

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. R-2024-3046523

Duquesne Light Company

Statement No. 1

DIRECT TESTIMONY OF C. JAMES DAVIS

Subjects: Overview, Cost Management, and Economic Development

March 20, 2024

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

2 A. My name is C. James Davis. My business address is 411 Seventh Avenue,
3 Pittsburgh, PA 15219.

4

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

6 A. I am employed by Duquesne Light Company (“Duquesne Light” or “Company”)
7 as the Director – Rates, Energy Procurement, and Federal/RTO Affairs. I am
8 responsible for the oversight and direction of the Company’s Rates & Tariff
9 Services Department, Supply Procurement and RTO Settlement activities, as well
10 as Federal and RTO affairs.

11

12 **Q. What are your qualifications, work experience and educational background?**

13 A. I graduated from St. Vincent College with a Bachelor of Arts degree in Computer
14 Science in 1989 and Duquesne University with a Master of Business
15 Administration in 1995. Before joining Duquesne Light, I had over 24 years of
16 experience in the utility industry working for Allegheny Energy and FirstEnergy. I
17 have held positions in Risk Management, Finance, Portfolio Management,
18 Generation Dispatch, and Commodity Operations.

19

20 **Q. Have you previously testified before the Commission or other regulatory
21 agencies?**

22 A. Yes, I testified in the 2016 Petition of Duquesne Light Company for Approval of a
23 Distribution System Improvement Charge at Docket No. P-2016-2540046, in the

1 Company's Petition for a Default Service Plan for the period of June 1, 2017
2 through May 31, 2021 at Docket No. P-2016-2543140, in the Company's 2018 and
3 2021 base rate proceedings at Docket No. R-2018-3000124 and R-2021-3024750,
4 in the Peoples Natural Gas 2018 base rate proceeding at Docket No. R-2018-
5 3006818, and in the Company's Petition for a Default Service Plan for the period
6 of June 1, 2021 through May 31, 2025 at Docket No. P-2020-3019522.

7

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to provide an overview of Duquesne Light, to
10 explain the reasons for the proposed rate increase and to identify the witnesses
11 providing direct testimony on behalf of Duquesne Light. My testimony is divided
12 into four sections. In Section I provide an overview of Duquesne Light and its
13 requested rate increase. In Section II, I discuss the Company's initiatives to manage
14 costs, and provide safe, reliable and efficient service to our customers.. Section III
15 details the primary reasons the Company is requesting rate relief. Section IV
16 describes the organization of the filing, introduces Duquesne Light's witnesses in
17 this proceeding and reviews the importance of this case to Duquesne Light, its
18 customers, and Southwestern Pennsylvania.

19

20 **Q. Are you sponsoring any exhibits at this time?**

21 A. Yes, I am sponsoring Exhibit CJD-1, the Statement of Reasons.

22

1 **I. OVERVIEW OF DUQUESNE LIGHT AND THE REQUESTED**
2 **DISTRIBUTION RATE INCREASE**

3
4 **Q. Please provide some background on Duquesne Light**

5 A .For more than 135 years, Duquesne Light has been serving the people of the greater
6 Pittsburgh region with safe, reliable electric service. Duquesne Light is a “public
7 utility” and an “electric distribution company” (“EDC”) as those terms are defined
8 under 66 Pa. C.S. §§ 102 and 2803. The Company provides distribution, and
9 transmission, services to more than 600,000 customers within its service territory
10 that extends across two counties and covers approximately 817 square miles. The
11 Company also provides default supply service to customers that choose not to
12 purchase their energy from an electric generation supplier. While Duquesne Light
13 has consistently served customers and communities in Allegheny and Beaver
14 Counties for over a century, the grid is continually changing as customer needs
15 change. As described in more detail later in this testimony, the Company has
16 reimagined its mission, vision and values to be laser focused on delivering excellent
17 electric service in the future. The Company’s primary objectives are to provide
18 excellent service to our customers while maintaining affordability, reliability and
19 transitioning to an equitable clean energy future for all. The investments proposed
20 in this case are designed to advance the Company’s objectives.

