DUQUESNE LIGHT COMPANY

FOCUSED MANAGEMENT AND OPERATIONS AUDIT

Pennsylvania Public Utility Commission
Bureau of Audits
Issued May 2026

Docket No.: D-2025-3054177

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I – INTRODUCTION

Pennsylvania law grants the Pennsylvania Public Utility Commission (PUC) the general administrative power and authority to supervise and regulate public utilities within the Commonwealth of Pennsylvania per 66 Pa. C.S. § 501(b). The PUC can investigate and examine the condition and management of any public utility per 66 Pa. C.S. § 331(a). Focused management and operational audits are required of certain Pennsylvania-based utility companies pursuant to 66 Pa. C.S. § 516(a).

In accordance with the PUC's ongoing program to identify improvements in the management and operations of its jurisdictional fixed utilities, it was determined that a focused management and operations audit should be conducted of Duquesne Light Company (DLC). A focused management and operations audit investigates the company's operational efficiency and effectiveness. It focuses on how decisions are made and processes are accomplished through reviews of policies and procedures, informational systems being utilized, strategic planning processes, compliance efforts, etc.

This report summarizes the PUC's Management Audit Division's audit work and outlines its conclusions. The findings presented in the report identify areas where weaknesses or deficiencies exist. Recommendations are offered to improve, correct, or eliminate these conditions. The final step in the management audit process is to initiate actions toward implementation of recommendations.

Objectives and Scope

The objectives of this focused management and operations audit were:

- To provide the PUC, DLC, and the public with an assessment of the efficiency and effectiveness of the company's operations, management methods, organizational structure, practices, and procedures

- To identify opportunities for improvement and develop recommendations to address those opportunities

- To provide an informed basis for future regulatory and other inquiries into DLC's management and operations

The scope of this audit was limited as explained in the Audit Approach section.

Audit Approach

The focused management and operations audit was performed by auditors of the Management Audit Division of the PUC's Bureau of Audits (PUC Auditors). The audit process began with pre-fieldwork analysis as outlined below:

- Input was solicited from the PUC's bureaus and offices, external parties, and DLC regarding concerns or issues they would like reviewed during our audit

- Prior focused management and operations audits, follow-up management efficiency investigations, implementation plans, implementation plan progress reports, other PUC-conducted audits, annual diversity reports, and other available documents were reviewed

This information was used to determine the scope of the audit. Specifically, the following functional areas were selected for in-depth analysis and are included in this report:

- Executive Management and Organizational Structure
- Corporate Governance
- Affiliated Interests and Cost Allocations
- Financial Management
- Electric Operations
- Customer Service
- Purchasing and Materials Management
- Emergency Preparedness
- Human Resources and Diversity
- Information Technology

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

A focused management and operations audit is not designed to verify or validate all information provided by the utility. Much of the data provided by the utility, which is presented within this report, was not thoroughly tested to ensure it is free from errors. However, in the course of the PUC Auditors' work, a sample of some amounts, company systems, processes, etc. were tested as necessary or as risks were identified. Audit findings and recommendations are based on data the company's management should have been using to direct the business activities throughout the audit period. Therefore, the conclusions reached within this report aim to fairly represent the utility's performance in the areas reviewed, but no assurance is offered by the PUC Auditors or PUC.

Fieldwork began on June 24, 2025 and continued through December 16, 2025. The principal components of the fact gathering process included:

- Interviews with the company's personnel and other of the PUC's bureaus

- Analysis of records, documents, and reports of a financial and operational nature focused primarily on the period 2020 – 2024 and 2025 as was available

- Visits to a sample of some of the company's facilities with observations and walk-throughs of work practices

Functional Area Ratings

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

Listed below are the categories used to rate each functional area's operating or performance level:

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

Our rating for each reviewed functional area is presented in Exhibit I-1.

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

Functional Area	Meets Expected Performance Level	Minor Improvement Necessary	Moderate Improvement Necessary	Significant Improvement Necessary	Major Improvement Necessary
Executive Management and Organizational Structure		X			
Corporate Governance	X				
Affiliated Interests and Cost Allocations	X				
Financial Management			X		
Electric Operations			X		
Customer Service		X			
Purchasing and Materials Management			X		
Emergency Preparedness		X			
Human Resources and Diversity		X			
Information Technology	X				

Benefits

For most recommendations, it was impractical to estimate quantitative benefits as the benefits are of a qualitative nature or insufficient data was available to quantify the impact. For example, it is difficult to estimate the actual benefit where new management practices or procedures are recommended where such did not previously exist nor were not fully functional. Similarly, changes in workflow or implementation of good business practices could result in improved efficiency and effectiveness of a function but cannot be easily quantified.

