-3.

A. The basic process was the same as described in connection with Exhibit DLC-2, including the preparation of a Jurisdictional Separation Study based on the HTY data, except that I used the actual recorded data for the HTY ended March 31, 2010 as the starting point for Exhibit DLC-3 while Exhibit DLC-2

used the budget data for the FTY ended March 31, 2011. As with the FTY, I reviewed the recorded data and, where appropriate, made pro forma adjustments. In addition, I used data from Exhibit DLC-2 as the basis for several of the pro forma amounts used in Exhibit DLC-3. Again, Mr. Crowley will testify to the Jurisdictional Separation Study and the results of that which are applicable to the HTY.

107. Q. What assumptions did you make to determine what pro forma adjustments would be necessary for the HTY?

A. I included pro forma adjustments that reflected the annualization and normalization of HTY elements and also adjustments for future events that have impacted the FTY. The pro forma adjustments for the HTY are numbered consistent with the adjustments for the FTY. For example, the adjustment for salaries and wages is on Schedule D-7 in both years to facilitate reference between the FTY and the HTY. Where there is no adjustment in the HTY it will simply show that it is not applicable.

108. Q. What is contained on Schedules B-1 to B-8?

A. These schedules contain recorded financial data for the year ended March 31, 2010 and are supported by Messrs. Bordo, Matchett and Moul.

109. Q. Please describe Schedule B-9.

A. This contains the pro forma capital structure and rate of return used for the HTY. As shown on lines 1 to 4, the Company is using the capital structure

and cost rates for the FTY which represents the Company's expected capital structure at FTY end and I believe should be used for the HTY presentation as well as for the FTY.

Q. Please describe Schedule C-1.

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

Q. What is contained in Schedule C-2?

A. Schedule C-2 contains 11 pages and shows the utility plant in service balances at March 31, 2010 as well as the additions, retirements and adjustments for the year ended March 31, 2010. Page 1 contains the plant balances pro forma by FERC account at March 31, 2010. Page 2 shows a summary of the recorded plant, adjustments and pro forma plant by major FERC plant category while the detail by FERC account is contained on pages 3 and 4. Pages 5 and 6 reflect the additions and adjustments to plant for the HTY while the retirements are contained on pages 7 and 8 by FERC account. Pages 9 to 11 reflect the calculation of the adjustment for the HTY. The total pro forma plant in service at the end of the HTY, $2.697 million is shown on line 39 of Schedule C-2, page 1 and also on Schedule D-1, page 3, column 1, line 1 for the total Company.

112. Q. Please describe the adjustments to the plant-in-service at the end of the HTY?

A. There are three adjustments which are the same as the comparable adjustments in the FTY. The first adjustment in column 2 of pages 9 and 10 shows the addition to plant to reflect the capitalized portion of the Company's pension contribution that has not been reflected in the Company's recorded amounts for plant. The second adjustment shown in column 3 reflects adjustments to general plant to combine the plant balances for the indicated FERC accounts into one account. Finally, the adjustment in column 4 reflects the reclassification of adjustment 1 for several of the accounts adjusted in column 3. These adjustments are the same as those made for the FTY and are described in more detail in that section. The total in column 6 is brought forward to pages 3 and 4. Page 11 shows the calculation of the adjustment to recognize the portion of the pension contribution capitalized as plant as discussed in the FTY testimony.

113. Q. Please describe Schedule C-3.

A. Schedule C-3 contains 8 pages and presents the accumulated depreciation at March 31, 2010. These pages reflect the recorded and pro forma balances by FERC account following the same procedures used in the FTY for the HTY. The accumulated depreciation at the end of the HTY is $864.5 million as shown on line 39 and also on Schedule D-1, page 3, column 1, line 2 for the total Company.

114. Q. What is contained in Schedule C-4?

A. Schedule C-4 contains 11 pages that show the calculation of the CWC allowance for the HTY of $58.3 million (line 6) and also on Schedule D-1, page 3, column 1, line 4.

115. Q. Please describe page 2 of 11 of Schedule C-4.

A. Page 2 provides a summary of the calculations for each of the elements of the CWC for the HTY. The expenses in column 2 and those included in the determination of the lead-lag amounts for taxes, interest and preferred dividends are the pro forma amounts for the HTY while the prepayment amount is the thirteen month average through December 31, 2009. The resulting $58.3 million of CWC shown on line 16 is brought forward to Schedule D-3 in the calculation of the measures of value.

116. Q. Please describe pages 3 to 11 of Schedule C-4.

A. These pages show the calculations of various leads and lags and working capital requirements for the HTY following the same procedures used for the FTY as described in connection with Exhibit DLC-2, Schedule C-4. While the amounts for the HTY expenses vary from those in the FTY, the procedures followed to determine the lead/lag periods applied to those expense levels are the same and were described in connection with the same schedules DLC 3.

117. Q. What is contained on Schedule C-5?

A. Schedule C-5 shows the 13-month average month end balance for the period December 31, 2008 through December 31, 2009 for plant materials and

operating supplies. The 13-month average of $16.4 million is shown on line 22 in column 2 and also on Schedule D-1, page 3, column 1, line 5.

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

A. These calculations present the ADIT for the HTY. The procedures followed are the same as those utilized for the ADIT calculation at the end of the FTY, except that year-end March 31, 2010 balances were used. The resulting ADIT of $226.8 million for the HTY is shown on line 5 and also on Schedule D-1, page 3, column 1, line 9.

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

A. Schedule C-7 shows the 13-month average month end balance for the period December 31, 2008 through December 31, 2009 for customer deposits in column 1 and also for the 12-month interest expense related to those customer deposits in column 2. The 13-month average of $5,977,000 is shown on line 15 in column 1 and also on Schedule D-1, page 3, column 1, line 8. The interest expense is included on Schedule D-3, page 2, column 19, line 56 as an adjustment to HTY expenses.

Q. What is presented on Schedule D-1?

A. Schedule D-1, which will be supported by Mr. Crowley, shows the net operating income at present rates for the HTY, the pro forma revenue deficiency and the pro forma required revenue level for the Pennsylvania Jurisdiction.

Q. Please describe Schedule D-2.

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

Q. Please describe Schedule D-3.

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

Q. What is contained in Schedule D-4?

A. This schedule contains two pages and shows the recorded, pro forma adjustment and Pennsylvania jurisdiction amounts for the HTY by revenue category and by FERC account for expenses.

Q. Please describe Schedule D-5.

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

5A to D-5E. Some of the adjustments made to the FTY data in Exhibit DLC-2 were not made in the HTY because they are not appropriate.

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

A. This adjustment, as with the adjustment to the FTY, updates the recorded amounts for revenue based on tariff calculations.

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

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

127. Q. Please describe the adjustment on Schedule D-C.

A. This adjustment reflects changes to the CAP discounts pro forma for the HTY using the same procedures and programs included in the FTY calculations.

128. Q. Are the adjustments for the energy efficiency and customer education services similar to those made in the FTY?

A. Yes, they are.

129. Q. Please describe Schedule D-7.

A. Schedule D-7 annualizes salaries and wages for the HTY. Page 1 shows the recorded amounts in column 2 and the pro forma adjustment in column 5 by FERC expense category. Page 2 shows the calculation of the annualization

adjustment, which follows the same procedures described in connection with the FTY using the data from HTY for the wage increases. There was no adjustment to annualize numbers of employees on page 2, lines 12 to 18 because the level of employees was relatively constant during the HTY.

130. Q. What is contained on Schedule D-8?

A. Schedule D-8 normalizes rate case expenses using the same recorded and estimated amounts used in the FTY calculation on Exhibit DLC-2, Schedule D-8.

131. Q. Please describe the adjustments on Schedule D-9.

A. This adjustment for pension expense follows the same procedures used in the FTY and described in connection with Exhibit DLC-2, Schedule D-9.

132. Q. Are the adjustments on Schedules D-10 to D-12 and D-16 similar to the adjustments included in Exhibit DLC-2 and described in connection with the schedules presented in that exhibit?

A. Yes, they are.

133. Q. Please describe Schedule D-17.

A. Schedule D-17 presents adjusted depreciation and net salvage amortization expense for HTY annualized for plant amounts at the end of the HTY.

134. Q. Please describe the income tax calculations on Schedule D-18.

A. This schedule shows the calculation of the pro forma income tax expense for the HTY reflecting the total Company revenue, expenses and measures of value included in the pro forma present rate data in column 2 as well as the Pennsylvania Jurisdictional data shown in columns 3 to 5.

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

A. Yes, it does.

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. R- 2010-2179522

Duquesne Light Company

Statement No. 7

Direct Testimony of Larry A. Crowley

Q. Please state your name and your business affiliation.

A. My name is Larry A. Crowley. I am founder and director of The Energy Strategies Institute, Inc, a network of experienced professionals with diverse interests specializing in energy and utility matters, dedicated to developing and implementing practical solutions for energy service providers and customers.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Science degree in Economics from the University of Maryland. I have over 30 years of electric utility industry experience, including corporate strategic planning, organizational development, new business development, regulatory affairs, transmission system planning, and generation and resource planning. My regulatory experience includes the preparation and filing of testimony and exhibits before various regulatory commissions, including testifying as an expert witness before the Idaho Public Utilities Commission, the Oregon Public Utilities Commission, the Nevada Public Service Commission, the Colorado Public Utilities Commission, the Wisconsin Public Utilities Commission, the Michigan Public Service Commission, the North Dakota Public Service Commission, the Montana Public Service Commission, the Texas Public Utility Commission, the Pennsylvania Public Utility Commission, and the Federal Energy Regulatory Commission. A summary of my professional experience is attached as Appendix A to this testimony.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Duquesne Light Company.

Q. Have you previously testified on behalf of Duquesne Light Company?

A. Yes I have. I filed direct and rebuttal testimony on behalf of Duquesne Light Company in Docket No. R-00061346 together with exhibits similar to those I am filing and supporting in this proceeding.

Q. What is the scope of your testimony in this proceeding?

A. My testimony addresses the preparation of jurisdictional separation studies using total system data for the 12 months ending March 31, 2010, the historic test year ("HTY") being filed by the Company in this proceeding, and for the 12 months ending March 31, 2011, the future test year ("FTY") being used by the Company in this proceeding. My testimony also addresses the calculation of the Company's Pennsylvania jurisdictional revenue deficiency and revenue requirements for distribution delivery service provided by the Company.

Q. Please explain how the Company's Pennsylvania jurisdictional cost of service and revenue requirements for distribution delivery service was determined.

A. This filing is based on the investments and expenses incurred by the Company to provide distribution service to its Pennsylvania jurisdictional retail customers. Accordingly, the Company's historic test year per books (the 12-month period ending March 31, 2010) and future test year per budget (the 12-month period ending March 31, 2011) operating results are adjusted to eliminate all revenues and expenses associated with the power supply function (Provider of Last Resort or "POLR") service. The remaining transmission and distribution investments and expenses are allocated between the Company's federal and Pennsylvania state jurisdictions, respectively. Exhibits LAC-2 and LAC-5 provide specific details

regarding the allocation of those costs and the determination of the Company's Pennsylvania jurisdictional distribution service revenue requirements.

Q. Have you prepared various exhibits or Cost of Service Statements for this proceeding?

A. Yes, I have prepared the following exhibits or Cost of Service Statements for this proceeding:

Exhibit No	Description
LAC-1	Cost of Service Statement C-1: Measures of Value and Rates of Return for the 12 Months Ending March 31, 2011.
LAC-2	Jurisdictional Separation Study prepared for the 12 Months Ending March 31, 2011.
LAC-3	Cost of Service Statement D-1: Operating Income – Pro Forma at Present and Proposed Rates for the 12 Months Ending March 31, 2011.
LAC-4	Cost of Service Statement C-1: Measures of Value and Rates of Return for the 12 Months Ending March 31, 2010.
LAC-5	Jurisdictional Separation Study prepared for the 12 Months Ending March 31, 2010.
LAC-6	Cost of Service Statement D-1: Pro Forma at Present and Proposed Rates for the 12 Months Ending March 31, 2010.

Q. Have you calculated the revenue deficiency for the Company's Pennsylvania retail jurisdiction?

A. Yes I have. The revenue deficiency for distribution delivery service in the Company's Pennsylvania electric jurisdiction is $87.3 million based on the future test year ending March 31, 2011.

Q. Please generally describe the methodology used to separate Total Company costs between the Pennsylvania and other regulatory jurisdictions.

A. The cost of providing service is measured through the use of the Company's accounting and operating data for a specific or defined 12-month period of time. In this instance, I am using the total system information provided by the Company and adjusted by Mr. Robert O'Brien for the future 12-month period ending March 31, 2011, which is the test year being used in this proceeding to determine distribution delivery revenue requirements.

Normally, in order to establish a methodology for separating costs among jurisdictions for a multi-jurisdictional Company, a three-step process is generally used. The steps are referred to as classification, functionalization and allocation of costs. In all three steps, recognition is given to the way in which the costs are incurred by relating these costs to the way in which a utility is designed and operated to provide electric service. The methodology being used to separate costs by jurisdiction and to calculate the Pennsylvania jurisdictional revenue requirement for distribution delivery service in this case is the same methodology used by the Company in its most recent general rate case which was designated as Docket No R-00061346.

Q. Would you please briefly explain the meaning of classification, functionalization, and allocation?

A. Classification refers to the identification of costs as being related to one of three components; demand-related, energy-related or customer-related. In addition to classification, costs are functionalized; that is identified with utility operating functions such as power supply, transmission and distribution. Individual plant items are examined and, where possible, the associated investment costs are assigned to one or more operating functions. Once the Company's total system costs are classified and assigned to the appropriate function they may be allocated among the Company's jurisdictions.

The process of allocation is the apportioning of the Company's total functionalized and classified system investments and costs among jurisdictions by use of allocation factors. Allocation factors are an array of numbers or values which represent the jurisdictional value or share of the total system quantity. Once each individual account has been allocated to the various jurisdictions, it is possible to summarize the allocated results of rate base and net income by jurisdiction. The allocated results are stated in summary form to measure adequacy of revenues for the jurisdiction under consideration. The measure of adequacy is typically the rate of return earned on rate base which is compared to the requested rate of return.

Q. Have you prepared an exhibit that summarizes the calculation of the Pennsylvania jurisdictional revenue deficiency?

A. Yes. I prepared Exhibit LAC-3 consisting of three tables and pages. This exhibit, also identified as Statement D-1, summarizes the results of the jurisdictional

separation study prepared for the 12 months ending March 31, 2011, Exhibit LAC-2 which is described in detail later in this testimony.

Table 1, page 1 of Exhibit LAC-3, Line 17, sets forth the earned rate of return at current rates and earned rate of return at proposed rates for the Company's Pennsylvania jurisdiction. As shown in column 3 of this table, the revenue deficiency of $87.3 million results in a total distribution revenue requirement of $473.6 million (Line No 5), which would provide the total revenues necessary to earn the claimed overall rate of return of 8.78 percent after taxes.

Table 2, page 2 of Exhibit LAC-3 sets forth Total Company Operating Income and summarizes the calculation of the jurisdictional revenue deficiency for the Company's Pennsylvania jurisdiction. References are provided for the supporting cost of service statements for each component of the Total Company income statement. As shown on this table, the revenue deficiency for the Company's allocated Pennsylvania jurisdiction is $87.3 Million (Line No 21).

Table 3, page 3 of Exhibit LAC-3, summarizes the calculation and allocation of the Company's electric rate base. This table shows the allocated individual components of electric rate base for the Total Company and the Company's Pennsylvania jurisdiction. References are again provided for the supporting cost of service statements for each component of Total Company rate base. The Company's allocated Pennsylvania electric rate base is $1.44 billion.

Q. Please describe Exhibit LAC-1 also noted as Cost of Service Statement C-1.

A. Exhibit LAC-1, Cost of Service Statement C-1, is a one-page exhibit titled "Measures of Value and Rates of Return". This table summarizes the return earned at present rates for the Total Company and the Company's Pennsylvania jurisdiction. References are provided for the supporting cost of service statements for each component of the Total Company rate base and return. This exhibit also shows the return to be earned at proposed rates and the claimed overall rate of return of 8.78 percent for the Company's Pennsylvania jurisdiction. As noted on the exhibit, the indicated amounts or values for the Company's Pennsylvania jurisdiction can be found on Exhibit LAC-2.

Q. Please describe Exhibit LAC-2.

A. Exhibit LAC-2 is the complete Jurisdictional Separation Study ("JSS") detailing the allocation of each component of rate base, operating revenues and expenses by account number for the 12 month future test period ending March 31, 2011. It should be noted that this exhibit, as well as Exhibit LAC-5, is being filed in response to the Commission's Data Filing Requirements ("DFR") Section 53.53, No. II-D-27. The JSS is designed to show the Total Electric Utility values as developed by Mr. Robert O'Brien (Column 1) and the allocation of those total company values to the Company's Pennsylvania distribution service which is at issue in this proceeding (Column 2). It should also be noted that the values shown in Column 3 represent the difference between the Company's Total Electric Utility and the Distribution Service costs shown in Column 2 and are noted as Total All Other jurisdictions. Results from this JSS for the Company's Pennsylvania jurisdiction were provided to Mr. Howard Gorman for use in

preparing his class cost of service studies. The JSS allocation model results are being used to determine the distribution delivery service revenue deficiency and revenue requirements. The JSS model is organized as follows:

Table No	Description
1	Total Electric Rate Base
2	Calculation of Jurisdictional Revenue Deficiency
3	Electric Plant in Service
4	Accumulated Provision for Depreciation
5	Total Operating Revenues
6	Operation & Maintenance Expenses (3 pages)
7	Depreciation & Amortization Expenses (2 pages)
8	Taxes Other Than Income Taxes
9	Income Taxes
10	Income Tax Additions & Adjustments
11	Allocation Factors (5 pages)
12	Working Cash Allowance by Jurisdiction (2 pages)

Q. Please briefly explain the Company's cost allocation treatment for the Borough of Pitcairn which is included in the allocated results shown in Column 3 of Exhibit LAC-2.