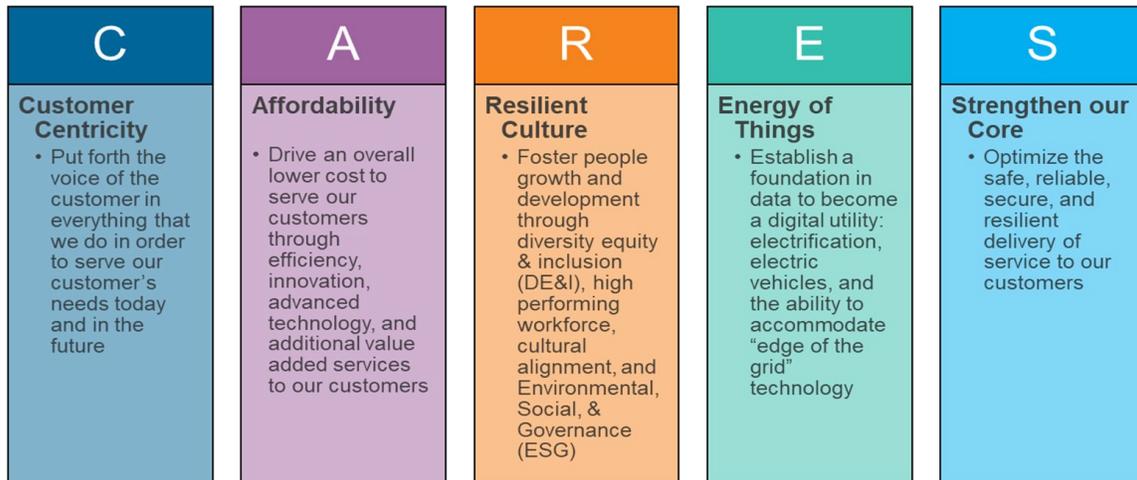
21
22 **Q. Why is the Company filing a general rate case requesting an overall increase**
23 **in rates?**

1 A. Duquesne Light has the privilege and obligation to provide safe, reliable and
2 efficient service to its more than 600,000 customers. To do so, the Company has
3 been investing in the distribution system to provide safe, reliable service to its
4 customers. The Company must continue to invest to invest in its people, systems
5 and infrastructure meet the electric service needs of its customers, while also
6 maintaining the ability to attract capital to support these investments. The
7 Company's proposal is designed to balance the need to provide safe, reliable and
8 efficient service to customers;while controlling costs.

9

10 **Q. Please describe Duquesne Light's strategic framework to control costs and**
11 **focus on customer service and reliability.**

12 A. The Company created a strategic framework called C.A.R.E.S that outlines how the
13 Company focuses its efforts and resources on enhancing our customers and
14 employees experience. Using the C.A.R.E.S. framework, defined below, helps
15 ensure the Company's actions, including key resourcing decisions, are
16 implemented consistently across the enterprise, and ultimately results in a diverse
17 portfolio of activities generating value across each pillar of the framework.



1

2 The investments proposed in this general rate increase are aligned with the
 3 Company's overall corporate objectives. Several witness for the Company will
 4 discuss how their proposals are aligned with the C.A.R.E.S framework.

5

6 **Q. Please describe the increases and changes in rates for distribution service that**
 7 **the Company is proposing.**

8 A. The Company is proposing a general rate increase to its distribution rates in the
 9 amount of \$133.1M which includes proposing to roll its Distribution System
 10 Improvement Charge ("DSIC") in the amount of \$32.06M into base rates. Majority
 11 of the proposed investment is related to traditional distribution system
 12 infrastructure, such as substations, poles, transformers and cables needed to
 13 maintain system reliability. The Company also proposes to expand its offering of
 14 a Transportation Electrification Program and to provide a Distribution Time-of-Use
 15 pilot to provide incentives to charge electric vehicles in non-peak periods. The
 16 Company is also proposing to include a Beneficial Electrification ("BE") program

1 to assist customers with education and the adoption of home electrification of major
2 appliances.