Wherever possible, the PUC Auditors estimated the potential savings anticipated from implementing the recommendations made in this report. The audit report details potential one-time savings of $1.6 million and annual cost savings of approximately $1.8 million. Some of these savings could be an actual reduction in costs, avoided costs, or increased revenues, whereas others would result in better deployment and/or use of resources. These quantifications require some judgment and may require effort beyond the scope of the audit for further refinement. Therefore, actual benefits from effective implementation of the recommendations are uncertain and could differ from the estimate. An overall summary of the annual and/or one-time costs savings quantified in the audit report is shown in Exhibit I-2.

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

Recommendation	Annual Savings	One-Time Savings
Recommendation VI-1 Impose consequences for non-payment of pole attachment fees and heighten internal collection procedures to reduce outstanding pole attachment fees.	$ 79,280	$ 1,600,000
Recommendation IX-2 Develop and implement procedures to review non-moving and emergency stock inventory annually and timely remove obsolete materials to minimize excessive carrying costs.	$ 1,700,000	--
Total	**$ 1,779,280**	**$ 1,600,000**

DLC will have options to implement the recommendations, and as a result, the PUC Auditors have not estimated the cost of implementation for recommendations where no savings were quantified. However, it should be noted that the cost of implementing some recommendations could be significant.

Recommendation Summary

Chapters III – XII provide findings, conclusions, and recommendations for each functional area reviewed in-depth during this audit. Exhibit I-3 summarizes the recommendations with the following priority assessments for implementation:

- **INITIATION TIME FRAME** – Estimated time frame on how quickly the company should be able to initiate its implementation efforts given the company's resources and general operating environment. The time necessary to complete implementation is expected to vary depending on the nature of the recommendation and the scope of the necessary effort and resources available to effectively implement the recommendation.
- **BENEFITS** – Net quantifiable benefits have been provided where they could be estimated as discussed in the Benefits section. Our overall rankings are not solely based on quantifiable dollars but rather our assessment of the potential overall impact of the recommendation on the efficiency and/or effectiveness of the company and/or the services it provides.
  - **HIGH BENEFITS** – Implementation of the recommendation would result in major service improvements, substantial improvements in management practices and performance, and/or significant cost savings.
  - **MEDIUM BENEFITS** – Implementation of the recommendation would result in important service improvements, meaningful improvements in management practices and performance, and/or meaningful cost savings.
  - **LOW BENEFITS** – Implementation of the recommendation is likely to result in service, management practice, and/or performance improvements; and/or enhanced cost controls.

Duquesne Light Company
Focused Management and Operations Audit
Summary of Recommendations

Rec. No.	Recommendation	Page No.	Initiation Timeframe	Benefits $
III – Executive Management and Organizational Structure				
III-1	Develop and implement a procedure to routinely review span of control and complete a comprehensive staffing study.	15	6 – 12 Months	Medium
III-2	Establish a guiding document repository for each business unit and/or division to provide accessibility of the reviewed and updated guiding documents and revise the Development and Maintenance of Corporate Policies to include a master list of business unit and/or division level guiding document repository sponsors.	16	0 – 3 Months	Low
IV – Corporate Governance				
--	None	--	--	--
V – Affiliated Interests and Cost Allocations				
--	None	--	--	--
VI – Financial Management				
VI-1	Impose consequences for non-payment of pole attachment fees and heighten internal collection procedures to reduce outstanding pole attachment fees.	29	0 – 3 Months	Medium One-Time Savings of $1,600,000 and Annual Savings of $79,280
VI-2	Revise the Shareholders Payments policy to include a provision to notify the PUC in advance when any dividend payout would exceed 85% of net income.	29	0 – 3 Months	Low
VI-3	Create a formal guiding document for the delegation of authority processes, that includes defined exceptions and a provision for annual review, and consider strengthening control over financial transactions by including a requirement for multi-level executive approval for transactions over $5 million.	30	0 – 3 Months	High
VII – Electric Operations				
VII-1	Develop and implement a formal mitigation program with established goals to reduce the number of customers experiencing multiple interruptions.	36	3 – 6 Months	Medium
VII-2	Analyze overtime data to determine additional process enhancements to further reduce individual overtime.	38	0 – 3 Months	Medium