A. The Borough of Pitcairn was historically a "sales for resale" customer of the Company and subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"). Subsequent to electric restructuring in Pennsylvania, Pitcairn now purchases its energy requirements from another wholesale provider

and is receiving transmission service under the terms and conditions of the PJM Open Access Transmission Tariff ("OATT"). However, the PJM OATT does not include the costs associated with delivery to customers who are served at primary distribution voltages, which is the situation with Pitcairn. Therefore, the costs associated with this additional delivery service at 23kV need to be removed in the determination of the costs of providing service to the Company's Pennsylvania distribution delivery customers. Column 3 includes the removal of all allocated or directly assigned plant, revenues and expenses incurred to serve Pitcairn at wholesale in order to properly calculate Pennsylvania Distribution delivery revenues and expenses for the future test period ending March 31, 2011. There is currently no charge in place for the delivery service the Company is providing through its 23kV system to Pitcairn. However, this proposed cost allocation and ratemaking treatment for Pitcairn is consistent with prior Company practice filed before this Commission and the FERC.

Q. Please describe Table 1 of Exhibit LAC-2.

A. Table 1 is a summary table which consolidates allocated jurisdictional electric rate base information developed on various tables of the JSS. The total Pennsylvania jurisdictional Electric Rate Base in the amount of $1.44 billion is shown on Line 24, Column 2 of Table 1. References to supporting tables or specific allocation factors are also shown for each component of Total Electric Rate Base and are listed under the column labeled "Allocation Factor or Reference". The amounts shown on Table 1 for electric plant in service,

accumulated provision for depreciation, customer deposits and accumulated deferred income taxes are end of future test year values.

Q. Please describe Table 2 of Exhibit LAC-2.

A. Table 2 is a summary table which consolidates allocated jurisdictional revenue and expense information developed on various tables of the JSS. In addition, this table details the calculation of revenue deficiency and revenue requirements for the Company's Pennsylvania jurisdiction. The total Pennsylvania jurisdictional revenue deficiency and revenue requirement are $87.3 million and $473.6 million, respectively, as shown on Lines 22 and 23 of Column 2 of Table 2. In addition this table includes the return at the required or claimed rate of return for the Pennsylvania jurisdiction which amounts to $126.4 million (Line 19, Column 2). References to supporting tables or cost of service statements are also provided for each component of this table and are listed under the column labeled "Reference".

The net-to-gross tax multiplier for the Pennsylvania jurisdiction is 1.83817 which is shown on Line 21, Column 2 of this table. The development of this multiplier is detailed on supplemental schedules attached to Cost of Service Statement D-18.

Q. Please describe Table 3 of Exhibit LAC-2.

A. Table 3 of Exhibit LAC-2 sets forth the allocation of electric plant in service including Intangible Plant, Transmission Plant and Distribution Plant. The allocation of General Plant is shown on Table 1. Allocation factors are listed in the column labeled "Allocation Factor". The development of each allocation factor used is shown on Table 11 of this exhibit. Any component of electric plant

that is allocated by direct assignment has an allocation factor that begins with the letters "DA" to reflect direct assignment. For example, transmission plant is allocated to the FERC jurisdiction by the direct assignment allocation factor DATX.

Q. Please describe the allocation of Distribution Plant shown on Table 3 of Exhibit LAC-2.

A. The allocation of distribution plant is done by each distribution plant account. Each account is separately allocated to reflect the allocation or direct assignment of distribution plant to the Borough of Pitcairn. The direct assignment or allocation of plant to Pitcairn was done to remove these assets, expenses and revenues from the Company's Pennsylvania distribution cost of service.

Q. Please describe Table 4 of Exhibit LAC-2.

A. Table 4 of Exhibit LAC-2 sets forth the allocation of accumulated provision for depreciation and amortization of electric plant in service including Intangible Plant, Transmission Plant, Distribution Plant and General Plant. Allocation factors are listed in the column labeled "Allocation Factor". The allocation factors used to allocate accumulated provision for depreciation are based on allocated plant balances; therefore the allocation factors used are prefixed with a "P" to indicate a plant-related allocation process. The development of each allocation factor used is shown on Table 11 of this exhibit.

Q. Please describe Table 5 of Exhibit LAC-2.

A. Table 5 of Exhibit LAC-2 sets forth the total operating revenues at present rates for the Company for the 12 months ending March 31, 2011. This table lists the

Company's revenues by jurisdiction and Other Operating Revenues by FERC account number. Other Operating Revenues are allocated or directly assigned to the appropriate jurisdiction.

Q. Please describe Table 6 of Exhibit LAC-2.

A. Table 6 of Exhibit LAC-2 consists of three pages and details the Company's Operation and Maintenance Expenses by function and by FERC account number for the 12 months ending March 31, 2011. Allocation factors are listed in the column labeled "Allocation Factor". The development of each allocation factor used is shown on Table 11 of this exhibit. In general, the basis for each allocation may be readily interpreted from the exhibit. Many of the allocations are direct assignment to the appropriate function and begin with a "DA"; other allocation factors are based on plant as previously allocated and begin with a "P". Other allocations are based on use of the "LABOR" allocator which is described in detail on page 1 of Table 11 of this exhibit. Distribution supervision and engineering expenses are allocated by use of the labor component in each functional group of expenses. The total of allocated labor in each functional group becomes the basis for the allocation of Supervision and Engineering expenses.

Q. Please describe Table 7 of Exhibit LAC-2.

A. Table 7 of Exhibit LAC-2 consists of two pages and details the allocation of the Company's Depreciation and Amortization Expense by function or by FERC account number. These expenses have been identified by function or by primary

plant account. Allocation is then accomplished on the basis of the related plant account as previously allocated.

Q. Please describe Table 8 of Exhibit LAC-2.

A. Table 8 of Exhibit LAC-2 lists the Company's Taxes Other Than Income Taxes for the 12 month period ending March 31, 2011. As shown on this table, the Company's total Taxes Other Than Income Taxes for the 12 months ending March 31, 2011 are $55.5 million. The Pennsylvania jurisdictional allocation amounts to $29.3 million. Taxes Other Than Income Taxes are listed individually and are allocated in a manner consistent with the basis by which the respective taxes are assessed. For example, all non-revenue related taxes, including the Pennsylvania Public Utility Realty Tax ("PURTA"), are allocated on the basis of combined allocated transmission and distribution plant or property, while payroll taxes are allocated on the basis of functionalized and allocated labor expenses.

The Pennsylvania Gross Receipts Tax ("GRT") is allocated on the basis of the revenues that are subject to the tax using the allocation factor designated as GRTREV. Revenues which are excluded from the GRT include sales for resale (account 447); transmission revenues from EGS suppliers and revenues from transmission service customers AES, Piney Fork and Pitcairn booked in account 456; and revenues from the rental of equipment booked in account 454. Details showing the development of this allocation are shown on page 3 of Table 11 of this exhibit.

Q. Please describe Tables 9 and 10 of Exhibit LAC-2.

A. Tables 9 and 10 of Exhibit LAC-2 summarize the Company's State and Federal Income Taxes for the 12 months ending March 31, 2011 by jurisdiction and the Company's tax adjustments for the test period respectively.

Q. Please describe how you allocated Federal and State Income Taxes shown on Table 9 of Exhibit LAC-2.

A. Federal and state income taxes are not allocated. The Company's total utility pro forma income taxes have been calculated by Mr. O'Brien and Mr. Matchett. Table 9 sets forth the allocation of each element of the Company's income taxes as calculated by Mr. O'Brien and Mr. Matchett resulting in the respective tax bases being developed or calculated for each jurisdiction. Table 9 details the calculation of the Company's total system income taxes and the calculation of previously allocated revenues and expenses used to calculate income taxes. Table 9 then shows the results of similar calculations for each jurisdiction. For example, Table 9 shows operating income before taxes which represents adjusted allocated operating revenues less all allocated operating expenses treated on the preceding cost allocation tables of Exhibit LAC-2 (see Line 3 of Page 1 of Table 9). Interest expense is allocated on the basis of allocated electric rate base. After the allocation of interest expense, taxable income is then calculated for each jurisdiction and the appropriate tax rate is applied. Final tax amounts result after the allocation of adjustments. The allocation of functionalized tax adjustments are set forth on Table 10 of this exhibit. Allocation factors are designated in the same form as previously described in this testimony.

Q. How was interest expense calculated?

A. Interest expense was calculated by synchronizing jurisdictional net electric rate base shown on Table 1 of this exhibit and the weighted cost of long-term debt of 2.55 percent. For example, interest expense for the Company's Pennsylvania jurisdiction was calculated using jurisdictional Electric Rate Base of $1.44 billion multiplied by the weighted cost of long-term debt of 2.55percent shown on Cost of Service Statement B-9. The calculation of interest expense for the Pennsylvania jurisdiction amounts to $36.7 million and is shown on Line 6 of Table 9 of Exhibit LAC-2.

Q. Please describe Table 11 of Exhibit LAC-2.

A. Table 11 consists of five pages and lists all of the allocation factors used in the preparation of the jurisdictional separation study. The first page sets forth the development of the Labor allocator by jurisdiction; the second page lists the plant-related allocation factors; the third page lists the revenue and tax-related allocation factors; the fourth page lists the distribution plant allocation factors and the amounts of distribution plant directly assigned to other jurisdictions, including Pitcairn, by distribution plant account number; and the fifth page lists the distribution O&M expense allocation factors and the development of the distribution supervision and engineering allocation factors.

Q. Please describe Table 12 of Exhibit LAC-2.

A. Table 12 of Exhibit LAC-2 consists of two pages and details the allocation of Cash Working Capital using the same formula approach and components developed by Mr. O'Brien. Page one sets forth each component of Cash Working Capital developed by Mr. O'Brien. The components are listed and detailed as

follows; Operation & Maintenance expenses, prepayments (13-month average balances), accrued taxes, pro forma interest expense (synchronized), and preferred dividend payments. All components are allocated to each jurisdiction based on the application of the formula or criteria used to calculate each component of the total utility Cash Working Capital. Page 2 of Table 12 details the calculation of incremental/pro forma income taxes used in the calculation of Cash Working Capital shown on page 1 of Table 12.

Q. Please describe your Exhibits LAC-4 through LAC-6.

A. These exhibits are the same as Exhibits LAC-1 through LAC-3 respectively, prepared for the historic test year ending March 31, 2010. Exhibit LAC-4, Cost of Service Statement C-1, is a one-page exhibit titled "Measures of Value and Rate of Return" which summarizes the return earned at present rates for the Total Company and the Company's Pennsylvania jurisdiction for the historic test year ending March 31, 2010. References are provided for the supporting cost of service statements for each component of the Total Company rate base and return. As noted on the exhibit, the values for the Pennsylvania jurisdiction can be found on Exhibit LAC-5.

Exhibit LAC-5 is the complete Jurisdictional Separation Study ("JSS") detailing the allocation of each component of rate base, operating revenues and expenses by FERC account number for the 12 month historic test period ending March 31, 2010. It should also be noted that this exhibit, as well as Exhibit LAC-2, is being filed in response to the Commission's Data Filing Requirements ("DFR") Section 53.53, II-D-27.

Exhibit LAC-6 consists of three pages. This exhibit, also identified as Statement D-1, summarizes the results of the jurisdictional separation study prepared for the 12 months ending March 31, 2010, Exhibit LAC-5, previously described in this testimony.

Table 1, page 1 of Exhibit LAC-6, summarizes the calculation and allocation of the Company's HTY electric rate base. This table shows the allocated individual components of electric rate base for the Total Company, the Company's Pennsylvania jurisdiction and for all other jurisdictions. References are also provided for the supporting cost of service statements for each component of Total Company rate base. Tables 2 and 3 summarize allocated results for the historic test period ending March 31, 2010.

Q. Does this conclude your direct testimony in this proceeding?

A. Yes it does.

Appendix A
Professional Experience of Larry A. Crowley

Summary

Mr. Crowley has over 30 years of extensive electric utility industry experience including corporate strategic planning, organizational development, new business development, regulatory affairs, transmission system planning, and generation and resource planning. Mr. Crowley's regulatory experience includes the preparation and filing of testimony and exhibits before various regulatory commissions including testifying as an expert witness before the Idaho Public Utilities Commission, the Oregon Public Utilities Commission, the Nevada Public Service Commission, the Colorado Public Utilities Commission, the Wisconsin Public Utilities Commission, the Michigan Public Service Commission, the North Dakota Public Service Commission, the Montana Public Service Commission, the Pennsylvania Public Utility Commission, the Texas Public Utility Commission, and the Federal Energy Regulatory Commission.

The Energy Strategies Institute, Inc. (ESI) **March 2000 to Present**

Founder and Director of ESI, a network of experienced professionals with diverse interests specializing in energy and utility matters, dedicated to developing and implementing practical solutions for energy service providers and customers. The Institute offers experienced utility operation, planning and regulatory expertise including the preparation of exhibits and testimony for jurisdictional separation and revenue requirement studies, class cost of service studies, unbundled cost studies, and rate design studies. Major clients include the Duquesne Light Company, Pittsburgh, Pennsylvania; The Washington Group International (URS), Boise, Idaho; Wisconsin Electric Power Company, Milwaukee, Wisconsin; Montana-Dakota Utilities Company, Bismarck, North Dakota; The US Department of Energy, Office of Renewable Energy and Energy Efficiency, Washington, D.C.; The World Bank, Washington, DC; The J.R. Simplot Company, Boise, Idaho; The International Energy Agency, Paris, France; the Idaho Forest Group, Sandpoint, Idaho; the British Columbia Utilities Commission, Vancouver, British Columbia, Canada; Lost River Electric Cooperative, Mackay, Idaho; the City of Weiser Utilities Department, Weiser, Idaho; Teton Springs Water Company, Victor, Idaho; Eagle Water Company, Eagle, Idaho; The German Development Bank (KfW), Frankfurt, Germany; and The Allied Utility Network, Boise, Idaho. In addition, ESI has affiliate consulting agreements with Black & Veatch Corporation, Overland Park, Kansas and Concentric Energy Advisors, Inc., Marlborough, Massachusetts.

Idaho Power Resources Corporation (IPRC) **July 1996 to October 1999**

As President of IPRC, a wholly owned subsidiary of Idaho Power Company, responsibilities included establishing, organizing and leading a new independent business division including establishment of the entity, selection and training of staff, systems implementation and day-to-day management of the entity. Responsibilities also included preparation of annual operating budget, strategic plans, business plans (including due diligence and analysis for mergers and acquisitions), as well as research, development and deployment of new technologies such as PEM fuel cells and solar energy systems.

Idaho Power Company **March 1979 to October 1999**

Senior Manager, Strategic Planning January 1991 to October 1999

As Senior Manager of Strategic Planning, responsibilities included:

- Directing all corporate strategic planning activities of the company, including regulatory initiatives and merger and acquisition activities
- Preparation of the annual economic forecast used by the major business units of the company in the preparation of their annual business plans, operating budgets and capital requirements.
- Overseeing the company's research and development programs and projects dealing with new technologies or improvements in operating practices.
- Developing a rate mechanism that tracks and recovers changes or fluctuations in the company's cost of production (PCA), including formulation of the concept, plan and the regulatory strategy to secure approval of the regulatory commissions.
- Directed the litigation team that participated in the PacifiCorp/Utah Power merger appearing before the Idaho PUC and the Federal Energy Regulatory Commission. Negotiated the settlement agreement between the parties, resulting in significant benefits to Idaho Power Company including firm transmission service in Utah, ownership of a major strategic substation, additional transmission revenue and favorable resolution of a number of pending regulatory disputes.
- Negotiated a comprehensive transmission services agreement between the company and Bonneville Power Administration that resulted in annual revenues of approximately $1.5 million.
- Identified new business opportunities for the company and prepared the requisite business plans and analysis.
- Designed and implemented Idaho Power Company's innovative "first-of-its-kind" solar energy program that won unanimous approval from the regulatory commissions.
- Selected by the IEA Executive Committee to chair the Organizing Committee for the 1995 International Executive Conference on Photovoltaics (Solar Energy) sponsored by the International Energy Agency and hosted by Idaho Power Company.
- Selected by the US Department of Energy to represent the United States on the Organizing Committee for the 1999 International Executive Conference on Photovoltaics that was organized under the auspices of the International Energy Agency.

Manager, Power Management 1986 to 1991

As Manager of Power management, responsibilities included:

- the management of a department consisting of 45 senior level engineers, analysts and technical experts dealing with generation resource planning, transmission system planning, wholesale power marketing and wholesale bilateral contract development and administration.

- Responsible for directing all regulatory activities with the Federal Energy Regulatory Commission dealing with wholesale power and transmission services rates, terms and conditions and related contract approvals.
- Responsible for negotiating wholesale power contracts and transmission service agreements that generated $40MM in annual revenues.