3

4 **Q. Please describe the changes to existing rate riders that affect distribution base**
5 **rate revenue in this proceeding.**

6 A. The Company implemented a Distribution System Improvement Charge (“DSIC”)
7 Rider beginning October 1, 2016, pursuant to the Commission’s order at Docket
8 No. P-2016-2540046. The Company proposes to roll the projected DSIC Rider
9 charges and costs into base distribution rates and reset the DSIC Rider to zero as of
10 the effective date of the base distribution rates determined in this proceeding. The
11 DSIC Rider will remain at zero except for over/under collections until the Company
12 has placed in service plant in excess of the claimed amounts included in its
13 estimated December 31, 2025, rate base in the current proceeding. As explained by
14 Mr. O’Brien in his direct testimony (Statement. No. 8), while the roll in of the DSIC
15 charges has the effect of increasing base distribution rates by \$32 million, this will
16 have no impact on customers’ bills, because customers will no longer pay the
17 current surcharge which will be set to zero when new distribution rates become
18 effective as a result of this proceeding.

19

20 **Q. Please provide a summary of the Company’s request for a distribution rate**
21 **increase.**

22 A. Duquesne Light is requesting the Commission approve a \$133.0 million
23 distribution rate increase effective January 1, 2025. If the Company’s request is

1 approved as submitted, the total bill (which includes rates for distribution,
2 surcharges, transmission, and generation) for a residential customer using 600
3 kilowatt-hours (“kWh”) per month and taking default power service from the
4 Company would increase from \$130.76 per month to \$139.19 per month or by 6.52
5 percent.

6

7 **II. COMPANY INITIATIVES TO MANAGE COSTS, PROVIDE**
8 **OUTSTANDING SUPPORT FOR OUR CUSTOMERS, AND HIGHLY**
9 **RELIABLE ELECTRIC SERVICE**

10

11 **Q. Please describe some of Duquesne Light’s efforts to control costs while**
12 **maintaining high levels of reliability.**

13 A. The Company has always recognized a need to control costs and in 2020 created a
14 team specifically focused on this issue, The Affordability and Innovation
15 Management (“AIM”) Organization. The AIM Organization provides the structure
16 and support to take an idea and ensure its implementation to create value to our
17 customers. The organization has four pillars of focus to drive improvement in our
18 business while remaining focused on our customers. The AIM Organization’s
19 pillars are the Affordability Office, Business Analytics, Business Process Maturity,
20 and the Innovation Center. The Affordability Office takes ideas in a data driven
21 approach to ensure risk and value are identified throughout the life cycle of the idea.
22 The Affordability Office deploys the training, methodology, and performance
23 accountability to ensure progression of the ideas. The Business Analytics group
24 establishes governance and quality around our data while also deriving

1 sophisticated insights from the data. Business Process Maturity looks at the
2 maturity of our processes across the business and evaluates our maturity in those
3 areas compared with our peers. Lastly, the Innovation Center takes a holistic look
4 on innovative thought and explores new and forward-thinking opportunities.

5
6 **Q. Please describe some of benefits Duquesne Light's AIM Organization has**
7 **realized to date.**

8 A. Since 2022, the Company realized approximately \$19.8 million in sustainable cash
9 savings via AIM initiatives, which represents a combination of capital deployment,
10 operations and maintenance ("O&M") expense and working capital savings.

11
12 **Q. What benefits does the Company project for the Future Test Year?**

13 A. The Company projects an additional \$1.2 million in projected sustainable O&M
14 savings and approximately \$2.6 million in projected sustainable capital savings
15 across the business. These initiatives not only drive affordability but also improve
16 safety, reliability, customer service, and sustainability.

17
18 **Q. What benefits does the Company project for the Fully Projected Future Test**
19 **Year?**

20 A. In addition to the sustainable savings discussed above, the Company projects
21 approximately \$1.5 million in sustainable O&M savings and approximately \$3.3
22 million in sustainable capital savings

23

1 **Q. Please provide an example of a program that reduces cost and addresses**
2 **sustainability.**

3 A. One program the Company has implemented targets a reduction in fleet vehicle
4 idling by increasing crew awareness of how often vehicles idle in the field. This
5 initiative has not only allowed the Company to reduce fuel and maintenance costs
6 but has also led to a reduction in GHG emissions.