Duquesne Light Company
Focused Management and Operations Audit
Summary of Recommendations (Continued)

Rec. No.	Recommendation	Page No.	Initiation Timeframe	Benefits $
VII – Electric Operations (Continued)				
VII-3	Review electric operation manual(s) to ensure each is accurate, current, and in the standardized guiding document format and establish and implement a routine review schedule for these guiding documents going forward.	39	0 – 3 Months	Low
VIII – Customer Service				
VIII-1	Monitor the effectiveness of the service improvement strategies and ensure the successful completion of the Power Up: Contact Center Transformation project to optimize the Contact Center's performance.	47	0 – 3 Months	Low
VIII-2	Ensure the successful launch of the Regulatory Risk and Issue Management Program, and then evaluate if new processes improve complaint handling efficiency and reduce infractions.	50	0 – 3 Months	Medium
IX – Purchasing and Materials Management				
IX-1	Ensure successful implementation of the *Oracle Cloud Supply Chain Management System.*	54	12 – 18 Months	Medium
IX-2	Develop and implement procedures to review non-moving and emergency stock inventory annually and timely remove obsolete materials to minimize excessive carrying costs.	55	3 – 6 Months	High Annual Savings of $1,700,000
IX-3	Utilize an absolute value approach when reporting results of inventory analysis which aggregates both missing and excess material values.	55	9 – 12 Months	Low
X – Emergency Preparedness				
X-1	Revise the policy detailing the cybersecurity plan to include a provision to review annually.	58	0 – 3 Months	Low
X-2	Collaborate with the PUC's Bureau of Technical Utility Services to implement recommendations to improve storm preparation and response.	59	6 – 12 Months	Medium
XI – Human Resources and Diversity				
XI-1	Analyze safety incident root cause data to more effectively focus safety program improvement efforts and improve safety performance.	66	3 – 6 Months	High

Duquesne Light Company
Focused Management and Operations Audit
Summary of Recommendations (Continued)

Rec. No.	Recommendation	Page No.	Initiation Timeframe	Benefits $
XI – Human Resources and Diversity				
XI-2	Review the budgeted staffing levels data being presented in staffing level reports to ensure it is accurately reflecting the annual approved complement.	67	6 – 12 Months	Low
XII – Information Technology				
--	None	--	--	--

II – BACKGROUND

DLC is an electric distribution utility headquartered in Pittsburgh, Pennsylvania. DLC is a wholly owned subsidiary of Duquesne Light Holdings, Inc. (DLH), an energy services holding company, which in turn is a wholly owned subsidiary of DQE Holdings LLC (DQE).

In May 2007, a consortium of private equity investors acquired all outstanding publicly traded shares of DLH. The members of the consortium have changed over the years, but the members of the consortium at the end of audit fieldwork were as follows:

- Epsom Investment Pte. Ltd. is an affiliate of GIC Pte. Ltd. (GIC). GIC is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC owns 44.4% of DQE and has been an owner since 2011.

- Three Rivers Utility Holdings, LLC (Three Rivers) was formed under the laws of the State of Delaware, and its members include Manulife Investment Management and PGGM Infrastructure Fund. Three Rivers owns 30.4% of DQE and has been an owner since 2016.