Manager of Rates and Regulatory Affairs 1979 to 1986

As Manager of Rates and regulatory Affairs, responsibilities included:

- Preparing all materials required for the Idaho Power's rate filings before the Idaho, Oregon and Nevada state regulatory commissions having jurisdiction over the company, as well as the Federal Energy Regulatory Commission.
- Developed a multi-jurisdictional cost-of-service/revenue requirements model that was accepted by all state and federal commissions having jurisdiction over the company.
- Developed a series of innovative class cost of service and rate design models.
- Developed and directed a load research program for the company.

Wisconsin Electric Power Company – Project Coordinator (Regulatory) 1978 to 1979

As Project Coordinator, responsibilities included:

- All rate and regulatory filings before the Wisconsin and Michigan Public Utility Commissions and the Federal Energy Regulatory Commission.
- Preparing jurisdictional separation and revenue requirement studies, cost-of-service studies, rate design studies, load research information and the testimony related to these studies as required by the commissions in support of retail and wholesale rate filings.
- Developed the first computerized cost-of-service model for the company that was accepted by all three commissions having jurisdiction over the company.

Southeast Colorado Power Association **1971 to 1978**

General Manager

As General Manager, responsibilities included:

- Chief Operating Officer of an electric distribution company with 50 employees.
- Responsible to the Board of Directors for all matters relating to the operation of the company including financial planning, marketing, budgeting, quality of service and all regulatory proceedings before the Colorado Public Utilities Commission.

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Measures of Value and Rates of Return
For the 12 Months Ending March 31, 2011
(X$000)

Line No	Description	[1] Total Electric Utility	[2] Total PA Jurisdiction (1)	[3] Reference
	Forecast Test Period - 12 Months Ending March 31, 2011			
	Electric Plant			
1	Electric Plant in Service	$ 2,941,126	$ 2,297,792	C-2
2	Depreciation Reserve	878,963	716,387	C-3
3	Net Electric Plant in Service	2,062,163	1,581,404	
	Additions:			
	Working Capital Requirements			
4	Cash Working Capital	58,177	54,852	C-4
5	Materials & Supplies	16,419	10,155	C-5
6	Total Working Capital	74,596	65,007	
	Deductions:			
7	Customer Deposits	(5,977)	(5,977)	B-1
8	Accumulated Deferred Income Taxes	(241,752)	(200,502)	C-6
9	Total Deductions	(247,729)	(206,479)	
10	Total Measure of Value/Rate Base - Net	1,889,030	1,439,932	
	Pro Forma Return at Present rates			
11	Amount - $	$ 119,516	$ 78,917	D-1
12	Percent	6.327%	5.481%	
	Pro Forma Return at Proposed Rates			
13	Amount - $		$ 126,426	D-1
14	Percent - Line 13/Line 10		8.78%	

(1) See Exhibit No LAC-3/Statement D-1

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 1 - Total Electric Rate Base

Line No	Description	Allocation Factor or Reference	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Electric Plant in Service				
1	Intangible Plant	Table No 3	27,075	20,894	6,181
2	Transmission Plant	Table No 3	605,751	-	605,751
3	Distribution Plant	Table No 3	2,050,274	2,049,688	586
4	General Plant	LABOR	258,026	227,210	30,816
5	Total Electric Plant in Service		2,941,126	2,297,792	643,334
	Less:				
6	Accum Provision for Depreciation & Amortization				
7	Intangible Plant	Table No 4	6,826	5,268	1,558
8	Transmission Plant	Table No 4	152,195	-	152,195
9	Distribution Plant	Table No 4	647,572	647,393	179
10	General Plant	Table No 4	72,370	63,727	8,643
11	Total Accum Provision - Depreciation & Amort		878,963	716,387	162,576
12	**Net Electric Plant in Service**		2,062,163	1,581,404	480,759
	Other Rate Base Items:				
13	Cash Working Capital	Table No 12	58,177	54,852	3,325
	Materials & Supplies - Account 154:				
14	Transmission Plant	P50	6,081	-	6,081
15	Distribution Plant	P60	8,829	8,826	3
16	General Plant	P90	1,509	1,329	180
17	Total Materials & Supplies		16,419	10,155	6,264
	Less:				
18	Customer Deposits	DADT	(5,977)	(5,977)	-
	Accumulated Deferred Income Taxes:				
19	Intangible	P10	1,857	1,433	424
20	Transmission	DATX	(38,754)	-	(38,754)
21	Distribution	P60	(180,841)	(180,789)	(52)
22	General	P90	(24,014)	(21,146)	(2,868)
23	Total Accumulated Deferred Income Taxes		(241,752)	(200,502)	(41,250)
24	Subtotal - Other Rate Base Items		(173,133)	(141,472)	(31,661)
25	**Total Electric Rate Base - $**	Line 12 + Line 24	1,889,030	1,439,932	449,098

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 2 - Calculation of Jurisdictional Revenue Deficiency

Line No	Description	Reference	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
1	**Total Electric Rate Base**	Table No 1	1,889,030	1,439,932	449,098
	Total Operating Revenues				
2	Total Sales Revenues	Table No 5	795,174	373,079	422,095
3	Other Revenues - Off System Sales	Table No 5	1,400	-	1,400
4	Other Operating Revenues	Table No 5	68,363	13,211	55,152
5	Total Revenues	Lines 2 to 4	864,937	386,290	478,647
	Total Operating Expenses				
6	Operation & Maintenance Expenses	Table No 6	521,962	152,744	369,218
7	Depreciation Expense	Table No 7	91,593	73,716	17,877
8	Amortization of Net Salvage	Table No 7	6,812	5,635	1,177
9	Taxes Other Than Income Taxes	Table No 8	55,358	29,272	26,085
10	Total Operating Expenses Before Taxes	Lines 6 to 9	675,725	261,367	414,358
11	Operating Income Before Income Taxes	Line 5 - Line 10	189,212	124,923	64,289
	Income Taxes:				
12	Federal	Table No 9	55,608	36,690	18,917
13	State	Table No 9	14,088	9,316	4,773
14	Total Income taxes		69,696	46,006	23,690
15	Total Operating Expenses	Line 10 + Line 14	745,421	307,373	438,048
16	**Net Operating Income**	Line 5 - Line 15	119,516	78,917	40,599
	Return Before Adjustments				
17	Earned Rate of Return - %	Line 16/Line 1	6.327%	5.481%	9.040%
18	Required Rate of Return - %	B-9	8.78%	8.78%	8.78%
19	Return at Required Rate of Return	Line 1 x Line 18	$ 165,857	$ 126,426	$ 39,431
20	Income Deficiency	Line 19 - Line 16	46,341	47,509	(1,168)
21	Net-to-Gross Multiplier	D-18	1.83817	1.83817	1.83817
22	**Revenue Deficiency - $**	Line 20 x Line 21	$ 85,182	**$ 87,329**	$ (2,147)
23	**Revenue Requirements - $**	Line 5 + Line 22		**$ 473,619**	

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 3 - Electric Plant in Service

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Electric Plant in Service - Account 101/106				
	Intangible Plant:				
1	Organizations	TXDT	100	77	23
2	Franchises & Consents	TXDT	7	5	2
3	Software - Plant/O&M-related	TXDT	26,968	20,811	6,156
4	Software - Customer-related	DADT	-	-	-
5	Software - Labor-related	LABOR	-	-	-
6	Total Intangible Plant-P10		27,075	20,894	6,181
	Transmission Plant:				
7	Land and Land Rights - 350	DATX	18,049	-	18,049
8	Structures and Improvements - 352	DATX	9,118	-	9,118
9	Station Equipment - 353	DATX	280,328	-	280,328
10	Towers and Fixtures - 354	DATX	76,727	-	76,727
11	Poles and Fixtures - 355	DATX	16,356	-	16,356
12	Overhead Conductors & Devices - 356	DATX	92,474	-	92,474
13	Underground Conduit - 357	DATX	66,029	-	66,029
14	Underground Conduit & Devices - 358	DATX	46,670	-	46,670
15	Roads and Trails - 359	DATX	-	-	-
16	Total Transmission Plant - P50		605,751	-	605,751
	Distribution Plant:				
17	Land and Land Rights - 360	P360	11,132	11,131	0
18	Structures and Improvements - 361	P361	52,608	52,564	44
19	Station Equipment - 362	P362	396,218	395,872	347
20	Poles, Towers and Fixtures - 364	P364	332,783	332,616	167
21	Overhead Conductors and Devices - 365	P365	380,970	380,942	28
22	Underground Conduit - 366	P366	115,126	115,126	-
23	Underground Conductors and Devices - 367	P367	249,665	249,665	-
24	Line Transformers - 368	P368	274,128	274,128	-
25	OH & UND Services - 369	P369	94,152	94,152	-
26	Meters & Appurtences - 370	P370	105,224	105,223	0
27	Meter Communication Equipment - 370.1	P3701	2,654	2,654	-
28	Street Lighting - 373	P373	35,614	35,614	-
29	Total Distribution Plant - P60		2,050,274	2,049,688	586

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 4 - Accumulated Provision for Depreciation

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Accumulated Provision for Depreciation & Amortization				
1	Intangible Plant:				
2	Organizations	P10	-	-	-
3	Franchises	P10	-	-	-
4	Miscellaneous Intangible Plant	P10	6,826	5,268	1,558
5	Total Intangible Plant - P10		6,826	5,268	1,558
6	Total Transmission Plant	P50	152,195	-	152,195
	Distribution Plant:				
7	Land and Land Rights	P360	2	2	0
8	Structures and Improvements	P361	28,170	28,147	23
9	Station Equipment	P362	95,896	95,812	84
10	Poles, Towers and Fixtures	P364	127,749	127,685	64
11	Overhead Conductors and Devices	P365	106,400	106,392	8
12	Underground Conduit	P366	34,992	34,992	-
13	Underground Conductors and Devices	P367	80,435	80,435	-
14	Line Transformers	P368	70,439	70,439	-
15	OH & UND Services	P369	30,710	30,710	-
16	Meters & Appurtences	P370	47,186	47,186	0
17	Meter Communication Equipment	P3701	1,862	1,862	-
18	Street Lighting	P373	23,731	23,731	-
19	Total Distribution Plant	P60	647,572	647,393	179
	General Plant:				
20	Land and Land Rights - 389	P90	-	-	-
21	Structures and Improvements - 390	P90	22,046	19,413	2,633
22	Office Equipment & Equipment - 391	P90	(3,466)	(3,052)	(414)
23	Transportation Equipment - 392	P90	32,270	28,416	3,854
24	Stores Equipment - 393	P90	958	844	114
25	Tools, Shop and Garage Equipment - 394	P90	2,864	2,522	342
26	Laboratory Equipment - 395	P90	1,606	1,414	192
27	Power Operated Equipment - 396	P90	824	726	98
28	Communication Equipment - 397	P90	15,137	13,329	1,808
29	Miscellaneous Equipment - 398	P90	131	115	16
30	Total General Plant		72,370	63,727	8,643
31	**Total Accumulated Provision for Depreciation**		878,963	716,387	162,576

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 5 - Total Operating Revenues

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Electric Operating Revenues				
	Sales of Electricity:				
1	Total Sales to Ultimate Customers		795,174	373,079	422,095
2	Other Revenues - Off System Sales (447)	DAPS	1,400	-	1,400
3	Total Sales of Electricity	REV	796,574	373,079	423,495
	Other Operating Revenues				
	Forfeited Discounts/Account 450:				
4	Late Payment Charges	DADT	3,790	3,790	-
5	Returned Check Charges	DADT	150	150	-
6	Total Account 450		3,940	3,940	-
	Miscellaneous Service Revenues/Account 451:				
7	Other Distribution Revenues - Fees	DADT	1,073	1,073	-
8	Transmission - PJM Credit	DATX	732	-	732
9	Total Account 451		1,805	1,073	732
	Rent from Electric Property/Account 454:				
10	Rent - Electric Property	DADT	7,113	7,113	-
11	Customer Work - Reimbursement	DADT	720	720	-
12	Total Account 454		7,833	7,833	-
	Other Electric Revenues/Account 456:				
13	Customer Choice - EGS Transmission	DATX	48,939	-	48,939
14	Other Electric Revenues - Distribution	DADT	365	365	-
15	Other Electric Revenues - Transmission	DATX	204	-	204
16	Transmission Revenues- AES/APS	DATX	1,800	-	1,800
17	Transmission Revenue - APS/Piney Fork	DATX	1,577	-	1,577
18	Non-Firm Transmission Service	DATX	1,900	-	1,900
19	Total Account 456		54,785	365	54,420
20	**Total Other Operating Revenues**		68,363	13,211	55,152
21	**Total Operating Revenues**	PAREV	864,937	386,290	478,647

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 6 - Operation & Maintenance Expenses

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Purchased Power Expenses:				
1	Purchased Power - Acct 555	DAPS	348,758	-	348,758
2	Other Power Supply Expense - Acct 556	DAPS	-	-	-
3	Total Purchased Power Expenses		348,758	-	348,758
	Transmission Expense:				
4	Operation Supervision & Engineering-560	DATX	489	-	489
5	Load Dispatching-561	DATX	(7)	-	(7)
6	Station Expenses-562	DATX	190	-	190
7	Overhead Line Expenses-563	DATX	126	-	126
8	Underground Line Expenses-564	DATX	164	-	164
9	Transmission of Electricity by Others-565	DATX	-	-	-
10	Miscellaneous Transmission Expenses-566	DATX	2,405	-	2,405
11	Rents-567	DATX	-	-	-
12	Maintenance Supervision & Engineering-568	DATX	182	-	182
13	Maintenance of Structures-569	DATX	1,096	-	1,096
14	Maintenance of Structures-570	DATX	1,711	-	1,711
15	Maintenance of Station Equipment-571	DATX	1,003	-	1,003
16	Maintenance of Underground Facilities-572	DATX	3	-	3
17	Miscellaneous Maintenance/Repair-573	DATX	29	-	29
18	Total Transmission Expenses		7,388	-	7,388
	Distribution Expense - Operation:				
19	Operation Supervision & Engineering-580	PDIS1	1,403	1,403	0
20	Load Dispatching-581	P60	795	795	0
21	Station Expenses-582	P362	347	347	0
22	Overhead Line Expense-583	P364/5	313	313	0
23	Underground Line Expense-584	P367	482	482	-
24	Street Lighting & Signal Systems-585	P373	-	-	-
25	Meter Expenses-586	P370	1,413	1,413	0
26	Customer Installations Expense-587	DADT	33	33	-
27	Miscellaneous Expenses-588	DADT	5,954	5,954	-
28	Rents-589	DADT	-	-	-
29	Total Distribution Operation Expenses		10,741	10,740	1

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 6 - Operation & Maintenance Expenses

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Distribution Expense - Maintenance:				
1	Maintenance Supervision & Engineering-590	PDIS2	38	38	0
2	Maintenance of Structures-591	P362	151	151	0
3	Maintenance of Station Equipment-592	P362	1,745	1,743	2
4	Maintenance of OH lines-593	P364/5	15,173	15,169	4
5	Maintenance of Underground lines-594	P366	1,026	1,026	-
6	Maintenance of Line Transformers-595	P367	81	81	-
7	Maintenance of Street Lighting & Signals-596	P368	370	370	-
8	Maintenance of Meters-597	P369	1,429	1,429	-
9	Maintenance of Miscellaneous Plant-598	P370	85	85	0
10	Total Distribution Maintenance Expenses	P3701	20,096	20,090	6
11	Total Distribution Expenses	P373	30,837	30,830	7
	Customer Accounting Expense:				
12	Supervision-901		2,928	2,928	-
13	Customer Assistance-902		4,131	4,131	-
14	Records & Collections-903		7,980	7,980	-
15	Uncollectible Accounts-904		12,040	12,040	-
16	Miscellaneous Expenses-905		6	6	-
17	Total Consumer Accounts Expense	CWAC	27,085	27,085	-
	Customer Services Expense:				
18	Customer Service-Supervision-907		-	-	-
19	Customer Service-Customer Assist-908		3,203	3,203	-
20	Customer Service-Information-909		-	-	-
21	Customer Service-Misc Service & Info-910		-	-	-
22	Total Customer Service & Info Expenses	CWCS	3,203	3,203	-
	Sales Expense:				
23	Supervision-911		-	-	-
24	Demonstration and Selling Expenses-912		-	-	-
25	Advertising Expenses-913		-	-	-
26	Miscellaneous Sales Expenses-916		-	-	-
27	Total Sales Expense		-	-	-

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 6 - Operation & Maintenance Expenses

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Administrative & General Expenses:				
1	Administrative and General Salaries-920	LABOR	14,470	12,742	1,728
2	Office Supplies and Expenses-921	LABOR	6,247	5,501	746
3	Administrative Exps Transferred - Credit-922	LABOR	-	-	-
4	Outside Services Employed-923	LABOR	11,907	10,485	1,422
5	Property Insurance-924	PLANT	5,671	4,431	1,240
6	Injuries and Damages-925	LABOR	-	-	-
7	Employee Pensions and Benefits-926	LABOR	44,953	39,584	5,369
8	Regulatory Commission Expenses-928	LABOR	4,659	4,103	556
9	General Advertising Expenses-930.1	LABOR	4,656	4,100	556
10	Miscellaneous General Expenses-930.2	LABOR	-	-	-
11	Rents-931	LABOR	2,980	2,624	356
12	Total Operation A & G Expenses		95,543	83,570	11,973
13	Maintenance of General Plant-935	LABOR	9,149	8,056	1,093
14	Total Administrative & General Expenses		104,692	91,626	13,066
15	**Total Operation & Maintenance Expenses**		521,962	152,744	369,218

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 7 - Depreciation & Amortization Expenses