7
8 **Q. Please describe Duquesne Light’s efforts to improve customer satisfaction.**

9 A. The Company is committed to corrective action and continuous improvement. The
10 Company has undertaken several initiatives to improve customer experience over
11 the past several years. As described in the direct testimony of Ms. Jennifer
12 Neiswonger (Statement No. 7), some of the initiatives include:

- 13 – Increased communications about customer assistance, energy efficiency
14 programs, and enhanced education about the price to compare (“PTC”) and
15 shopping for supply .
- 16 – Implementation of new self-service features on the website that include
17 start, stop and transfer of service, enrollment/unenrollment for budget
18 billing, street light outage reporting and medical certification.
- 19 – Expansion of other digital self-service features including updating the
20 payment arrangement portal to accept restoration agreements and extending
21 live chat to additional pages on the website, both authenticated and
22 unauthenticated

1 – Implemented all new contact center technology in 2022 including new
2 hardware, user interface and reporting.

3
4 **Q. How has the Company helped low-income customers meet their need and**
5 **ability to afford electric service?**

6 A. In addition to The Company’s Phase IV Act 129 energy efficiency programs
7 approved by the Commission at Docket No M-2020-3020818, the Company has
8 four Universal Services programs, approved by the Commission at Docket No M-
9 2019-3008227, that assist low-income customers: 1) Customer Assistance Program
10 (“CAP”), 2) Customer Assistance Referral and Evaluation Services (“CARES”), 3)
11 the Hardship Fund, and 4) Smart Comfort/Low Income Usage Reduction Program
12 (“LIURP”). The Company is not proposing changes to these programs in this
13 proceeding.

14
15 **Q. How has the Company performed with respect to its reliability metrics?**

16 A. While increased frequency and intensity of storms has presented some challenges,
17 the Company’s has had strong reliability performance. The Company measures its
18 reliability performance based on three system and customer reliability metrics:
19 System Average Interruption Duration Index (“SAIDI”), System Average
20 Interruption Frequency Index (“SAIFI”), and Customer Average Interruption
21 Duration Index (“CAIDI”). Mr. Hilderbrand describes in his direct testimony
22 (Statement No. 4) the overall reliability metrics of the Company. In summary over
23 the past five years of benchmarked data (*i.e.*, 2019 through the third quarter 2023
24 utilizing the Pennsylvania Public Utility Commission’s annual *Electric Service*

1 *Reliability in Pennsylvania* report and *Quarterly Electric Reliability* reports),
2 Duquesne Light has been either the top-performing large Electric Distribution
3 Company (“EDC”) or the second top-performing EDC in the Commonwealth,
4 depending on the specific reliability metric.

5
6 **Q. How has the Company been able to continue to perform at such a high level?**

7 A. The Company attributes its strong reliability performance over the 2019 to 2023
8 period to the Company’s ongoing T&D System Capacity and Reliability plant
9 additions initiated in its LTIP and second LTIP as well as vegetation management
10 efforts.

11
12 **Q. How is the Company proposing to further improve its service reliability and
13 reduce outages?**

14 A. As Mr. Hilderbrand discusses in his testimony (Statement No. 4), the Company will
15 continue to invest in its distribution system to maintain and enhance its reliability
16 and resilience, which is a main driver of its rate proposal. Additionally, the
17 Company is exploring non-wires solutions and advanced technology to enhance
18 reliability, system capacity and performance.

19
20 **Q. Mr. Hilderbrand addresses the Company’s projected investments in 2025. Is
21 the Company also considering how to provide safe, reliable, and affordable
22 service in subsequent years?**

1 A. Yes. The Company is looking ahead to understand customers’ potential future
2 needs and how to address them. Duquesne Light is focused on leveraging
3 investments in the distribution grid to provide better visibility and situational
4 awareness of the system through its recently installed Outage Management System
5 (“OMS”), ensuring the integration of Distributed Energy Resources (“DER”) and
6 other advanced technologies. As the distribution system owner and operator,
7 Duquesne Light plays an integral role in ensuring that the grid remains reliable and
8 safe as new technologies emerge. The Company looks forward to engaging with
9 the Commission and stakeholders on these issues in the future.