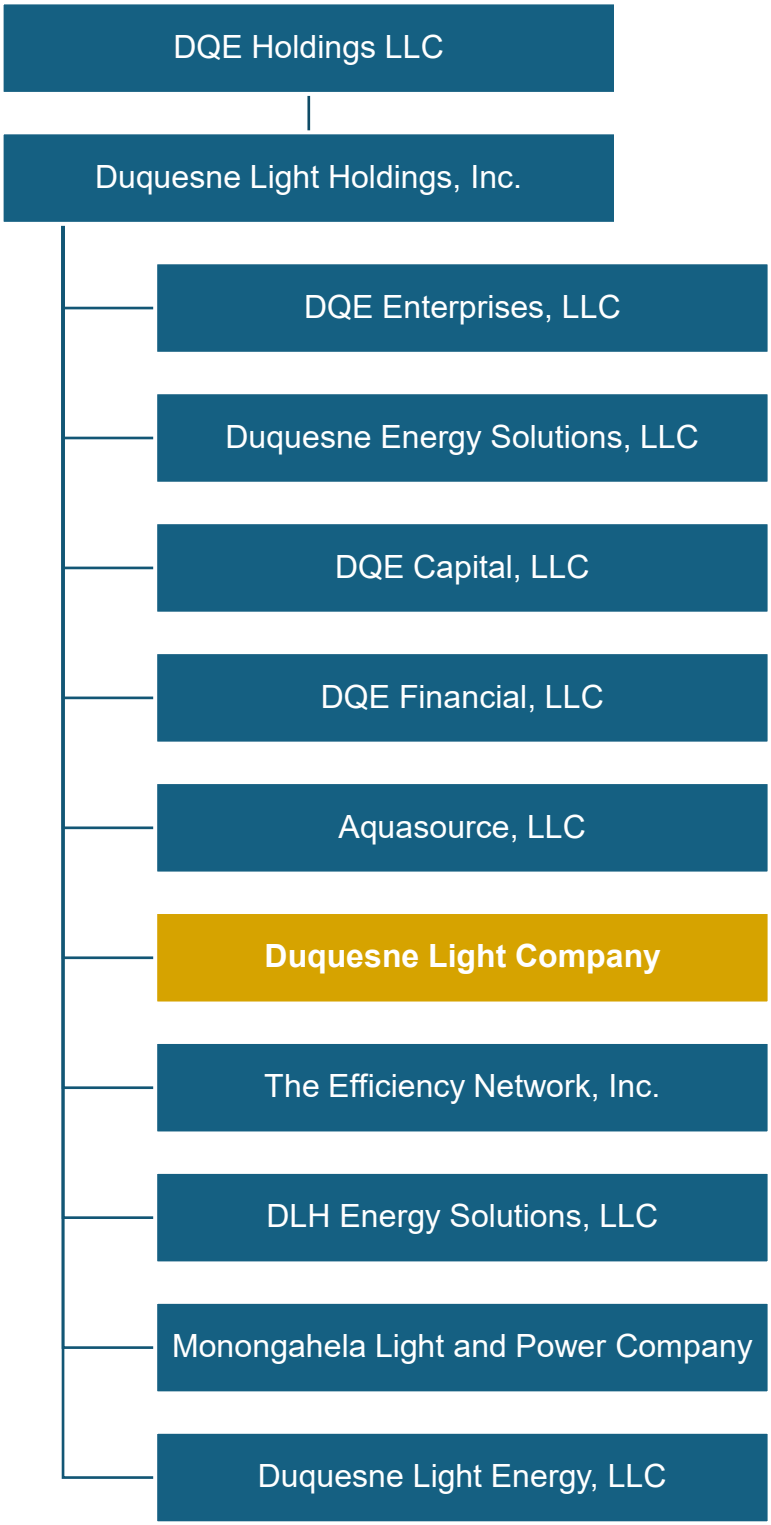
- AIA Montana LLC (AIA Montana) is managed by Argo Infrastructure Partners, based in New York City, and is owned by APG Americas Infrastructure and the California State Teachers' Retirement System. AIA Montana owns 25.2% of DQE and has been an owner since 2017.

DLH's primary business segments include utility operations and energy services. Utility operations are provided through DLC, a Pennsylvania LLC. Energy services, including energy efficiency audits and projects, professional energy consulting and LED streetlight installation, are provided by The Efficiency Network, Inc. (TEN), a Delaware corporation.

On April 30, 2024, DQE Communications LLC (DQE Comm), was sold to GI DI Vertigo Acquisition LLC. DQE Comm, a Pennsylvania LLC, was formerly owned by DLH and therefore was a previous affiliate of DLC. DQE Comm provides fiber optic telecommunications network services.

Although the DLH subsidiaries, shown in Exhibit II-1, are legally organized as separate companies, DLH has an integrated business model. DLH is led by executives that hold various officer-level and board of directors' positions across multiple entities. The roles and responsibilities of these positions were well defined and there was no evidence that this structure inhibited organizational effectiveness at DLC.