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Depreciation & Amortization Expense - Accts 403/404				
	Intangible Plant:				
1	Organizations	P10	-	-	-
2	Franchises	P10	-	-	-
3	Miscellaneous Intangible Plant	P10	3,079	2,376	703
4	Total Intangible Plant - P10		3,079	2,376	703
	Transmission Plant:				
5	Land and Land Rights	DATX	-	-	-
6	Structures and Improvements	DATX	247	-	247
7	Station Equipment	DATX	9,195	-	9,195
8	Towers and Fixtures	DATX	1,289	-	1,289
9	Poles and Fixtures	DATX	460	-	460
10	Overhead Conductors & Devices	DATX	1,859	-	1,859
11	Underground Conduit	DATX	1,215	-	1,215
12	Underground Conduit & Devices	DATX	868	-	868
13	Roads and Trails	DATX	-	-	-
14	Total Transmission Plant - P50		15,133	-	15,133
	Distribution Plant:				
15	Land and Land Rights	P360	-	-	-
16	Structures and Improvements	P361	1,242	1,241	1
17	Station Equipment	P362	10,341	10,332	9
18	Poles, Towers and Fixtures	P364	7,221	7,217	4
19	Overhead Conductors and Devices	P365	10,248	10,247	1
20	Underground Conduit	P366	2,015	2,015	-
21	Underground Conductors and Devices	P367	5,617	5,617	-
22	Line Transformers	P368	8,964	8,964	-
23	OH & UND Services	P369	1,563	1,563	-
24	Meters & Appurtences	P370	7,997	7,997	0
25	Meter Communication Equipment	P3701/DADT	370	370	-
26	Street Lighting	P373/DADT	833	833	-
27	Total Distribution Plant - P60		56,411	56,396	15

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 7 - Depreciation & Amortization Expenses

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	General Plant:				
1	Land and Land Rights - 389	P90	-	-	-
2	Structures and Improvements - 390	P90	3,791	3,338	453
3	Office Equipment & Equipment - 391	P90	1,993	1,755	238
4	Transportation Equipment - 392	P90	4,216	3,712	504
5	Stores Equipment - 393	P90	126	111	15
6	Tools, Shop and Garage Equipment - 394	P90	656	578	78
7	Laboratory Equipment - 395	P90	361	317	43
8	Power Operated Equipment - 396	P90	45	40	5
9	Communication Equipment - 397	P90	5,391	4,747	644
10	Miscellaneous Equipment - 398	P90	34	30	4
11	Total General Plant		16,612	14,628	1,984
12	**Total Depreciation & Amortization Expense**		88,156	71,024	17,132
	Amortization of Limited Term Plant				
13	Intangible Plant	P10	3,079	2,376	703
14	Transmission Plant	P50	-	-	-
15	Distribution Plant	P60	-	-	-
16	General Plant	P90	358	315.2	43
17	Total Amortization of Limited Term Plant		3,437	2,692	746
18	**Subtotal - Depreciation & Amortization**		91,593	73,716	17,877
	Total Amortization of Net Salvage				
19	Transmission Plant	P50	1,151	-	1,151
20	Distribution Plant	P60	5,456	5,454	2
21	General Plant	P90	205	181	24
22	Total Amortization of Net Salvage Assets		6,812	5,635	1,177
23	**Total Depreciation & Amortization Expenses**		98,405	79,351	19,054

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 8 - Taxes Other Than Income Taxes

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Taxes Other Than Income Taxes				
	Non-revenue related:				
1	PA Real Estate Tax	TXDT	404	312	92
2	Pennsylvania - PURTA	TXDT	933	720	213
					-
3	Capital Stock	TXDT	2,700	2,084	616
4	Insurance Premiums	TXDT	-	-	-
5	PA Local & Use Taxes	TXDT	307	237	70
6	Subtotal		4,344	3,352	992
	Payroll Taxes:				
7	FICA	LABOR	3,674	3,235	439
8	FUTA	LABOR	45	40	5
9	SUTA	LABOR	504	444	60
10	City of Pittsburgh	LABOR	276	243	33
11	Subtotal		4,499	3,962	537
	Revenue Related:				
	State Gross Receipts:				
12	Pennsylvania	GRTREV	46,515	21,958	24,556
13	Other states		-		-
14	**Total Taxes Other Than Income Taxes**		55,358	29,272	26,085

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
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Table No 9 - Summary of Income Taxes

Line No	Description	Allocation Factor or Reference	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
1	**Revenues:**	Table No 5	864,937	386,290	478,647
2	Less: Operating Expenses	Table No 2, L 10	675,725	261,367	414,358
3	Operating Income Before Income Taxes		189,212	124,923	64,289
	Interest Expense:				
4	Electric Rate Base	Table No 1, L 24	1,889,030	1,439,932	449,098
5	Weighted Cost of Debt - %	B-9	2.55%	2.55%	2.55%
6	Synchronized Interest Expense		48,170	36,718	11,452
7	**Base Taxable Income**		141,042	88,205	52,837
8	State Tax Deductions (Over) Under Book	Table 10, Pg 2	(18)	5,044	(5,061)
	Pennsylvania State Income Taxes:				
9	Taxable Income		141,024	93,249	47,776
10	Less State Flow Through Tax Deductions	Table 10, Pg 2	-	-	-
11	State Taxable Income		141,024	93,249	47,776
12	State Income Tax Rate - 9.99%		9.99%	9.99%	9.99%
13	State Income Tax Expense		14,088	9,316	4,773
	Federal Income Taxes:				
14	Federal Taxable Income		126,953	78,889	48,064
15	Less Federal Flow Through Tax Deductions	Table 10, Pg 2	(4,398)	1,737	(6,135)
16	Federal Taxable Income		122,556	80,626	41,930
17	Federal Tax Rate - 35%		35.0%	35.0%	35.0%
18	Federal Income Tax Expense		42,894	28,219	14,675
19	**Deferred Federal Taxable Income:**	Table 10, Pg 2	40,265	27,143	13,122
20	Federal Tax Rate @ 34.09%		34.09%	34.09%	34.09%
21	Federal Income Tax Expense		13,726	9,253	4,473
22	Amortization of Investment Tax Credit	ITC	-	-	-
23	Less Consolidated Income Tax Offset	TXDT	(1,013)	(782)	(231)
24	Total Combined Federal Income Tax Expense		55,608	36,690	18,917
25	Total Income Tax Expenses		69,696	46,006	23,690

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Table No 10 - Income Tax Additions & Adjustments

Line No	Description	Allocation Factor or Reference	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Total Tax Depreciation:				
1	Intangible Plant	P10		-	-
2	Transmission Plant	P50	21,913	-	21,913
3	Distribution Plant	P60	58,206	58,190	17
4	General Plant	P90	18,303	16,117	2,186
5	Totals		98,423	74,307	24,116
	Pro Forma Book Depreciation:				
6	Intangible Plant	Table No 7	3,079	2,376	703
7	Transmission Plant	Table No 7	16,284	-	16,284
8	Distribution Plant	Table No 7	61,867	61,851	16
9	General Plant	Table No 7	17,175	15,124	2,051
10	Totals		98,405	79,351	19,054
	State Tax Deductions (Over) Under Book:				
11	Intangible Plant	Line 6 - Line 1	3,079	2,376	703
12	Transmission Plant	Line 7 - Line 2	(5,629)	-	(5,629)
13	Distribution Plant	Line 8 - Line 3	3,661	3,661	(1)
14	General Plant	Line 9 - Line 4	(1,128)	(994)	(135)
15	Totals		(18)	5,044	(5,061)
	Total Tax Depreciation - Federal:				
16	Intangible Plant	P10	-	-	-
17	Transmission Plant	P50	22,888	-	22,888
18	Distribution Plant	P60	60,797	60,779	17
19	General Plant	P90	19,118	16,835	2,283
20	Totals		102,803	77,614	25,189
	Federal Tax Deductions (Over) Under Book:				
21	Intangible Plant	Line 6 - Line 16	3,079	2,376	703
22	Transmission Plant	Line 7 - Line 17	(6,604)	-	(6,604)
23	Distribution Plant	Line 8 - Line 18	1,070	1,072	(1)
24	General Plant	Line 9 - Line 19	(1,943)	(1,711)	(232)
25	Totals		(4,398)	1,737	(6,135)
	Deferred Federal Income Taxes:				
26	Intangible Plant	P10	-	-	-
27	Transmission Plant	P50	12,782	-	12,782
28	Distribution Plant	P60	24,693	24,686	7
29	General Plant	P90	2,790	2,457	333
30	Totals		40,265	27,143	13,122

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Table No 11 - Allocation Factors

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Development of the Labor Allocator				
	Power Supply Expense:				
1	Demand-related	D10	-		-
2	Energy-related	E10	-		-
3	Subtotal Power Supply-Z30		-		-
4	Subtotal Power Supply-(%)	Z30	-		-
5	Supervision & Engineering	Z30	-		-
6	Total Production		-		-
7	Transmission Expense - P50	DATX	3,825	-	3,825
8	Distribution Expense - P60	P60	17,716	17,711	5
9	Customer Accounting - Z90	CWAC	10,370	10,370	-
10	Customer Service & Information	CWCS	161	161	-
11	Subtotal Before A & G		32,072	28,241	3,830
12	Subtotal Before A & G - %	LABORSUB	100.00%	88.06%	11.94%
13	Administrative & General	LABORSUB	18,280	16,097	2,183
14	Total Labor Expense-Labor		50,351	44,338	6,013
15	Total Labor Expense-Labor (%)	LABOR	100.00%	88.06%	11.94%

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Table No 11 - Allocation Factors

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Development of Plant-Related Allocation Factors:				
	Development of Plant Allocator less Intangible Plant (P101)				
1	Transmission Plant		605,751	-	605,751
2	Distribution Plant		2,050,274	2,049,688	586
3	General Plant		258,026	227,210	30,816
4	Total - $		2,914,051	2,276,898	637,154
5	Total - %	P101	100.00%	78.14%	21.86%
6	Allocated Intangible Plant - $		27,075	20,894	6,181
7	Allocated Intangible Plant - %	P10	100.00%	77.17%	22.83%
8	Net Electric Plant in Service-$		2,062,163	1,581,404	480,759
9	Net Electric Plant in Service-%	NTPLT	100.00%	76.69%	23.31%
10	Total Electric Rate Base-$		1,889,030	1,439,932	449,098
11	Total Electric Rate Base-%	BASE	100.00%	76.23%	23.77%
12	Electric Plant in Service-$		2,941,126	2,297,792	643,334
13	Electric Plant in Service-%	EPIS	100.00%	78.13%	21.87%
14	Transmission Plant - Allocated (P50)		605,751	-	605,751
15	Distribution Plant - Allocated (P60)		2,050,274	2,049,688	586
16	Total Transmission & Distribution Plant - $		2,656,025	2,049,688	606,338
17	Total Transmission & Distribution Plant - %	TXDT	100.00%	77.17%	22.83%
18	Total Distribution Plant-$		2,050,274	2,049,688	586
19	Total Distribution Plant-%	P60	100.00%	99.971%	0.029%
20	Transmission Plant - $		605,751	-	605,751
21	Transmission Plant - %	P50	100.00%	0.00%	100.00%
22	General Plant - $		258,026	227,210	30,816
23	General Plant - %	P90	100.00%	88.06%	11.94%

Duquesne Light Company
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Table No 11 - Allocation Factors

Line No	Description	Allocation Factor		[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Development of Revenue and Tax-Related Allocation Factors:					
1	Transmission & Distribution Taxable Inc-$			140,701	88,205	52,496
2	Transmission & Distribution Taxable Inc-%	TDTAX		100.00%	62.69%	37.31%
3	Federal Income Taxes (FIT)-$			55,608	36,690	18,917
4	Federal Income Taxes (FIT)-%	FIT		100.00%	65.98%	34.02%
5	Federal Income Tax Additions/Deductions-$			1,070	1,072	(1)
6	Federal Income Tax Additions/Deductions-%	FITADD		100.00%	100.12%	-0.12%
7	State Income Taxes (SIT)-$			14,088	9,316	4,773
8	State Income Taxes (SIT)-%	SIT		100.00%	66.12%	33.88%
9	Billed Revenues - TY2006 - $			796,574	373,079	423,495
10	Billed Revenues - TY2006 - %	REV		100.00%	46.84%	53.16%
11	Billed Revenues-Combined - TY2006 - $			796,574	743,616	52,958
12	Billed Revenues-Combined - TY2006 - %	REV1		100.00%	93.35%	6.65%
13	Total Revenues - TY2006 - $			864,937	386,290	478,647
14	Total Revenues - TY2006 - %	PAREV		100.00%	44.66%	55.34%
15	Revenues Subject to GRT - TY2006 - $			800,919	378,092	422,827
16	Revenues Subject to GRT - TY2006 - %	GRTREV	(*)	100.00%	47.21%	52.79%

(*) Power Supply excludes Sales for Resale; Transmission excludes EGS and FERC Customers; Distribution excludes Acct Nos 451, 454, Other Revenues in 456.

Duquesne Light Company
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12 Months Ending March 31, 2011
(X$000)

Table No 11 - Allocation Factors

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Development of Distribution Plant Allocation Factors and Direct Assignments:				
1	Total Distribution Land & Land Rights-$		11,132	11,131	0
2	Total Distribution Land & Land Rights-%	P360	100.00%	99.996%	0.004%
3	Distribution Substation - Structures - $		52,608	52,564	44
4	Distribution Substation - Structures - %	P361	100.00%	99.92%	0.08%
5	Distribution Substation - Station Equipment-$		396,218	395,872	347
6	Distribution Substation - Station Equipment-%	P362	100.00%	99.91%	0.088%
7	Total Distribution Lines, Poles, etc-$		332,783	332,616	167
8	Total Distribution Lines, Poles, etc-%	P364	100.00%	99.95%	0.05%
9	Total Overhead Conductors & Devices-$		380,970	380,942	28
10	Total Overhead Conductors & Devices-%	P365	100.00%	99.99%	0.01%
11	Total Distribution Underground-$		249,665	249,665	-
12	Total Distribution Underground-%	P367	100.00%	100.00%	0.00%
13	Total Distribution Line Transformers-$		274,128	274,128	-
14	Total Distribution Line Transformers-%	P368	100.00%	100.00%	0.00%
15	Distribution Services-$		94,152	94,152	-
16	Distribution Services-%	P369	100.00%	100.00%	0.00%
17	Total Meters-$		105,224	105,223	0.4
18	Total Meters-%	P370	100.00%	100.00%	0.00%
19	Total Overhead Lines-Accounts 364/365-$		713,753	713,558	195
20	Total Overhead Lines-Accounts 364/365-%	P364/5	100.00%	99.97%	0.03%
21	Street Lighting-$		35,614	35,614	-
22	Street Lighting-%	P373	100.00%	100.00%	0.00%

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(X$000)

Table No 11 - Allocation Factors

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Distribution Operation & Maintenance Expense Allocators:				
	Supervision & Engineering-Operation:				
1	Load Dispatching	P60	795	795	0
2	Substations	P362	347	347	0
3	Lines	P364/5	313	313	0
4	Underground	P367	482	482	-
5	Street Lighting	P370	-	-	-
6	Meters	P373	1,413	1,413	-
7	Subtotal-$		3,350	3,350	1
8	Subtotal-%	PDIS1	100.00%	99.98%	0.02%
	Supervision & Engineering-Maintenance:				
9	Substations	P362	1,745	1,743	2
10	Lines	P364/5	15,173	15,169	4
11	Underground	P367	1,026	1,026	-
12	Street Lighting	P370	370	370	0
13	Meters	P373	1,429	1,429	-
14	Subtotal-$		19,742	19,736	6
15	Subtotal-%	PDIS2	100.00%	99.97%	0.03%
16	Total Operation & Maintenance Expenses - $		521,962	152,744	369,218
17	Total Operation & Maintenance Expenses - %	OMEXP	100.00%	29.26%	70.74%
18	Customer Accounting Expenses-Weighted-$		27,085	27,085	-
19	Customer Accounting Expenses-Weighted-%	CWAC	100.00%	100.00%	0.00%

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 12 - Working Cash Allowance by Jurisdiction

Line No	Description	Allocation Factor or Reference		[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Working Cash Allowance:					
1	Total Pro Forma O & M Expenses			522,964	153,746	369,218
2	Less: Uncollectible Exps - Account 904	CWAC		8,190	8,190	-
3	Less: Uncollectible Exps - Incremental	CWAC		877	877	-
4	Totals			513,896	144,678	369,218
5	Operating Expenses per Day	1408		1,408	1,352	56
6	Net (Lead)/Lag Days /365*Weighted $	25.71	X	36,202	34,763	1,440
7	**Prepayments: 13-month Avg Balance**	EPIS	X	3,493	2,729	764
	Accrued Taxes - Allocated;					
8	Federal Income Taxes			80,561	62,272	18,289
9		16.17		1,302,676	1,006,939	295,737
10	PA State Income Taxes			22,001	17,428	4,574
11		23.92		526,271	416,870	109,401
12	PA Public Utility Realty Tax			933	720	213
13		114.67		106,987	82,563	24,424
14	PA Capital Stock Tax			2,700	2,084	616
15		23.92		64,584	49,840	14,744
16	PA Local & Use Tax			307	237	70
17		17.67		5,425	4,186	1,238
18	PA Property Tax			404	312	92
19		54.17		21,885	16,889	4,996
20	PA Corporate Loan Tax			276.0	243.0	33.0
21		130.67		36,065	31,758	4,307
22	PA Gross Receipts Tax			46,515	43,397	3,118
23		125.17		5,822,237	5,431,941	390,297
24	PA Gross Receipts Tax - Incremental			4,974	5,078	(104)
25		125.17		622,612	635,606	(12,994)
26	**Total Taxes/365 Days**	365	X	23,312	21,032	2,280
27	**Pro Forma Interest-Synchronized (365 days)**	BASE	X	(4,966)	(3,785)	(1,181)
28	**Preferred Dividend Payments**	BASE	X	136	104	32
29	Total Working Capital Components - $			58,177	54,852	3,325
30	Total Working Capital Components - %	CWCA		100.0%	94.29%	5.71%
31	Total Working Capital Components - $	CWCA		58,177	54,852	3,325
32	Total Working Capital Components - %	CWCA		100.0%	94.28%	5.72%