10

11 **Q. What steps has the Company taken to support diversity, equity, and inclusion?**

12 A. Since 2019, the Company has been committed to fostering a culture of inclusion
13 where diverse perspectives are valued, empowered and essential to our success. Our
14 journey began with the formation of a Diversity and Inclusion Committee
15 (“Diversity Committee”) composed of a cross functional selection of employees
16 tasked with enhancing the Company’s culture of inclusion and equity. The
17 Diversity Committee began by implementing a comprehensive internal education
18 and awareness campaign including unconscious bias training and heritage month
19 celebrations. Today, we now boast four business employee resource groups and
20 two ally circles, each focused on a unique dimension of diversity. These groups
21 build community while working to advance business objectives that align with our
22 DEI strategy.

23

1 **Q. Please describe management’s program to address Diversity, Equity, and**
2 **Inclusion (“DEI”).**

3 A. We have advanced our DEI strategy to focus on our impacts on the workplace
4 which explores how we source, attract and retain diverse talent, marketplace where
5 we engage diverse suppliers and partners to drive economic vitality and improve
6 the experience of all of our customers, and community where we are positioning
7 ourselves as a leader in the community through volunteerism and charitable giving
8 that is aligned with our DEI goals. An electronic version of Duquesne Light’s [2022](#)
9 [ESG Report](#)¹ can be referenced for greater details.

10

11 **Q. Please describe some of Duquesne Light’s efforts to enhance system security.**

12 A. The Company has a cybersecurity program that is centralized in one organization
13 to provide governance and execution for the entire company. The program is
14 designed to provide a holistic forward-looking view of cybersecurity risk.
15 Furthermore, the Company’s program is organized to protect, detect, respond to
16 and recover from cyber-attacks to safeguard the people, processes, technology and
17 assets required to deliver affordable, reliable energy and other services. Our
18 approach to cybersecurity enables our business through information security
19 capabilities, which are adaptive, innovative, risk based and designed to ensure
20 operational compliance, integrity and availability of our services. The program
21 defines and enables cybersecurity risk decision accountability and aligns
22 cybersecurity risk management with business priorities and strategy.

¹ <https://duquesnelight.com/company/about/corporate-responsibility>

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Q. Please describe how Duquesne Light’s efforts to enhance system security align with best practices or industry standards.

A. The Company aligns our cybersecurity strategy with the National Institute of Standards and Technology Cybersecurity Framework for Securing Critical Infrastructure. The Company also complies with the North American Electric Reliability Corporation Critical Infrastructure Protection Standards. In addition to these alignments, The Company partners with the U.S. government; federal and state law enforcement and security agencies; and industry peers for threat and information sharing

Q. How has Duquesne Light’s efforts to enhance system security been implemented.

A. The Company has deployed capabilities to rapidly detect, respond to, contain and recover from threats, in addition to measuring key information security processes by collecting and analyzing data and continuously improving cybersecurity processes. We regularly provide cybersecurity awareness training and conduct phishing awareness exercises to ensure that our employees understand their role in protecting The Company’s assets and data. The Company’s Cybersecurity in partnership with Corporate Compliance ensures that we maintain compliance with all state, federal and regulatory requirements associated with data protection and utility operations.

1 **Q. Please describe some of Duquesne Light's initiatives to enhance system**
2 **security.**

3 A. Since 2021, The Company has completed actions to further protect our networks
4 from outside threats, including:

5 – Completed the implementation of centralized identity and access
6 management systems.

7 – Completed the implementation of role-based identity and access
8 management program.

9 – Completed the implementation of multi-factor authentication for VPN
10 access and access to critical systems.

11 – Completed the implementation of new advanced end-point detection and
12 response software.

13 – Completed the full implementation of a Managed Security Service Provider
14 to support security incident correlation, detection and response for security
15 events 24x7x365.

16 – Completed the implementation of upgrades to DLC's Managed Network
17 Intrusion Detection systems.

18 – Updated and exercised DLC's cybersecurity incident response plans with
19 DLC executives and board of directors.

20 – Completed an external third-party review of DLC's Cybersecurity Incident
21 Response Plan.

22 – Completed the Implementation of device encryption for all DLC laptops.

23 – Completed the implementation of vulnerability management systems.

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III. REASONS FOR REQUESTED RATE RELIEF

Q. Please explain the reasons for the increase in base rates proposed in this proceeding.

A. The three primary reasons the Company is requesting to increase its base distribution rates are as follows:

1. **The continued growth in the Company’s distribution rate base.** The Company has invested heavily in the distribution system, consequently the rate base has grown by 27.0 percent since the last base rate proceeding. As Mr. O’Brien describes in his direct testimony (Statement No. 8) the projected rate base on December 31, 2025, will be \$615 million greater than the level currently reflected in current base distribution rates.