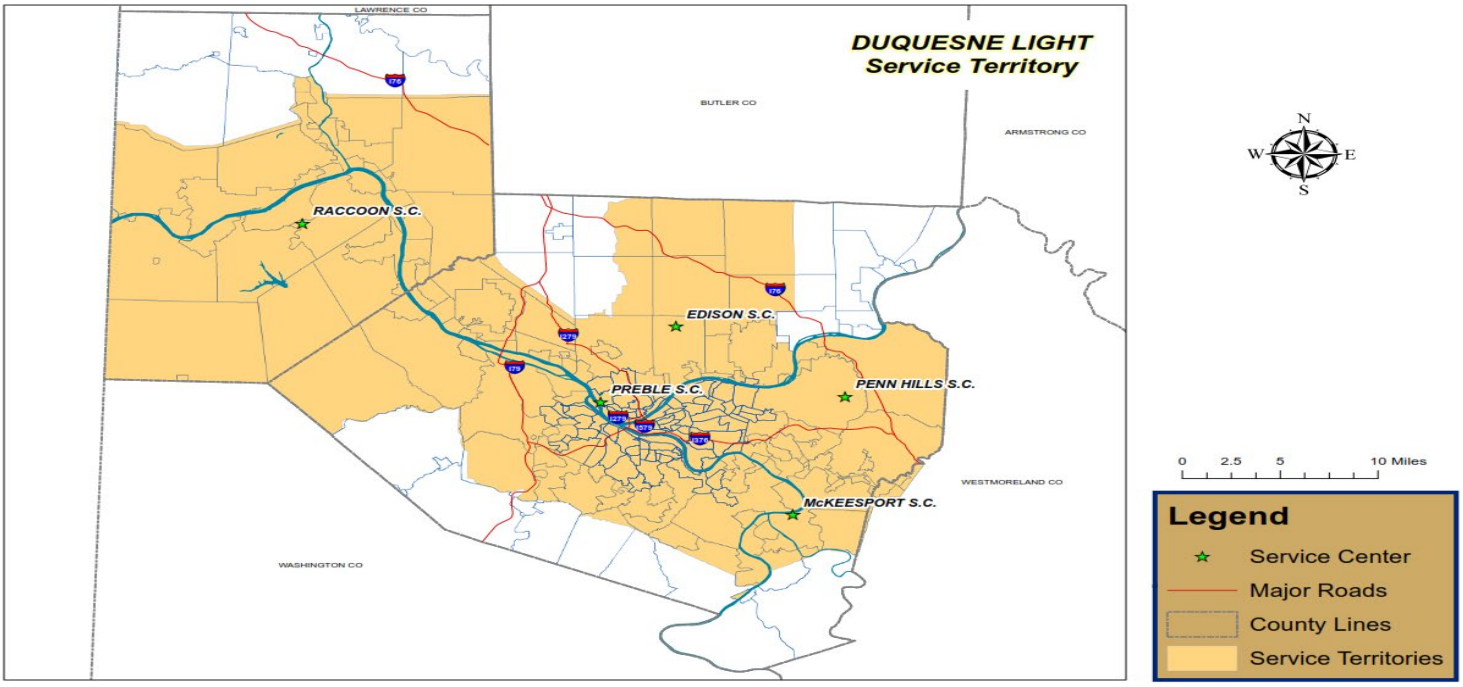
Exhibit II-1
DQE Holdings LLC
Corporate Entity Chart
As of June 30, 2025



Source: Data Request EM-01

As the utility segment of DLH, DLC provides electric distribution services to approximately 613,000 customers, located throughout Allegheny and Beaver counties in Pennsylvania, and is regulated by the PUC. Like DLH, DLC is headquartered in Pittsburgh, Pennsylvania. DLC serves its customers through five service centers spread across its operating territory. A depiction of DLC's operating territory and service centers is provided in Exhibit II-2. Exhibit II-3 provides DLC's residential, commercial, and industrial customer base statistics as of year-end 2024.

Exhibit II-2
Duquesne Light Company
Operating Territory
As of January 31, 2025



Source: https://duquesnelight.com/service-reliability/service-map

Exhibit II-3
Duquesne Light Company
Customer Statistics
As of December 31, 2024

Customer Class	Number of Customers	Percentage of Total Customers	KWH Delivered	Percentage of Total KWH Delivered	Revenue	Percentage of Total Revenue
Residential	550,405	89.8%	4,050,834,302	32.0%	$ 781,760,077	68.6%
Commercial	61,424	10.0%	5,599,405,752	44.3%	311,821,228	27.4%
Industrial	1,012	0.2%	2,995,608,445	23.7%	46,122,050	4.0%
Total	**612,841**	**100.0%**	**12,645,848,499**	**100.0%**	**$ 1,139,703,355**	**100.0%**