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2011
(X$000)

Table No 12 - Working Cash Allowance by Jurisdiction

Line No	Description	Reference	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Work Papers/Formula - CWC:				
1	Federal Income Taxes - Proforma		55,608	36,798	18,810
2	Federal Income Taxes - Incremental		-	-	-
3	Revenue Deficiency		85,185	86,962	(1,778)
4	Less: Uncollectible Expenses	0.01030	877	896	(18)
5	Less: PUC/OCA & SBA Assessments	0.00146	124	127	(3)
6	Less: Gross Receipts Tax @ 5.9%	0.05839	4,974	5,078	(104)
7	Subtotal - Taxable Income		79,209	80,862	(1,653)
8	State Tax Expense @ 9.99%	0.0999	7,913	8,078	(165)
9	Federal Taxable Income - Incremental		71,296	72,784	(1,488)
10	Total Federal Income Taxes @ 35%	0.3500	24,954	25,474	(521)
11	Total Federal Income Taxes		80,561	62,272	18,289
12	State Income Taxes - Proforma		14,088	9,350	4,739
13	Incremental State Taxes		7,913	8,078	(165)
14	Total State Income Taxes		22,001	17,428	4,574
15	Gross Receipts Tax - Proforma		46,515	43,397	3,118
16	Gross Receipts Tax - Incremental		4,974	5,078	(104)
17	Total Gross Receipts Tax		51,489	48,474	3,014
	Pro Forma Interest Expense - CWC:				
18	Total Electric Rate Base - Allocated	Table No 1	1,889,050	1,439,932	449,118
19	Long-term Debt Ratio	B-9	0.420	0.420	0.420
20	Embedded Cost of Long-term Debt	B-9	0.061	0.061	0.061
21	Pro Forma Interest Expense	L18*L19*L20	48,230	36,764	11,467
22	Daily Amount	Line 21/365	132	101	31
23	Interest Payment Lag Days		(37.6)	(37.6)	(37.6)
24	Total Interest for Working Capital	Line 22 * Line 23	(4,966)	(3,785)	(1,181)
25	**Pro Forma O & M Expenses - CWC:**		521,962	152,744	369,218
26	Incremental Customer Accounts Expense	0.01030	877	877	-
27	PUC/OCA & SBA Assessments	0.00146	124	124	-
28	Total Pro Forma O & M Expenses		522,964	153,746	369,218

Duquesne Light Company
Before The Pennsylvania Public Utility Commission

Operating Income
Pro Forma at Present and Proposed Rates - Future Period
12 Months Ending March 31, 2011
(X$000)

Table No 1
Earned Rate of Return with Additional Revenue Requirements - PA Jurisdiction

Line No	Description	[1] ROR Before Additional Revenues	[2] Proposed Additional Revenues	[3] ROR With Additional Revenues
1	Total Electric Rate Base	$ 1,439,932	-	$ 1,439,932
	Total Operating Revenues:			
2	Total Sales Revenues	373,079	87,329	460,408
3	Other Revenues - Off System Sales	-	-	-
4	Other Operating Revenues	13,211	-	13,211
5	Total Revenues	386,290	87,329	473,619
	Total Operating Expenses:			
6	Operation & Maintenance Expenses	152,744	1,027	153,771
7	Depreciation Expense	73,716	-	73,716
8	Amortization of Net Salvage	5,635	-	5,635
9	Taxes Other Than Income Taxes	29,272	5,099	34,372
10	Total Operating Expenses	261,367	6,126	267,493
11	Utility Operating Income Before Taxes	124,923	81,203	206,126
	Income Taxes:			
12	Federal	36,690	25,582	62,272
13	State	9,316	8,112	17,428
14	Total Income Taxes	46,006	33,694	79,700
15	Total Operating Expenses	307,373	39,820	347,193
16	Total Operating Income	$ 78,917	$ 47,509	$ 126,426
17	Earned Rate of Return - %	5.481%		8.78%

Duquesne Light Company
Before The Pennsylvania Public Utility Commission

Operating Income
Pro Forma at Present and Proposed Rates - Future Period
12 Months Ending March 31, 2011
(X$000)

Table No 2
Determination of PA Jurisdictional Revenue Deficiency

Line No	Description	Reference	[1] Total Company	[2] Total PA Jurisdiction	[3] PA JSS Reference
1	Total Electric Rate Base	Table No 1	$ 1,889,030	$ 1,439,932	Table No 1
	Total Operating Revenues				
2	Total Sales Revenues	D-3	795,174	373,079	Table No 5
3	Other Revenues - Off System Sales	D-3	1,400	-	Table No 5
4	Other Operating Revenues	D-3	68,363	13,211	Table No 5
5	Total Revenues		864,937	386,290	
	Total Operating Expenses				
6	Operation & Maintenance Expenses	D-4	521,962	152,744	Table No 6
7	Depreciation Expense	D-17	91,593	73,716	Table No 7
8	Amortization of Net Salvage	D-17	6,812	5,635	Table No 7
9	Taxes Other Than Income Taxes	D-16	55,358	29,272	Table No 8
10	Total Operating Expenses		675,725	261,367	
11	Utility Operating Income Before Taxes		189,212	124,923	
	Income Taxes:				
12	Federal	D-2	55,608	36,690	Table No 9
13	State	D-2	14,088	9,316	Table No 9
14	Total Income Taxes		69,696	46,006	
15	Total Operating Expenses		745,421	307,373	
16	Total Operating Income		$ 119,516	$ 78,917	
	Return Before Adjustments				
17	Earned Rate of Return - %			5.481%	
18	Required Rate of Return - %	B-9		8.78%	
19	Return at Required Rate of Return			$ 126,426	
20	Income Deficiency - $			47,509	
21	Revenue Deficiency - Tax Multiplier	D-18		1.83817	
22	Revenue Deficiency-$ (Line 19*Line 20)			$ 87,329	

Duquesne Light Company
Before The Pennsylvania Public Utility Commission

Operating Income
Pro Forma at Present and Proposed Rates - Future Period
12 Months Ending March 31, 2011
(X$000)

Table No 3
Electric Rate Base - Pennsylvania Jurisdiction

Line No	Description	Reference	[1] Total Company	[2] Total PA Jurisdiction	[3] PA JSS Reference
1	Electric Plant in Service		$ 2,941,126	$ 2,297,792	Table No 1
2	Less: Accum Provision for Depreciation	C-2	878,963	716,387	Table No 1
3	Net Electric Plant in Service	C-3	2,062,163	1,581,404	
	Other Rate Base Items - Additions:				
4	Cash Working Capital	C-4	58,177	54,852	Table No 12
5	Materials & Supplies	C-5	16,419	10,155	Table No 1
6	Total Additions		74,596	65,007	
7	Total Rate Base Before Deductions		2,136,759	1,646,412	
	Other Rate Base Items - Deductions:				
8	Customer Deposits	C-7	(5,977)	(5,977)	Table No 1
9	Accumulated Deferred Income Taxes	C-6	(241,752)	(200,502)	Table No 1
10	Total Deductions		(247,729)	(206,479)	
11	Total Electric Rate Base		$ 1,889,030	$ 1,439,932	

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Measures of Value and Rates of Return
For the 12 Months Ending March 31, 2010
(X$000)

Line No	Description	Historic Test Period - 12 Months Ending March 31, 2010 [1] Total Electric Utility	[2] Total PA Jurisdiction (1)	[3] Reference
	Electric Plant			
1	Electric Plant in Service	$ 2,697,417	$ 2,141,161	C-2
2	Depreciation Reserve	864,512	704,819	C-3
3	Net Electric Plant in Service	1,832,905	1,436,343	
	Additions:			
	Working Capital Requirements			
4	Cash Working Capital	58,317	55,434	C-4
5	Materials & Supplies	16,420	10,159	C-5
6	Total Working Capital	74,737	65,593	
	Deductions:			
7	Customer Deposits	(5,977)	(5,977)	B-1
8	Accumulated Deferred Income Taxes	(226,764)	(189,960)	C-6
9	Total Deductions	(232,741)	(195,937)	
10	**Total Measure of Value/Rate Base - Net**	1,674,901	1,305,999	
	Pro Forma Return at Present rates			
11	Amount - $	$ 110,381	$ 78,530	D-1
12	Percent	6.590%	6.013%	
	Pro Forma Return at Proposed Rates			
13	Amount - $		$ 114,667	D-1
14	Percent - Line 13/Line 10		8.78%	

(1) See Exhibit No LAC-6/Statement D-1

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Table No 1 - Total Electric Rate Base

Line No	Description	Allocation Factor or Reference	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Electric Plant in Service				
1	Intangible Plant	Table No 3	20,532	16,108	4,424
2	Transmission Plant	Table No 3	521,461	-	521,461
3	Distribution Plant	Table No 3	1,901,398	1,900,812	586
4	General Plant	LABOR	254,026	224,242	29,784
5	Total Electric Plant in Service		2,697,417	2,141,161	556,256
	Less:				
6	Accum Provision for Depreciation & Amortization				
7	Intangible Plant	Table No 4	5,717	4,485	1,232
8	Transmission Plant	Table No 4	148,985	-	148,985
9	Distribution Plant	Table No 4	630,608	630,418	190
10	General Plant	Table No 4	79,202	69,916	9,286
11	Total Accum Provision - Depreciation & Amort		864,512	704,819	159,693
12	**Net Electric Plant in Service**		1,832,905	1,436,343	396,562
	Other Rate Base Items:				
13	Cash Working Capital	Table No 12	58,317	55,434	2,883
	Materials & Supplies - Account 154:				
14	Transmission Plant	P50	6,081	-	6,081
15	Distribution Plant	P60	8,830	8,827	3
16	General Plant	P90	1,509	1,332	177
17	Total Materials & Supplies		16,420	10,159	6,261
	Less:				
18	Customer Deposits - Account 235	DADT	(5,977)	(5,977)	-
	Accumulated Deferred Income Taxes:				
19	Intangible	P10	1,564	1,227	337
20	Transmission	DATX	(34,259)	-	(34,259)
21	Distribution	P60	(169,932)	(169,880)	(52)
22	General	P90	(24,137)	(21,307)	(2,830)
23	Total Accumulated Deferred Income Taxes		(226,764)	(189,960)	(36,804)
24	Subtotal - Other Rate Base Items		(158,004)	(130,343)	(27,660)
25	**Total Electric Rate Base - $**	Line 12 + Line 24	1,674,901	1,305,999	368,902

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Table No 2 - Calculation of Jurisdictional Revenue Deficiency

Line No	Description	Reference	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
1	**Total Electric Rate Base**	Table No 1	1,674,901	1,305,999	368,902
	Total Operating Revenues				
2	Total Sales Revenues	Table No 5	800,754	367,233	433,521
3	Provision for Rate Refunds	Table No 5	-	-	-
4	Other Revenues - Off System Sales	Table No 5	1,288	-	1,288
5	Other Operating Revenues	Table No 5	62,492	15,192	47,300
6	Total Revenues	Lines 2 to 5	864,534	382,425	482,109
	Total Operating Expenses				
7	Operation & Maintenance Expenses	Table No 6	537,151	147,961	389,190
8	Depreciation Expense	Table No 7	88,089	72,121	15,968
9	Amortization of Net Salvage	Table No 7	7,576	6,710	866
10	Taxes Other Than Income Taxes	Table No 8	52,703	26,640	26,063
11	Total Operating Expenses	Lines 6 to 9	685,519	253,432	432,087
12	Operating Income Before Income Taxes	Line 6 - Line 11	179,015	128,993	50,022
	Income Taxes:				
13	Federal	Table No 9	54,200	39,932	14,268
14	State	Table No 9	14,434	10,531	3,903
15	Total Income Taxes		68,634	50,463	18,171
16	Total Operating Expenses	Line 11 + Line 15	754,153	303,895	450,258
17	**Net Operating Income**	Line 6 - Line 16	110,381	78,530	31,851
	Return Before Adjustments				
18	Earned Rate of Return - %	Line 17/Line 1	6.59%	6.013%	8.634%
19	Required Rate of Return - %	B-9	8.78%	8.78%	8.78%
20	Return at Required Rate of Return	Line 1 x Line 19	$ 147,056	$ 114,667	$ 32,390
21	Income Deficiency	Line 20 - Line 17	36,675	36,136	539
22	Net-to-Gross Multiplier	D-18	1.83817	1.83817	1.83817
23	**Revenue Deficiency - $**	Line 21 x Line 22	$ 67,415	**$ 66,425**	$ 990
24	**Revenue Requirements - $**	Line 6 + Line 23		**$ 448,850**	

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Table No 3 - Electric Plant in Service

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Electric Plant in Service - Account 101/106				
	Intangible Plant:				
1	Organizations	TXDT	100	78	22
2	Franchises & Consents	TXDT	7	5	2
3	Software - Plant/O&M-related	TXDT	20,425	16,024	4,401
4	Software - Customer-related	DADT	-	-	-
5	Software - Labor-related	LABOR	-	-	-
6	Total Intangible Plant-P10		20,532	16,108	4,424
	Transmission Plant:				
7	Land and Land Rights - 350	DATX	12,357	-	12,357
8	Structures and Improvements - 352	DATX	8,997	-	8,997
9	Station Equipment - 353	DATX	235,265	-	235,265
10	Towers and Fixtures - 354	DATX	69,633	-	69,633
11	Poles and Fixtures - 355	DATX	12,621	-	12,621
12	Overhead Conductors & Devices - 356	DATX	77,953	-	77,953
13	Underground Conduit - 357	DATX	62,237	-	62,237
14	Underground Conduit & Devices - 358	DATX	42,398	-	42,398
15	Roads and Trails - 359	DATX	-	-	-
16	Total Transmission Plant - P50		521,461	-	521,461
	Distribution Plant:				
17	Land and Land Rights - 360	P360	11,084	11,084	0
18	Structures and Improvements - 361	P361	52,466	52,422	44
19	Station Equipment - 362	P362	359,843	359,496	347
20	Poles, Towers and Fixtures - 364	P364	315,751	315,584	167
21	Overhead Conductors and Devices - 365	P365	329,125	329,097	28
22	Underground Conduit - 366	P366	107,726	107,726	-
23	Underground Conductors and Devices - 367	P367	241,453	241,453	-
24	Line Transformers - 368	P368	258,763	258,763	-
25	OH & UND Services - 369	P369	86,637	86,637	-
26	Meters & Appurtences - 370	P370	100,567	100,567	0
27	Meter Communication Equipment - 370.1	P3701	2,653	2,653	-
28	Street Lighting - 373	P373	35,330	35,330	-
29	Total Distribution Plant - P60		1,901,398	1,900,812	586

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Table No 4 - Accumulated Provision for Depreciation

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Accumulated Provision for Depreciation & Amortization				
1	Intangible Plant:				
2	Organizations	P10	-	-	-
3	Franchises	P10	-	-	-
4	Miscellaneous Intangible Plant	P10	5,717	4,485	1,232
5	Total Intangible Plant - P10		5,717	4,485	1,232
6	Total Transmission Plant	P50	148,985	-	148,985
	Distribution Plant:				
7	Land and Land Rights	P360	2	2	0
8	Structures and Improvements	P361	26,856	26,834	22
9	Station Equipment	P362	95,889	95,797	92
10	Poles, Towers and Fixtures	P364	124,939	124,873	66
11	Overhead Conductors and Devices	P365	107,021	107,012	9
12	Underground Conduit	P366	33,111	33,111	-
13	Underground Conductors and Devices	P367	75,346	75,346	-
14	Line Transformers	P368	66,839	66,839	-
15	OH & UND Services	P369	31,955	31,955	-
16	Meters & Appurtences	P370	44,102	44,102	0
17	Meter Communication Equipment	P3701	1,855	1,855	-
18	Street Lighting	P373	22,693	22,693	-
19	Total Distribution Plant	P60	630,608	630,418	190
	General Plant:				
20	Land and Land Rights - 389	P90	-	-	-
21	Structures and Improvements - 390	P90	32,178	28,405	3,773
22	Office Equipment & Equipment - 391	P90	(1,354)	(1,195)	(159)
23	Transportation Equipment - 392	P90	28,343	25,020	3,323
24	Stores Equipment - 393	P90	948	837	111
25	Tools, Shop and Garage Equipment - 394	P90	4,273	3,772	501
26	Laboratory Equipment - 395	P90	1,680	1,483	197
27	Power Operated Equipment - 396	P90	781	689	92
28	Communication Equipment - 397	P90	12,233	10,799	1,434
29	Miscellaneous Equipment - 398	P90	120	106	14
30	Total General Plant		79,202	69,916	9,286
31	**Total Accumulated Provision for Depreciation**		864,512	704,819	159,693