2. **Increase in operations and maintenance (“O&M”) expense.** Duquesne Light’s projected O&M expenses in the Fully Projected Future Test Year (CY 2025) are 4.2 percent higher as compared to the Fully Projected Future Test Year in the last rate proceeding. The primary drivers of the O&M increase are investments in our employees. Specifically, the Company expects to hire approximately 100 employees primarily in the Operations and Information Technology areas and to increase wages by approximately 3.25 percent per year to be able to attract and retain the talent necessary to serve our customers, These increases are partially offset by AIM cost saving measures.

1 **IV. ORGANIZATION OF THE FILING, WITNESSES, AND THE**
2 **IMPORTANCE OF THE CASE TO DUQUESNE LIGHT**

3

4 **Q. Please identify the other witnesses presenting testimony on behalf of Duquesne**
5 **Light and the principal matters they will address.**

6 **A.**

Ashley Nayden	Statement No. 2	Provides an overview of the Company's accounting process. Explains the Company's actual financial results for the Historic Test Year and reviews the budgeted financial results for the Future Test Year and the Fully Projected Future Test Year.
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Todd Mobley	Statement No. 3	Provides an overview of the sales forecast. Describes the outcome of the sales forecast model for the Historic Test Year, the Future Test Year, and the Fully Projected Future Test Year. Gives supporting details on the impacts of key drivers to the overall sales forecast including the effects of Energy Efficiency and Conservation.
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John C. Hilderbrand II	Statement No. 4	Describes the Company's capital additions planned to be placed in service through the end of the Fully Projected Future Test Year. Provides a description of the Company's electric delivery system, a description of the planning process to ensure the system continues to meet the needs of its customers. This would include items such as reliability metrics, line losses, other capital projects, and non-wires solutions.
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Lindsay Baxter	Statement No. 5	Describes the proposed Building Electrification Programs (“BE Programs”) and explains how the Company proposes to recover costs associated with the BE Programs.
Sarah Oleksak	Statement No. 6	Describes the proposed Transportation Electrification Programs (“TE Programs”) and explains how the Company proposes to recover costs associated with the TE Programs.
Jennifer Neiswonger	Statement No. 7	Describes the Company’s customer satisfaction and the initiatives designed to further enhance Duquesne Light customers’ experience.
Robert L. O’Brien	Statement No. 8	Discusses the components of Duquesne Light’s overall revenue requirement and supports certain pro forma ratemaking adjustments for the fully projected future test year ended December 31, 2025 (“FPFTY”), the future test year ended December 31, 2024 (“FTY”) and the historic test year ended December 31, 2023 (“HTY”), and portions of the claimed measures of value, including Duquesne Light’s cash working capital allowance.
John J. Spanos	Statement No. 9	Provides the service life study and depreciation study which supports the Company’s depreciation accruals for rate making purposes utilizing Commission approved procedures.
Matthew L. Simpson	Statement No. 10	Discusses the Company’s tax expense and related tax information for the Historic Test

Year, the Future Test Year, and the Fully Projected Future Test Year.

Paul R. Moul	Statement No. 11	Provides evidence, analysis and recommendation concerning the appropriate rate of return that the Commission should recognize in the determination of the revenues that the Company should realize as a matter of the proceeding.
Jim Milligan	Statement No. 12	Provides an explanation of the Company's current and future capital structure, cost of long-term debt, current credit ratings and the importance of maintaining the credit worthiness of the Company.
Howard S. Gorman	Statement No. 13	Describes the Jurisdictional Separation Studies and the unbundled, Allocated Cost of Service Study used in this proceeding.
Dave Ogden	Statement No. 14	Addresses the allocation of the proposed revenue increase among the rate classes and the relative rate class returns. Describes the rate design principles and how they are used to determine the proposed rates. Proves that the proposed rates produce the target revenue for each class. Describes the proposed changes to the Company's retail tariff.
David Coleman	Statement No. 15	Describes the rate design principles for the EV Time-of-Use Distribution Rate Pilot.