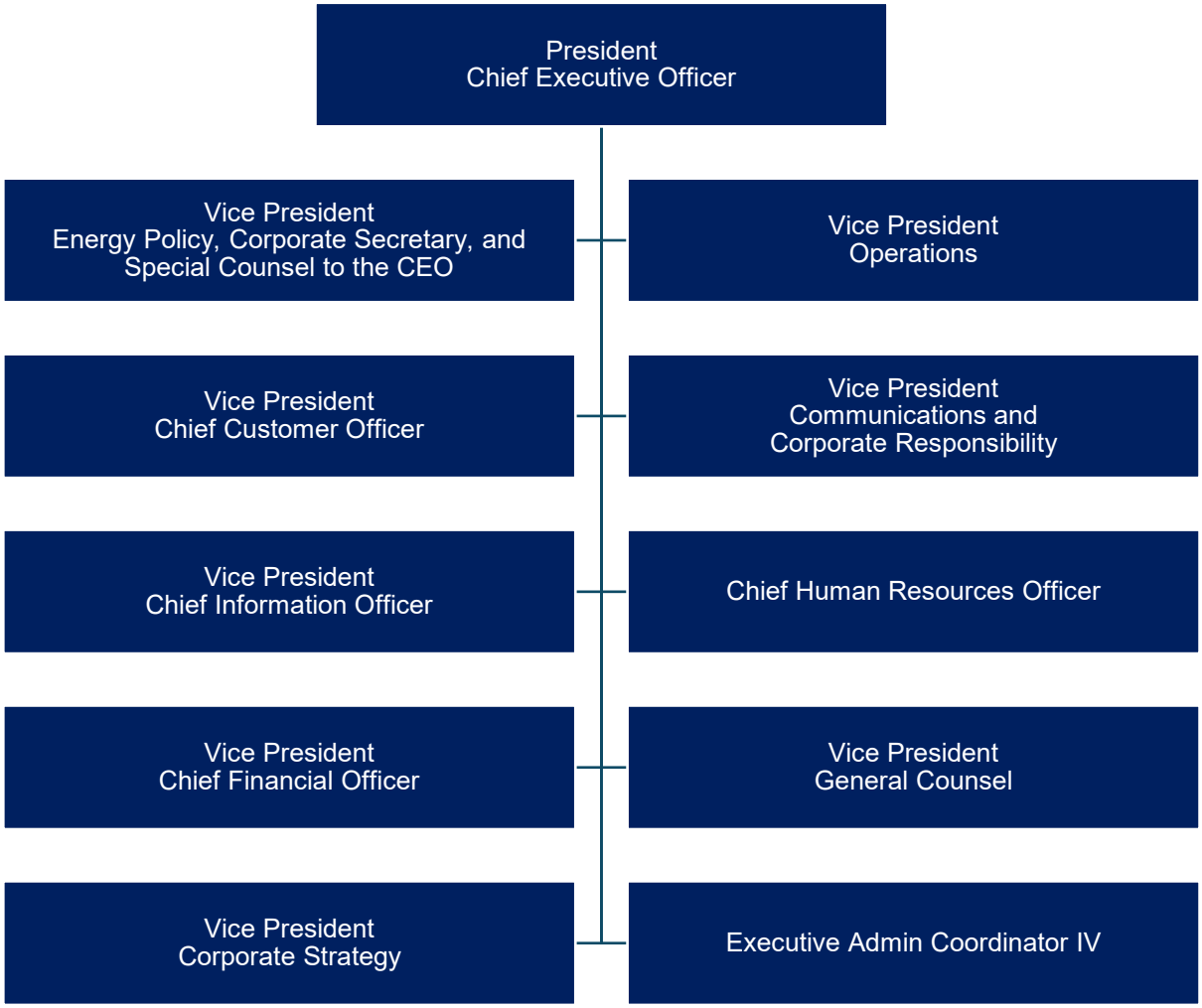
Source: DLC's 2024 Annual Report to the PUC

III – EXECUTIVE MANAGEMENT AND ORGANIZATIONAL STRUCTURE

Background

DLC's Chief Executive Officer (CEO) has ten direct reports for nine primary business units as displayed in Exhibit III-1. DLC's officers also serve as officers of the parent company, DLH.