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Table No 5 - Total Operating Revenues

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Electric Operating Revenues				
	Sales of Electricity:				
1	Total Sales to Ultimate Customers		800,754	367,233	433,521
2	Provision for Rate Refunds	DADT	-	-	-
3	Other Revenues - Off System Sales (447)	DAPS	1,288	-	1,288
4	Total Sales of Electricity	REV	802,042	367,233	434,809
	Other Operating Revenues				
	Forfeited Discounts/Account 450:				
5	Late Payment Charges	DADT	3,657	3,657	-
6	Returned Check Charges	DADT	134	134	-
7	Total Account 450		3,791	3,791	-
	Miscellaneous Service Revenues/Account 451:				
8	Other Distribution Revenues - Fees	DADT	1,148	1,148	-
9	Transmission - PJM Credit	DATX	714	-	714
10	Total Account 451		1,862	1,148	714
	Rent from Electric Property/Account 454:				
11	Rent - Electric Property	DADT	9,446	9,446	-
12	Customer Work - Reimbursement	DADT	585	585	-
13	Total Account 454		10,031	10,031	-
	Other Electric Revenues/Account 456:				
14	Customer Choice - EGS Transmission	DATX	41,937	-	41,937
15	Other Electric Revenues - Distribution	DADT	222	222	-
16	Other Electric Revenues - Transmission	DATX	498	-	498
17	Transmission Revenues- AES/APS	DATX	2,347	-	2,347
18	Transmission Revenue - APS/Piney Fork	DATX	288	-	288
19	Non-Firm Transmission Service	DATX	1,516	-	1,516
20	Total Account 456		46,808	222	46,586
21	**Total Other Operating Revenues**		62,492	15,192	47,300
22	**Total Operating Revenues**	PAREV	864,534	382,425	482,109

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Table No 6 - Operation & Maintenance Expenses

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Purchased Power Expenses:				
1	Purchased Power - Acct 555	DAPS	370,619	-	370,619
2	Other Power Supply Expense - Acct 556	DAPS	-	-	-
3	Total Purchased Power Expenses		370,619	-	370,619
	Transmission Expense:				
4	Operation Supervision & Engineering-560	DATX	393	-	393
5	Load Dispatching-561	DATX	(7)	-	(7)
6	Station Expenses-562	DATX	164	-	164
7	Overhead Line Expenses-563	DATX	108	-	108
8	Underground Line Expenses-564	DATX	141	-	141
9	Transmission of Electricity by Others-565	DATX	-	-	-
10	Miscellaneous Transmission Expenses-566	DATX	2,183	-	2,183
11	Rents-567	DATX	(608)	-	(608)
12	Maintenance Supervision & Engineering-568	DATX	151	-	151
13	Maintenance of Structures-569	DATX	954	-	954
14	Maintenance of Structures-570	DATX	1,579	-	1,579
15	Maintenance of Station Equipment-571	DATX	884	-	884
16	Maintenance of Underground Facilities-572	DATX	2	-	2
17	Miscellaneous Maintenance/Repair-573	DATX	10	-	10
18	Total Transmission Expenses		5,954	-	5,954
	Distribution Expense - Operation:				
19	Operation Supervision & Engineering-580	PDIS1	1,324	1,324	0
20	Load Dispatching-581	P60	780	780	0
21	Station Expenses-582	P362	312	312	0
22	Overhead Line Expense-583	P364/5	321	321	0
23	Underground Line Expense-584	P367	415	415	-
24	Street Lighting & Signal Systems-585	P373	-	-	-
25	Meter Expenses-586	P370	1,365	1,365	0
26	Customer Installations Expense-587	DADT	29	29	-
27	Miscellaneous Expenses-588	DADT	6,048	6,048	-
28	Rents-589	DADT	-	-	-
29	Total Distribution Operation Expenses		10,595	10,594	1

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Table No 6 - Operation & Maintenance Expenses

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Distribution Expense - Maintenance:				
1	Maintenance Supervision & Engineering-590	PDIS2	33	33	0
2	Maintenance of Structures-591	P362	137	136	0
3	Maintenance of Station Equipment-592	P362	2,387	2,384	2
4	Maintenance of OH lines-593	P364/5	13,990	13,985	4
5	Maintenance of Underground lines-594	P366	1,107	1,107	-
6	Maintenance of Line Transformers-595	P367	72	72	-
7	Maintenance of Street Lighting & Signals-596	P368	373	373	-
8	Maintenance of Meters-597	P369	1,392	1,392	-
9	Maintenance of Miscellaneous Plant-598	P370	242	242	0
10	Total Distribution Maintenance Expenses	P3701	19,732	19,725	7
11	Total Distribution Expenses	P373	30,326	30,319	8
	Customer Accounting Expense:				
12	Supervision-901		2,393	2,393	-
13	Customer Assistance-902		4,223	4,223	-
14	Records & Collections-903		14,728	14,728	-
15	Uncollectible Accounts-904		12,111	12,111	-
16	Miscellaneous Expenses-905		(9,813)	(9,813)	-
17	Total Consumer Accounts Expense	CWAC	23,642	23,642	-
	Customer Services Expense:				
18	Customer Service-Supervision-907		-	-	-
19	Customer Service-Customer Assist-908		2,847	2,847	-
20	Customer Service-Information-909		-	-	-
21	Customer Service-Misc Service & Info-910		-	-	-
22	Total Customer Service & Info Expenses	CWCS	2,847	2,847	-
	Sales Expense:				
23	Supervision-911		-	-	-
24	Demonstration and Selling Expenses-912		-	-	-
25	Advertising Expenses-913		-	-	-
26	Miscellaneous Sales Expenses-916		-	-	-
27	Total Sales Expense		-	-	-

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Table No 6 - Operation & Maintenance Expenses

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Administrative & General Expenses:				
1	Administrative and General Salaries-920	LABOR	18,842	16,633	2,209
2	Office Supplies and Expenses-921	LABOR	3,309	2,921	388
3	Administrative Exps Transferred - Credit-922	LABOR	-	-	-
4	Outside Services Employed-923	LABOR	10,931	9,650	1,282
5	Property Insurance-924	PLANT	4,980	3,954	1,027
6	Injuries and Damages-925	LABOR	-	-	-
7	Employee Pensions and Benefits-926	LABOR	44,689	39,449	5,240
8	Regulatory Commission Expenses-928	LABOR	7,496	6,617	879
9	General Advertising Expenses-930.1	LABOR	1,854	1,636	217
10	Miscellaneous General Expenses-930.2	LABOR	-	-	-
11	Rents-931	LABOR	3,323	2,934	390
12	Total Operation A & G Expenses		95,424	83,793	11,631
13	Maintenance of General Plant-935	LABOR	8,338	7,361	978
14	Total Administrative & General Expenses		103,763	91,154	12,609
15	**Total Operation & Maintenance Expenses**		537,151	147,961	389,190

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Table No 7 - Depreciation & Amortization Expenses

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Depreciation & Amortization Expense - Accts 403/404				
	Intangible Plant:				
1	Organizations	P10	-	-	-
2	Franchises	P10	-	-	-
3	Miscellaneous Intangible Plant	P10	3,573	2,803	770
4	Total Intangible Plant - P10		3,573	2,803	770
	Transmission Plant:				
5	Land and Land Rights	DATX	-	-	-
6	Structures and Improvements	DATX	247	-	247
7	Station Equipment	DATX	7,505	-	7,505
8	Towers and Fixtures	DATX	1,149	-	1,149
9	Poles and Fixtures	DATX	323	-	323
10	Overhead Conductors & Devices	DATX	1,567	-	1,567
11	Underground Conduit	DATX	1,151	-	1,151
12	Underground Conduit & Devices	DATX	784	-	784
13	Roads and Trails	DATX	-	-	-
14	Total Transmission Plant - P50		12,726	-	12,726
	Distribution Plant:				
15	Land and Land Rights	P360	-	-	-
16	Structures and Improvements	P361	1,291	1,290	1
17	Station Equipment	P362	9,212	9,203	9
18	Poles, Towers and Fixtures	P364	6,757	6,753	4
19	Overhead Conductors and Devices	P365	8,294	8,293	1
20	Underground Conduit	P366	1,907	1,907	-
21	Underground Conductors and Devices	P367	5,578	5,578	-
22	Line Transformers	P368	8,513	8,513	-
23	OH & UND Services	P369	1,369	1,369	-
24	Meters & Appurtences	P370	6,959	6,959	0
25	Meter Communication Equipment	P3701/DADT	511	511	-
26	Street Lighting	P373/DADT	887	887	-
27	Total Distribution Plant - P60		51,278	51,264	14

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Table No 7 - Depreciation & Amortization Expenses

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	General Plant:				
1	Land and Land Rights - 389	P90	-	-	-
2	Structures and Improvements - 390	P90	7,175	6,334	841
3	Office Equipment & Equipment - 391	P90	2,319	2,047	272
4	Transportation Equipment - 392	P90	3,692	3,259	433
5	Stores Equipment - 393	P90	128	113	15
6	Tools, Shop and Garage Equipment - 394	P90	736	650	86
7	Laboratory Equipment - 395	P90	383	338	45
8	Power Operated Equipment - 396	P90	44	39	5
9	Communication Equipment - 397	P90	5,079	4,483	596
10	Miscellaneous Equipment - 398	P90	35	31	4
11	Total General Plant		19,591	17,294	2,297
12	**Total Depreciation & Amortization Expense**		83,595	68,558	15,037
	Amortization of Limited Term Plant & Regulatory Assets				
13	Intangible Plant	P10	3,573	2,803	770
14	Intangible Plant - Amort of Regulatory Assets	P10	536	421	115
15	Transmission Plant	P50	-	-	-
16	Distribution Plant	P60	-	-	-
17	General Plant	P90	385	339.9	45
	Total Amortization of Limited Term Plant		4,494	3,563	930
18	**Subtotal - Depreciation & Amortization**		88,089	72,121	15,968
	Total Amortization of Net Salvage				
19	Transmission Plant	P50	861	-	861
20	Distribution Plant	P60	6,686	6,684	2
21	General Plant	P90	29	26	3
22	Total Amortization of Net Salvage Assets		7,576	6,710	866
23	**Total Depreciation & Amortization Expenses**		95,665	78,830	16,834

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Table No 8 - Taxes Other Than Income Taxes

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Taxes Other Than Income Taxes				
	Non-revenue related:				
1	PA Real Estate Tax	TXDT	386	303	83
2	Pennsylvania - PURTA	TXDT	(79)	(62)	(17)
					-
3	Capital Stock	TXDT	2,409	1,890	519
4	Insurance Premiums	TXDT	-	-	-
5	PA Local & Use Taxes	TXDT	(1,128)	(885)	(243)
6	Subtotal		1,588	1,246	342
	Payroll Taxes:				
7	FICA	LABOR	3,682	3,250	432
8	FUTA	LABOR	33	29	4
9	SUTA	LABOR	299	264	35
10	City of Pittsburgh	LABOR	268	237	31
11	Subtotal		4,282	3,780	502
	Revenue Related:				
	State Gross Receipts:				
12	Pennsylvania	GRTREV	46,833	21,614	25,219
13	Other states		-		-
14	**Total Taxes Other Than Income Taxes**		52,703	26,640	26,063
	Amortization of Investment Tax Credits:				
15	Transmission Plant	P50	312	-	312
16	Distribution Plant	P60	1,214	1,214	0
17	General Plant	P90	110	97	13
18	Total	ITC	1,636	1,311	325

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Table No 9 - Summary of Income Taxes

Line No	Description	Allocation Factor or Reference	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
1	**Revenues:**	Table No 5	864,534	382,425	482,109
2	Less: Operating Expenses	Table No 2, L 10	685,519	253,432	432,087
3	Operating Income Before Income Taxes		179,015	128,993	50,022
	Interest Expense:				
4	Electric Rate Base	Table No 1, L 24	1,674,901	1,305,999	368,902
5	Weighted Cost of Debt	B-9	0.0255	0.0255	0.0255
6	Synchronized Interest Expense		42,710	33,303	9,407
7	**Base Taxable Income**		136,305	95,690	40,615
8	State Tax Deductions (Over) Under Book	Table 10, Pg 2	8,176	9,724	(1,548)
	Pennsylvania State Income Taxes:				
9	Taxable Income		144,481	105,414	39,067
10	Less State Flow Through Tax Deductions	Table 10, Pg 2	-	-	-
11	State Taxable Income		144,481	105,414	39,067
12	State Income Tax Rate - 9.99%		9.99%	9.99%	9.99%
13	State Income Tax Expense		14,434	10,531	3,903
	Federal Income Taxes:				
14	Federal Taxable Income		121,872	85,159	36,712
15	Less Federal Flow Through Tax Deductions	Table 10, Pg 2	(35,472)	(11,992)	(23,481)
16	Federal Taxable Income		86,400	73,168	13,232
17	Federal Tax Rate - 35%		35.0%	35.0%	35.0%
18	Federal Income Tax Expense		30,240	25,609	4,631
19	**Deferred Federal Taxable Income:**	Table 10, Pg 2	77,174	47,648	29,526
20	Federal Tax Rate		34.48%	34.48%	34.48%
21	Federal Income Tax Expense		26,610	16,429	10,181
22	Amortization of Investment Tax Credit	ITC	(1,636)	(1,311)	(325)
23	Less Consolidated Income Tax Offset	TXDT	(1,013)	(795)	(218)
24	Total Combined Federal Income Tax Expense		54,200	39,932	14,268
25	Total Income Tax Expenses		68,634	50,463	18,171

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2010
(X$000)

Table No 10 - Income Tax Additions & Adjustments

Line No	Description	Allocation Factor or Reference	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Total Tax Depreciation:				
1	Intangible Plant	P10		-	-
2	Transmission Plant	P50	16,240	-	16,240
3	Distribution Plant	P60	53,569	53,552	17
4	General Plant	P90	17,144	15,134	2,010
5	Totals		86,953	68,686	18,267
	Pro Forma Book Depreciation:				
6	Intangible Plant (Less Amort of Reg Asset)	Table No 7	3,573	2,803	770
7	Transmission Plant	Table No 7	13,587	-	13,587
8	Distribution Plant	Table No 7	57,964	57,948	16
9	General Plant	Table No 7	20,005	17,659	2,346
10	Totals		95,129	78,410	16,719
	State Tax Deductions (Over) Under Book:				
11	Intangible Plant	Line 6 - Line 1	3,573	2,803	770
12	Transmission Plant	Line 7 - Line 2	(2,653)	-	(2,653)
13	Distribution Plant	Line 8 - Line 3	4,395	4,395	(0)
14	General Plant	Line 9 - Line 4	2,861	2,526	335
15	Totals		8,176	9,724	(1,548)
	Total Tax Depreciation - Federal:				
16	Intangible Plant	P10	-	-	-
17	Transmission Plant	P50	38,144	-	38,144
18	Distribution Plant	P60	75,124	75,101	23
19	General Plant	P90	17,333	15,301	2,032
20	Totals		130,601	90,402	40,199
	Federal Tax Deductions (Over) Under Book:				
21	Intangible Plant	Line 6 - Line 16	3,573	2,803	770
22	Transmission Plant	Line 7 - Line 17	(24,557)	-	(24,557)
23	Distribution Plant	Line 8 - Line 18	(17,160)	(17,153)	(7)
24	General Plant	Line 9 - Line 19	2,672	2,359	313
25	Totals		(35,472)	(11,992)	(23,481)
	Deferred Federal Income Taxes:				
26	Intangible Plant	P10	-	-	-
27	Transmission Plant	P50	28,605	-	28,605
28	Distribution Plant	P60	40,817	40,804	13
29	General Plant	P90	7,752	6,843	909
30	Totals		77,174	47,648	29,526

Duquesne Light Company
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Table No 11 - Allocation Factors

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Development of the Labor Allocator				
	Power Supply Expense:				
1	Demand-related	D10	-		-
2	Energy-related	E10	-		-
3	Subtotal Power Supply-Z30		-		-
4	Subtotal Power Supply-(%)	Z30	-		-
5	Supervision & Engineering	Z30	-		-
6	Total Production		-		-
7	Transmission Expense - P50	DATX	3,529	-	3,529
8	Distribution Expense - P60	P60	16,877	16,872	5
9	Customer Accounting - Z90	CWAC	9,585	9,585	-
10	Customer Service & Information	CWCS	148	148	-
11	Subtotal Before A & G		30,140	26,606	3,534
12	Subtotal Before A & G - %	LABORSUB	100.00%	88.28%	11.72%
13	Administrative & General	LABORSUB	16,788	14,820	1,968
14	Total Labor Expense-Labor		46,928	41,425	5,502
15	Total Labor Expense-Labor (%)	LABOR	100.00%	88.28%	11.72%

Duquesne Light Company
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Table No 11 - Allocation Factors