1

2 **Q. Please explain the importance of the proposed rate increase to Duquesne**
3 **Light.**

1 A. In order to provide continued and enhanced reliability, prepare for catastrophic
2 events such as storms or cyber-attack, and meet increasing customer service needs,
3 the Company must continue to make substantial investments in new distribution
4 plant as well as replace aging infrastructure including the investments identified in
5 its Commission-approved LTIP. The Company must invest during a period of flat
6 sales, while DSIC revenues reach the limit of 5.0 percent of distribution revenue
7 provided by 66 Pa. C.S. §1358(a) by the end of the Future Test Year and increasing
8 O&M expenses. Due to these factors, Duquesne Light's projected overall rate of
9 return for the Fully Projected Future Test Year, at present rates, is only 5.98 percent,
10 with an estimated return on common equity of 7.12 percent. As Mr. Moul will
11 address in his direct testimony (Statement No. 11), this level of return on equity is
12 inadequate to attract the capital and sustain the level of investment necessary to
13 ensure customers continue to receive safe, reliable electric service. Therefore, it is
14 important that the Company be granted the rate relief it has requested in this
15 proceeding.

16

17 **Q. Does this complete your Direct Testimony?**

18 A. Yes. I reserve the right to supplement my testimony as necessary during this
19 proceeding.

STATEMENT OF REASONS
52 Pa. Code § 53.52(a)(1)

INTRODUCTION

Duquesne Light Company (“Duquesne Light” or the “Company”) is responsible for providing adequate, efficient, safe and reliable electric service to its customers and must have the ability to raise capital to meet such requirements. The Company is allowed to charge just and reasonable rates as established by the Pennsylvania Public Utility Commission (“Commission”) that provide the Company with a fair opportunity to recover its operating costs and earn a fair return on its investment. This is accomplished through a rate case process.

In this filing, Duquesne Light is requesting that the Commission approve an overall annual increase in distribution revenue of approximately \$133 million. Included in the requested increase is approximately \$32 million in revenue currently collected through two existing Commission approved surcharges, resulting in a net increase in distribution revenue of approximately \$101 million. If granted by the Commission as filed, this request would produce a system average increase in distribution rates of approximately 15.9 percent and an increase in total rates (distribution, transmission and generation charges) of approximately 6.52 percent for a typical residential customer using 600 kilowatt-hours per month and taking default power service from the Company. The percentage increase in rates differs for each individual rate class.

DUQUESNE LIGHT COMPANY’S COSTS

Duquesne Light has controlled its operation and maintenance expenses by implementing process improvements and deploying cost saving measures. Nevertheless, the cost of providing electric distribution service has increased since the last distribution rate increase in January 2022. Significant cost increases have occurred in many areas, including increased investment in facilities to maintain high levels of service and reliability, increased investment in information technology, increased operation and maintenance expenses to maintain safe and reliable service, including expenses associated with the Distribution System Improvement Charge Rider included in base rates. In addition, the Company’s estimated rate base at December 31, 2025 has increased by approximately \$615 million since the 2022 base rate proceeding.

DUQUESNE LIGHT’S FINANCIAL CONDITION

Absent increases in rates, Duquesne Light’s financial condition would continue to decline in the fully projected future test year due to continued capital expenditures, increased operating expenses, and a significant decline in customer sales. On a pro forma basis for the fully projected future test year, Duquesne Light anticipates an overall return on rate base of only 5.98% absent rate relief. These financial results do not provide a return that will permit the Company to attract new capital on reasonable terms. Revenues at present rates do not provide the Company the opportunity to earn a fair return and simply do not provide sufficient funds for Duquesne Light to

adequately operate its business, abide by federal and state requirements, and provide reliable electric service to its customers.

RELIABLE ELECTRIC SERVICE

Duquesne Light has consistently provided its customers with service at reliability levels as measured by SAIDI and SAIFI that are at or near the top of the levels provided by all of the major Pennsylvania electric distribution companies. Duquesne Light has increased efficiency and reliability through the use of technology, such as automated meter reading systems and automated control systems that continuously monitor remote switches that can be operated to re-route power during storms and other outages to quickly restore service to large blocks of customers. The Company also implemented a Long-Term Infrastructure Improvement plan to address its ageing infrastructure and improve its reliability.