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Development of Plant-Related Allocation Factors:				
	Development of Plant Allocator less Intangible Plant (P101)				
1	Transmission Plant		521,461	-	521,461
2	Distribution Plant		1,901,398	1,900,812	586
3	General Plant		254,026	224,242	29,784
4	Total - $		2,676,885	2,125,053	551,832
5	Total - %	P101	100.00%	79.39%	20.61%
6	Allocated Intangible Plant - $		20,532	16,108	4,424
7	Allocated Intangible Plant - %	P10	100.00%	78.45%	21.55%
8	Net Electric Plant in Service-$		1,832,905	1,436,343	396,562
9	Net Electric Plant in Service-%	NTPLT	100.00%	78.36%	21.64%
10	Total Electric Rate Base-$		1,674,901	1,305,999	368,902
11	Total Electric Rate Base-%	BASE	100.00%	77.97%	22.03%
12	Electric Plant in Service-$		2,697,417	2,141,161	556,256
13	Electric Plant in Service-%	EPIS	100.00%	79.38%	20.62%
14	Transmission Plant - Allocated (P50)		521,461	-	521,461
15	Distribution Plant - Allocated (P60)		1,901,398	1,900,812	586
16	Total Transmission & Distribution Plant - $		2,422,859	1,900,812	522,047
17	Total Transmission & Distribution Plant - %	TXDT	100.00%	78.45%	21.55%
18	Total Distribution Plant-$		1,901,398	1,900,812	586
19	Total Distribution Plant-%	P60	100.00%	99.969%	0.031%
20	Transmission Plant - $		521,461	-	521,461
21	Transmission Plant - %	P50	100.00%	0.00%	100.00%
22	General Plant - $		254,026	224,242	29,784
23	General Plant - %	P90	100.00%	88.28%	11.72%

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
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(X$000)

Table No 11 - Allocation Factors

Line No	Description	Allocation Factor		[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Development of Revenue and Tax-Related Allocation Factors:					
1	Transmission & Distribution Taxable Inc-$			157,755	95,690	62,064
2	Transmission & Distribution Taxable Inc-%	TDTAX		100.00%	60.66%	39.34%
3	Federal Income Taxes (FIT)-$			54,200	39,932	14,268
4	Federal Income Taxes (FIT)-%	FIT		100.00%	73.67%	26.33%
5	Federal Income Tax Additions/Deductions-$			(17,160)	(17,153)	(7)
6	Federal Income Tax Additions/Deductions-%	FITADD		100.00%	99.96%	0.04%
7	State Income Taxes (SIT)-$			14,434	10,531	3,903
8	State Income Taxes (SIT)-%	SIT		100.00%	72.96%	27.04%
9	Billed Revenues - TY2006 - $			802,042	367,233	434,809
10	Billed Revenues - TY2006 - %	REV		100.00%	45.79%	54.21%
11	Billed Revenues-Combined - TY2006 - $			802,042	737,852	64,190
12	Billed Revenues-Combined - TY2006 - %	REV1		100.00%	92.00%	8.00%
13	Total Revenues - TY2006 - $			864,534	382,425	482,109
14	Total Revenues - TY2006 - %	PAREV		100.00%	44.23%	55.77%
15	Revenues Subject to GRT - TY2006 - $			806,407	372,172	434,235
16	Revenues Subject to GRT - TY2006 - %	GRTREV	(*)	100.00%	46.15%	53.85%

(*) Power Supply excludes Sales for Resale; Transmission excludes EGS and FERC Customers; Distribution excludes Acct Nos 451, 454, Other Revenues in 456.

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2010
(X$000)

Table No 11 - Allocation Factors

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Development of Distribution Plant Allocation Factors and Direct Assignments:				
1	Total Distribution Land & Land Rights-$		11,084	11,084	0
2	Total Distribution Land & Land Rights-%	P360	100.00%	99.996%	0.004%
3	Distribution Substation - Structures - $		52,466	52,422	44
4	Distribution Substation - Structures - %	P361	100.00%	99.92%	0.08%
5	Distribution Substation - Station Equipment-$		359,843	359,496	347
6	Distribution Substation - Station Equipment-%	P362	100.00%	99.90%	0.096%
7	Total Distribution Lines, Poles, etc-$		315,751	315,584	167
8	Total Distribution Lines, Poles, etc-%	P364	100.00%	99.95%	0.05%
9	Total Overhead Conductors & Devices-$		329,125	329,097	28
10	Total Overhead Conductors & Devices-%	P365	100.00%	99.99%	0.01%
11	Total Distribution Underground-$		241,453	241,453	-
12	Total Distribution Underground-%	P367	100.00%	100.00%	0.00%
13	Total Distribution Line Transformers-$		258,763	258,763	-
14	Total Distribution Line Transformers-%	P368	100.00%	100.00%	0.00%
15	Distribution Services-$		86,637	86,637	-
16	Distribution Services-%	P369	100.00%	100.00%	0.00%
17	Total Meters-$		100,567	100,567	0.4
18	Total Meters-%	P370	100.00%	100.00%	0.00%
19	Total Overhead Lines-Accounts 364/365-$		644,876	644,681	195
20	Total Overhead Lines-Accounts 364/365-%	P364/5	100.00%	99.97%	0.03%
21	Street Lighting-$		35,330	35,330	-
22	Street Lighting-%	P373	100.00%	100.00%	0.00%

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2010
(X$000)

Table No 11 - Allocation Factors

Line No	Description	Allocation Factor	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Distribution Operation & Maintenance Expense Allocators:				
	Supervision & Engineering-Operation:				
1	Load Dispatching	P60	780	780	0
2	Substations	P362	312	312	0
3	Lines	P364/5	321	321	0
4	Underground	P367	415	415	-
5	Street Lighting	P370	-	-	-
6	Meters	P373	1,365	1,365	-
7	Subtotal-$		3,194	3,193	1
8	Subtotal-%	PDIS1	100.00%	99.98%	0.02%
	Supervision & Engineering-Maintenance:				
9	Substations	P362	2,387	2,384	2
10	Lines	P364/5	13,990	13,985	4
11	Underground	P367	1,107	1,107	-
12	Street Lighting	P370	373	373	0
13	Meters	P373	1,392	1,392	-
14	Subtotal-$		19,248	19,242	7
15	Subtotal-%	PDIS2	100.00%	99.97%	0.03%
16	Total Operation & Maintenance Expenses - $		537,151	147,961	389,190
17	Total Operation & Maintenance Expenses - %	OMEXP	100.00%	27.55%	72.45%
18	Customer Accounting Expenses-Weighted-$		23,642	23,642	-
19	Customer Accounting Expenses-Weighted-%	CWAC	100.00%	100.00%	0.00%

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2010
(X$000)

Table No 12 - Working Cash Allowance by Jurisdiction

Line No	Description	Allocation Factor or Reference		[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Working Cash Allowance:					
1	Total Pro Forma O & M Expenses			537,944	148,754	389,190
2	Less: Uncollectible Exps - Account 904	CWAC		8,261	8,261	-
3	Less: Uncollectible Exps - Incremental	CWAC		694	694	-
4	Totals			528,988	139,799	389,190
5	Operating Expenses per Day	1449		1,449	1,398	51
6	Net (Lead)/Lag Days /365*Weighted $	25.37	X	36,760	35,466	1,294
7	**Prepayments: 13-month Avg Balance**	EPIS	X	3,493	2,772	720
	Accrued Taxes - Allocated;					
8	Federal Income Taxes			75,585	60,701	14,884
9		16.17		1,222,202	981,535	240,667
10	PA State Income Taxes			20,696	16,701	3,995
11		23.92		495,047	399,492	95,555
12	PA Public Utility Realty Tax			(79)	(62)	(17)
13		114.67		(9,059)	(7,107)	(1,952)
14	PA Capital Stock Tax			2,409	1,890	519
15		23.92		57,623	45,207	12,416
16	PA Local & Use Tax			(1,128)	(885)	(243)
17		17.67		(19,932)	(15,637)	(4,295)
18	PA Property Tax			386	303	83
19		54.17		20,910	16,404	4,505
20	PA Corporate Loan Tax			268.0	236.6	31.4
21		130.67		35,020	30,914	4,106
22	PA Gross Receipts Tax			46,833	43,064	3,769
23		125.17		5,862,098	5,390,285	471,813
24	PA Gross Receipts Tax - Incremental			3,937	5,226	(1,289)
25		125.17		492,733	654,097	(161,364)
26	**Total Taxes/365 Days**	365	X	22,347	20,535	1,812
27	**Pro Forma Interest-Synchronized (365 days)**	BASE	X	(4,403)	(3,433)	(970)
28	**Preferred Dividend Payments**	BASE	X	120	94	27
29	Total Working Capital Components - $			58,317	55,434	2,883
30	Total Working Capital Components - %	CWCA		100.0%	95.06%	4.94%
31	Total Working Capital Components - $	CWCA		58,317	55,434	2,883
32	Total Working Capital Components - %	CWCA		100.0%	95.06%	4.94%

Duquesne Light Company
Before The Pennsylvania Public Utility Commission
Jurisdictional Separation Study
12 Months Ending March 31, 2010
(X$000)

Table No 12 - Working Cash Allowance by Jurisdiction

Line No	Description	Reference	[1] Total Electric Utility	[2] Total PA Jurisdiction	[3] Total All Other [1] - [2]
	Work Papers/Formula - CWC:				
1	Federal Income Taxes - Proforma		55,836	34,486	21,351
2	Federal Income Taxes - Incremental		-	-	-
3	Revenue Deficiency		67,415	89,492	(22,078)
4	Less: Uncollectible Expenses	0.0103	694	922	(227)
5	Less: PUC/OCA & SBA Assessments	0.001461	98	131	(32)
6	Less: Gross Receipts Tax @ 5.9%	0.05839	3,937	5,226	(1,289)
7	Subtotal - Taxable Income		62,685	83,214	(20,529)
8	State Tax Expense @ 9.99%	0.0999	6,262	8,313	(2,051)
9	Federal Taxable Income - Incremental		56,423	74,901	(18,478)
10	Total Federal Income Taxes @ 35%	0.3500	19,748	26,215	(6,467)
11	Total Federal Income Taxes		75,585	60,701	14,884
12	State Income Taxes - Proforma		14,434	8,388	6,046
13	Incremental State Taxes		6,262	8,313	(2,051)
14	Total State Income Taxes		20,696	16,701	3,995
15	Gross Receipts Tax - Proforma		46,833	43,064	3,769
16	Gross Receipts Tax - Incremental		3,937	5,226	(1,289)
17	Total Gross Receipts Tax		50,770	48,289	2,480
	Pro Forma Interest Expense - CWC:				
18	Total Electric Rate Base - Allocated	Table No 1	1,674,901	1,305,999	368,901
19	Long-term Debt Ratio	B-9	0.420	0.420	0.420
20	Embedded Cost of Long-term Debt	B-9	0.061	0.061	0.061
21	Pro Forma Interest Expense	L18*L19*L20	42,763	33,344	9,419
22	Daily Amount	Line 21/365	117	91	26
23	Interest Payment Lag Days		(37.6)	(37.6)	(37.6)
24	Total Interest for Working Capital	Line 22 * Line 23	(4,403)	(3,433)	(970)
25	**Pro Forma O & M Expenses - CWC:**		537,151	147,961	389,190
26	Incremental Customer Accounts Expense	0.01030	694	694	-
27	PUC/OCA & SBA Assessments	0.00146	98	98	-
28	Total Pro Forma O & M Expenses		537,944	148,754	389,190

Duquesne Light Company
Before The Pennsylvania Public Utility Commission

Operating Income
Pro Forma at Present and Proposed Rates - Historic Period
12 Months Ending March 31, 2010
(X$000)

Table No 1
Earned Rate of Return with Additional Revenue Requirements - PA Jurisdiction

Line No	Description	[1] ROR Before Additional Revenues	[2] Proposed Additional Revenues	[3] ROR With Additional Revenues
1	Total Electric Rate Base	$ 1,305,999	-	$ 1,305,999
	Total Operating Revenues:			
2	Total Sales Revenues	367,233	66,425	433,658
3	Other Revenues - Off System Sales	-	-	-
4	Other Operating Revenues	15,192	-	15,192
5	Total Revenues	382,425	66,425	448,850
	Total Operating Expenses:			
6	Operation & Maintenance Expenses	147,961	781	148,743
7	Depreciation Expense	72,121	-	72,121
8	Amortization of Net Salvage	6,710	-	6,710
9	Taxes Other Than Income Taxes	26,640	3,879	30,519
10	Total Operating Expenses	253,432	4,660	258,092
11	Utility Operating Income Before Taxes	128,993	61,765	190,758
	Income Taxes:			
12	Federal	39,932	19,458	59,390
13	State	10,531	6,170	16,701
14	Total Income Taxes	50,463	25,628	76,091
15	Total Operating Expenses	303,895	30,288	334,183
16	Total Operating Income	$ 78,530	$ 36,136	$ 114,667
17	Earned Rate of Return - %	6.013%		8.78%

Duquesne Light Company
Before The Pennsylvania Public Utility Commission

Operating Income
Pro Forma at Present and Proposed Rates - Historic Period
12 Months Ending March 31, 2010
(X$000)

Table No 2
Determination of Jurisdictional Revenue Deficiency

Line No	Description	Reference	[1] Total Company	[2] Total PA Jurisdiction	[3] PA JSS Reference
1	Total Electric Rate Base	Table No 1	$ 1,674,901	$ 1,305,999	Table No 1
	Total Operating Revenues				
2	Total Sales Revenues	D-3	800,754	367,233	Table No 5
3	Other Revenues - Off System Sales	D-3	1,288	-	Table No 5
4	Other Operating Revenues	D-3	62,492	15,192	Table No 5
5	Total Revenues		864,534	382,425	
	Total Operating Expenses				
6	Operation & Maintenance Expenses	D-4	537,151	147,961	Table No 6
7	Depreciation Expense	D-17	88,089	72,121	Table No 7
8	Amortization of Net Salvage	D-17	7,576	6,710	Table No 7
9	Taxes Other Than Income Taxes	D-16	52,703	26,640	Table No 8
10	Total Operating Expenses		685,519	253,432	
11	Utility Operating Income Before Taxes		179,015	128,993	
	Income Taxes:				
12	Federal	D-2	54,200	39,932	Table No 9
13	State	D-2	14,434	10,531	Table No 9
14	Total Operating Expenses		754,153	303,895	
15	Total Net Operating Income		$ 110,381	$ 78,530	
	Return Before Adjustments				
16	Earned Rate of Return - %			6.013%	
17	Required Rate of Return - %	B-9		8.78%	
18	Return at Required Rate of Return			$ 114,667	
19	Income Deficiency - $			36,136	
20	Revenue Deficiency - Tax Multiplier	D-18		1.83817	
21	Revenue Deficiency-$ (Line 19*Line 20)			$ 66,425	

Duquesne Light Company
Before The Pennsylvania Public Utility Commission

Operating Income
Pro Forma at Present and Proposed Rates - Historic Period
12 Months Ending March 31, 2010
(X$000)

Table No 3
Electric Rate Base - Pennsylvania Jurisdiction

Line No	Description	Reference	[1] Total Company	[2] Total PA Jurisdiction	[3] PA JSS Reference
1	Electric Plant in Service		$ 2,697,417	$ 2,141,161	Table No 1
2	Less: Accum Provision for Depreciation	C-2	864,512	704,819	Table No 1
3	Net Electric Plant in Service	C-3	1,832,905	1,436,343	
	Other Rate Base Items - Additions:				
4	Cash Working Capital	C-4	58,317	55,434	Table No 12
5	Materials & Supplies	C-5	16,420	10,159	Table No 1
6	Total Additions		74,737	65,593	
7	Total Rate Base Before Deductions		1,907,642	1,501,936	
	Other Rate Base Items - Deductions:				
8	Customer Deposits - Account 235	B-1	(5,977)	(5,977)	Table No 1
9	Accumulated Deferred Income Taxes	C-6	(226,764)	(189,960)	Table No 1
10	Total Deductions		(232,741)	(195,937)	
11	Total Electric Rate Base		$ 1,674,901	$ 1,305,999	

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. R-2010-2179522

Duquesne Light Company

Statement No. 8

Direct Testimony of John J. Spanos

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

RE: DUQUESNE LIGHT COMPANY

DIRECT TESTIMONY OF JOHN J. SPANOS

Line No.

Q. Please state your name and address.

A. John J. Spanos. My business address is 207 Senate Avenue, Camp Hill, Pennsylvania.

Q. With what firm are you associated?

A. I am associated with the firm of Gannett Fleming, Inc.

Q How long have you been associated with Gannett Fleming, Inc.?

A. I have been associated with the firm since college graduation in June 1986.

Q. What is your position in the firm?

A. I am a Vice President.

Q. What is your educational background?

A. I have Bachelor of Science degrees in Industrial Management and Mathematics from Carnegie-Mellon University and a Master of Business Administration from York College of Pennsylvania.

Q. Are you a member of any professional societies?

A. Yes. I am a member of the Society of Depreciation Professionals and the American Gas Association/Edison Electric Institute Industry Accounting Committee.

Q. Have you taken the certification examination for depreciation professionals?

A. Yes, I passed the certification examination of the Society of Depreciation Professionals in September 1997 and was recertified in August 2003 and February 2008.

Q. Will you outline your experience in the field of depreciation?

A. In June 1986, I was employed by Gannett Fleming Valuation and Rate Consultants, Inc. as a Depreciation Analyst. During the period from June 1986 to December 1995, I took part in the preparation of numerous depreciation and original cost studies for utility companies in various industries. Depreciation studies of telephone companies were performed for United Telephone of Pennsylvania, United Telephone of New Jersey and Anchorage Telephone Utility. My work in the railroad industry included depreciation studies for Union Pacific Railroad, Burlington Northern Railroad and Wisconsin Central Transportation Corporation.

Assignments in the electric industry included depreciation studies for Chugach Electric Association, The Cincinnati Gas and Electric Company, The Union Light, Heat & Power Company, Northwest Territories Power Corporation and the City of Calgary - Electric System. Pipeline industry assignments included studies for TransCanada Pipelines Limited, Trans Mountain Pipe Line Company Ltd., Interprovincial Pipe Line Inc., Nova Gas Transmission Limited and Lakehead Pipeline Company.

My work for the gas industry included depreciation studies for Columbia Gas of Pennsylvania, Columbia Gas of Maryland, The Peoples Natural Gas Company, T. W. Phillips Gas and Oil Co., The Cincinnati Gas and Electric Company, The Union Light, Heat & Power Company, Lawrenceburg Gas

Company and Penn Fuel Gas, Inc. Assignments in the water industry included depreciation studies for Indiana-American Water Company, Consumers Pennsylvania Water Company and The York Water Company; and depreciation and original cost studies for Philadelphia Suburban Water Company and Pennsylvania-American Water Company.

My participation in each of the above studies included assembly and analysis of historical and simulated data, field reviews, the development of preliminary estimates of service life and net salvage, calculations of annual depreciation, and the preparation of reports for submission to state or provincial public utility commissions or federal regulatory agencies. I performed these studies under the general direction of William M. Stout, P.E., the President of Gannett Fleming Valuation and Rate Consultants, Inc.

In January 1996, I was assigned to the position of Supervisor of Depreciation Studies. In July 1999, I was promoted to the position of Manager, Depreciation and Valuation Studies. In December 2000, I was promoted to my current position as Vice President of Gannett Fleming Valuation and Rate Consultants, Inc. I am responsible for all depreciation, valuation and original cost studies, including the preparation of final exhibits and responses to data requests for submission to the appropriate regulatory body.

Since January 1996, I have conducted depreciation studies similar to those previously listed including assignments for Pennsylvania-American Water Company; Aqua Pennsylvania; Kentucky-American Water Company; Virginia-American Water Company; Indiana-American Water Company; Hampton Water Works Company; Omaha Public Power District; Enbridge Pipe Line Company;

Inc.; Columbia Gas of Virginia, Inc.; Virginia Natural Gas Company; National Fuel Gas Distribution Corporation - New York and Pennsylvania Divisions; The City of Bethlehem - Bureau of Water; The City of Coatesville Authority; The City of Lancaster - Bureau of Water; Peoples Energy Corporation; The York Water Company; Public Service Company of Colorado; Enbridge Pipelines; Enbridge Gas Distribution, Inc.; Reliant Energy-HLP; Massachusetts-American Water Company; St. Louis County Water Company; Missouri-American Water Company; Chugach Electric Association; Alliant Energy; Oklahoma Gas & Electric Company; Nevada Power Company; Dominion Virginia Power; NUI-Virginia Gas Companies; Pacific Gas & Electric Company; PSI Energy; NUI - Elizabethtown Gas Company; Cinergy Corporation – CG&E; Cinergy Corporation – ULH&P; Columbia Gas of Kentucky; South Carolina Electric & Gas Company; Idaho Power Company; El Paso Electric Company; Central Hudson Gas & Electric; Centennial Pipeline Company; CenterPoint Energy-Arkansas; CenterPoint Energy – Oklahoma; CenterPoint Energy – Entex; CenterPoint Energy - Louisiana; NSTAR – Boston Edison Company; Westar Energy, Inc.; United Water Pennsylvania; PPL Electric Utilities; PPL Gas Utilities; Wisconsin Power & Light Company; TransAlaska Pipeline; Avista Corporation; Northwest Natural Gas; Allegheny Energy Supply, Inc.; Public Service Company of North Carolina; South Jersey Gas Company; Duquesne Light Company; MidAmerican Energy Company; Laclede Gas; Duke Energy Company; E.ON U.S. Services Inc.; Elkton Gas Services; Anchorage Water and Wastewater Utility; Kansas City Power and Light; Duke Energy North Carolina; Duke Energy South Carolina; Duke Energy Ohio Gas; Duke Energy Kentucky;

Duke Energy Indiana; Northern Indiana Public Service Company; Tennessee-American Water Company; Columbia Gas of Maryland; Bonneville Power Administration; NSTAR Electric and Gas Company; EPCOR Distribution, Inc.; B. C. Gas Utility, Ltd; Entergy Arkansas; Entergy Texas; Entergy Mississippi; Entergy Louisiana and Entergy Gulf States Louisiana. My additional duties include determining final life and salvage estimates, conducting field reviews, presenting recommended depreciation rates to management for its consideration and supporting such rates before regulatory bodies.

Q. What is the extent of your formal instruction with respect to utility plant depreciation?

A. I have completed the "Techniques of Life Analysis", "Techniques of Salvage and Depreciation Analysis", "Forecasting Life and Salvage", "Modeling and Life Analysis Using Simulation" and "Managing a Depreciation Study" programs conducted by Depreciation Programs, Inc. Also, I have completed the "Introduction to Public Utility Accounting" program conducted by the American Gas Association.

Q. Have you previously testified on public utility ratemaking matters?

A. Yes. I have submitted testimony to the Pennsylvania Public Utility Commission; the Commonwealth of Kentucky Public Service Commission; the Public Utilities Commission of Ohio; the Nevada Public Utility Commission; the Public Utilities Board of New Jersey; the Missouri Public Service Commission; the Massachusetts Department of Telecommunications and Energy; the Alberta Energy & Utility Board; the Idaho Public Utility Commission; the Louisiana Public Service Commission; the State Corporation Commission of Kansas; the

Oklahoma Corporate Commission; the Public Service Commission of South Carolina; the Railroad Commission of Texas – Gas Services Division; the New York Public Service Commission; the Illinois Commerce Commission; the Indiana Utility Regulatory Commission; the California Public Utilities Commission; the Federal Energy Regulatory Commission ("FERC"); the Arkansas Public Service Commission; the Public Utility Commission of Texas; the Maryland Public Service Commission; the Washington Utilities and Transportation Commission; the Tennessee Regulatory Commission; the District of Columbia Public Service Commission; the Mississippi Public Service Commission; the Regulatory Commission of Alaska; and the North Carolina Utilities Commission.

Q. What is the purpose of your testimony?

A. My testimony is in support of the depreciation study conducted under my direction and supervision for the utility plant of Duquesne Light Company.

Q. Have you prepared exhibits presenting the results of your studies?

A. Yes. Exhibit JJS1 presents the results of the depreciation study as of March 31, 2010. Exhibit JJS2 presents the results of the depreciation study as of March 31, 2011. In addition, I am responsible for the responses to the Filing Requirements – Depreciation V-A-2, V-B-1, V-B-2, V-C-1, V-D-1, V-D-2 and V-E-1 which present summaries of the study results as of the historic test year end, March 31, 2010, and the future test year end, March 31, 2011.

Q. Please describe Exhibits JJS1 and JJS2.

A. Exhibit JJS1 titled "Depreciation Study Related to Electric Plant at March 31, 2010," includes the results of the depreciation study as related to the original

cost at March 31, 2010. The report also includes the detailed depreciation calculations. Exhibit JJS2, titled "Depreciation Study Related to Electric Plant at March 31, 2011," includes the results of the depreciation study as related to estimated original cost at March 31, 2011. The report also includes explanatory text, statistics related to the estimation of service life, and the detailed depreciation calculations.

Q. What is the basis for the Company's historic and future test year depreciation expense claims in this proceeding?

A. The Company's depreciation expense claims are based on the service life study conducted in conjunction with this rate case proceeding related to electric plant in service as of December 31, 2009. In addition, a ten-year amortization of the variance between the unrecovered book reserve and calculated accrued depreciation as a result of converting to amortization accounting for General Plant determined as of March 31, 2010 and March 31, 2011, are included in the depreciation claims.

Q. What was the purpose of your depreciation study?

A. The purpose of the depreciation study was to estimate the annual depreciation accruals for ratemaking purposes using Commission approved procedures, resulting from the service life study that I conducted incorporating plant accounting data through 2009 and the electric plant in service as of March 31, 2010 and March 31, 2011.

Q. Is it reasonable to apply the depreciation rates calculated as of March 31, 2010, to the average plant balance for the twelve months ended March 31, 2011 for purposes of determining the depreciation expense claims in this proceeding?

A. Yes, it is. The depreciation rates that were used are based on a service life study and the subsequent changes in plant balances to the calculated rates.

Q. Is the Company's claim for annual depreciation in the current proceeding based on the same methods of depreciation as were used in its most recent electric rate proceeding in Docket No. R-00061346?

A. Yes, it is. For most plant accounts, the current claim for annual depreciation is based on the straight line remaining life method of depreciation. For Accounts 391, 393, 394, 395, 397 and 398, the claim is based on the straight line remaining life method of amortization. The annual amortization is based on amortization accounting which distributes the unrecovered cost of fixed capital assets over the remaining amortization period selected for each account.

Q. What group procedure is being used in this proceeding for depreciable accounts?

A. All depreciable accounts utilize the methods and procedures based on the straight line remaining life method, using remaining lives consistent with the average service life procedure for plant installed prior to 1983 and remaining lives consistent with the equal life group procedure for plant installed in 1983 and in later years.

Q. Please describe briefly the straight line remaining life method of depreciation that you used for depreciable property.

A. The straight line remaining life method of depreciation allocates the original cost less accumulated depreciation in equal amounts to each year of remaining service life.

Q. Please describe briefly the average service life procedure that you used in conjunction with the straight line remaining life method for plant installed prior to 1983.

A. In the average service life procedure, the remaining life annual accrual for each vintage is determined by dividing future book accruals (original cost less book reserve) by the average remaining life of the vintage. There average remaining life is a directly weighted average derived from the estimated survivor curve.

Q. Please describe briefly the equal life group procedure that you used in conjunction with the straight line remaining life method for plant installed in 1983 and in later years.

A. In the equal life group procedure, the remaining life annual accrual for each vintage is determined by dividing future book accruals (original cost less book reserve) by the composite remaining life for the surviving original cost of that vintage. The composite remaining life for the vintage is derived by weighting the individual equal life group remaining lives.

In the equal life group procedure, the property group is subdivided according to service life. That is, each equal life group includes that portion of the property which experiences the life of that specific group. The relative size of each equal life group is determined from the property's life dispersion curve.

Q. Is the Company's claim for accrued depreciation in the current proceeding made on the same basis as has been used for many years?

A. Yes. The current claim for accrued depreciation is the book reserve brought forward from the book reserve utilized by the company in its last base rate proceeding.

Q. How was the book reserve used in the calculation of annual depreciation?

A. The book reserve by account was allocated to vintages to determine original cost less accrued depreciation by vintage. The total annual accrual is the sum of the results of dividing the original costs less accrued depreciation by the vintage composite remaining lives.

Q. How was the book reserve at March 31, 2011 estimated?

A. The book reserve at March 31, 2011, by account, was projected by adding estimated accruals, salvage and the amortization of net salvage, and subtracting estimated retirements and cost of removal from the book reserve at March 31, 2010. Annual accruals were estimated using the annual accrual rates calculated at of March 31, 2010. For most accounts, salvage and cost of removal were estimated by (1) expressing actual salvage and cost of removal as a percent of retirements by account, for the most recent five-year period, and (2) applying those percents to the projected retirements by account. For the purpose of calculating the annual accruals, the projected book reserve by account was allocated to vintages based on calculated accrued depreciation at March 31, 2011.

Q. Has a service life study of the Company's electric utility property been performed?

A. Yes. A service life study has been performed through 2009. The service life study is the basis for the service lives I used to calculate annual accruals.

Q. Briefly outline the procedure used in performing the service life study.

A. The service life study consisted of assembling and compiling historical data from the records related to the electric utility plant of the Company; statistically

analyzing such data to obtain historical trends of survivor characteristics; obtaining supplementary information from management and operating personnel concerning Company practices and plans as they relate to plant operations; and interpreting the above data to form judgments of service life characteristics.

Iowa type survivor curves were used to describe the estimated survivor characteristics of the mass property groups. Individual service lives were used for major individual units of plant, such as large service centers, substation structures, and office buildings within Accounts 352, 361 and 390.1. The life span concept was recognized by coordinating the lives of associated plant installed in subsequent years with the probable retirement date defined by the life estimated for the major unit.

Q. What statistical data were employed in the historical analyses performed for the purpose of estimating service life characteristics?

A. The data consisted of the entries made to record retirements and other transactions related to the electric plant through 2009. These entries were classified by depreciable group, type of transaction, the year in which the transaction took place, and the year in which the plant was installed. Types of transactions included in the data were plant additions, retirements, transfers, and balances. In the presentation of service life statistics, only the significant exposure points that were utilized in determining survivor curves were plotted. This process is utilized to show my judgment in service life determinations.

Q. What was the source of these data?

A. They were assembled from Company records related to its utility plant in service.

Q. Were the methods used in the service life study the same as those used in other depreciation studies for electric utility plant presented before this Commission?

A. Yes. The methods are the same ones that have been presented previously for Duquesne Light Company and for other electric companies before the Pennsylvania Public Utility Commission and that have been accepted by the Commission in its past orders concerning electric utilities.

Q. What approach did you use to estimate the lives of significant structures such as substation buildings, office buildings and service centers?

A. I used the life span technique to estimate the lives of significant structures. In this technique, the survivor characteristics of the structures are described by the use of interim survivor curves and estimated probable retirement dates. The interim survivor curve describes the rate of retirement related to the replacement of elements of the structure such as plumbing, heating, doors, windows, roofs, etc. that occur during the life of the facility. The probable retirement date provides the rate of final retirement for each year of installation for the structure by truncating the interim survivor curve for each installation year at its attained age at the date of probable retirement. The use of interim survivor curves truncated at the date of probable retirement provides a consistent method for estimating the lives of the several years of installation inasmuch as concurrent retirement of all years of installation will occur when the structure is retired.

Q. Has your firm used this approach in other proceedings before this Commission?

A. Yes, we have used the life span technique on many occasions before the Pennsylvania Public Utility Commission.

Q. What are the bases for the probable retirement years that you have estimated for each structure?

A. The bases for the estimates of probable retirement years are life spans for each structure that are based on judgment and incorporate consideration of the age, use, size, nature of construction, management outlook and typical life spans experienced and used by other electric utilities for similar structures. Most of the life spans result in probable retirement years that are many years in the future. As a result, the retirement of these structures is not yet subject to specific management plans. Such plans would be premature. At the appropriate time, analysis of the economics of rehabilitation and continued use or retirement of the structure will be performed and the results incorporated in the estimation of the structure's life span.

Q. Are the factors considered in your estimates of service life presented in Exhibit JJS2?

A. Yes. A discussion of the factors considered in the estimation of service lives is presented by account on pages II-3 through II-27 of Exhibit JJS2.

Q. Please outline the contents of Exhibit JJS2.

A. Exhibit JJS2 is presented in three parts. Part I, Executive Summary, sets forth the scope and basis of study. Part II, Methods Used in Study, includes the estimation of survivor curves, and the calculation of annual depreciation and amortization.

Part III, Results of Study, presents a description of the results, summaries of the depreciation calculations, graphs and tables which relate to the service life study, and the detailed depreciation calculations.

Table 1, pages III-4 through III-6, presents the estimated survivor curve, the original cost at March 31, 2011, and the book reserve and calculated annual depreciation for each account or subaccount. Table 2, page III-7, presents the bringforward to March 31, 2011, of the book depreciation reserve as of March 31, 2010. Table 3 on pages III-8 and III-9 sets forth the calculation of the annual accruals used in the bringforward. Table 4, page III-10, presents the experienced and estimated net salvage during the five-year period, 2006 through 2010.

The section beginning on page III-11 presents the results of the retirement rate analyses prepared as the historical bases for the service life estimates. The section beginning on page III-129 presents the depreciation calculations related to original cost. The tabulations on pages III-135 through III-211 present the calculation of annual depreciation by vintage by account for each depreciable group of utility plant.

Q. Please use an example to illustrate the manner in which the study is presented in Exhibit JJS2.

A. I will use Account 365.01, Overhead Conductors and Devices, as my example; inasmuch as it is one of the larger depreciable groups and represents 13 percent of the original cost of depreciable utility plant as of March 31, 2011.

The retirement rate method was used to analyze the survivor characteristics of this group. The life table for the 1964-2009 experience band

is presented on pages III-73 through III-78 of Exhibit JJS2. The life table, or original survivor curve, is plotted along with the estimated smooth survivor curve, the 48-R1, on page III-72.

The calculation at March 31, 2011, is presented on pages III-168 and III-169 of Exhibit JJS2 and is based in part on the bringforward of the book reserve. The tabulation in Exhibit JJS2 sets forth the installation year, the original cost, calculated accrued depreciation, allocated book reserve, future accruals, remaining life and annual accrual. The totals are brought forward to the table on page III-4 in Exhibit JJS2.

Q. Do you believe Exhibit JJS2 reflects the appropriate survivor curves for Duquesne Light Company to be adopted in this proceeding?

A. Yes, I do. The methods and procedures utilized in the development of survivor curves are consistent with past practices for Duquesne Light Company and Pennsylvania ratemaking regulations. The service life study was completed as of December 31, 2009.

Q. Do you believe that the annual depreciation rates and the related depreciation expense claims should be adopted in this proceeding?

A. Yes, I do. The depreciation rates and expense claims are based on appropriate survivor curves and the depreciation procedures are the same as those approved in past filings before this Commission. The only change in approach is the recovery period for the reserve variance adjustment in this proceeding for certain general plant accounts. For these accounts, incorporating the remaining life adjustment in the rate would distort the depreciation expense for subsequent additions. The use of a reserve adjustment amount over the next

ten years allows for the appropriate accrual rate to be booked for these assets going forward.

Q. Does this complete your testimony at this time?

A. Yes, it does.