Exhibit III-1
Duquesne Light Company
Executive Leadership Team
As of October 31, 2025



Source: Data Request EM-46

Executive compensation is directed by the Talent & Compensation Committee (TCC) of DQE's Board of Directors with input from the Chief Human Resources Officer. The TCC reviews benchmarking data to understand the market for base salaries and

short- and long-term incentive and bonus pay structures to establish a total compensation strategy. DLC utilizes a pay-for-performance compensation strategy. Merit increases are awarded based on performance related to individual goals, and incentive plans are included to further encourage the achievement of corporate priorities.

Compensation for the Executive Leadership Team (ELT) is set based on market data, experience, performance, and internal equity. Members of the ELT are eligible for DLC's Short-Term Incentive Plan (STIP) which is a percentage of base salary. STIP payouts are based on a combination of individual performance, business activity key performance indicators, and the company's earnings before taxes, interest, depreciation, and amortization (EBITDA). The ELT is also eligible for DLC's Long-Term Incentive Plan (LTIP) which is a deferred cash incentive program. The LTIP is based on a 3-year performance period determined by EBITDA and total shareholder return.

Because DLC utilizes a pay-for-performance compensation strategy, the annual goal setting process is critical. It establishes the path for DLC to achieve its corporate priorities. Corporate priorities follow the CARES Model: Customer Centricity, Affordability, Resilient Culture, Energy of Things, and Strengthening our Core. In addition to the CARES priorities, safety and financial performance are also considered when formulating individual and enterprise level goals. Goals identify quantifiable progress on specific projects and initiatives as defined in the five-year business plan. The strategic planning processes, along with the processes to establish annual budgets, are described in more detail in chapter VI – Financial Management.

Merit increases for the ELT are based 60% on performance related to individual goals and 40% on DLC's leadership standards which are as follows:

- **Vision** – Communicating a clear vision to direct and inspire the organization
- **Empowers** – Encouraging new ways of working that support teams, customers, and shareholders
- **Empathy** – Demonstrating curiosity and compassion, recognizing that no two people are alike
- **Inclusion** – Creating opportunities for equity by seeking diverse perspectives and lifting underrepresented voices

Succession planning for DLC's ELT is also led by the TCC with direct input from the CEO. DLC's formal succession plan, developed in DLC's talent management information system, *Success Factors*, is reviewed annually. The succession plan focuses on senior managers and above. Internal successor candidates are identified, and the roles for which no viable internal candidates are available, job profiles for external hire are developed for future recruitment processes. The succession planning processes also include identification of developmental needs for each identified successor to ensure they will be ready for the role when needed.

A significant reorganization throughout the audit period created new business units and functional divisions. DLC's overall staffing increased by 10% from 2021 – 2025 YTD

as shown in Exhibit III-2, chiefly driven by a commitment DLC made to the union[1] to hire additional line workers.

Exhibit III-2
Duquesne Light Company
Staffing Levels by Business Unit
For the Period 2021 – 2025 YTD*

Business Unit	2021	2022	2023	2024	2025 YTD
Communications and Corporate Giving	10	13	17	15	17
Corporate Strategy	--	35	41	41	43
Customer Service	267	279	280	282	279
Energy Policy and General Counsel	58	55	53	51	62
Human Resources	21	--	--	--	--
Human Resources and Environmental, Health, and Safety	--	19	45	48	56
Information Technology	225	235	231	228	213
Office of the Chief Financial Officer	239	261	258	250	263
Operations	795	834	828	882	891
Senior Management	32	3	3	4	3
Grand Total	**1,647**	**1,734**	**1,756**	**1,801**	**1,827**

Source: Data Requests EM-22 and EM-46
* - 2025 YTD was as of data provided November 10, 2025

Findings and Conclusions

Our examination of the executive management function included a review of DLC's entity and organizational structures, management of span of control, the ELT's roles and responsibilities, strategic planning, company-wide staffing, and succession planning. Based on our review, DLC should devote additional effort to improving its executive management function by addressing the identified findings.

Finding III-1 – DLC does not have a formal procedure to routinely review span of control, and significant organizational restructuring has heightened the need for a comprehensive staffing study.

Span of control refers to the number of subordinates that a manager or supervisor directly supervises in an organization. Factors affecting span of control in an organization include:

- Nature of work
- Similarity of work functions
- Control practices
- Geographic proximity
- Desired degree of supervisory coordination

[1] Unionized employees are represented by Local 29 of the International Brotherhood of Electrical Workers.

- Operational assistance available to the manager
- Effectiveness of communication
- Capacity of subordinates
- Ability of the executive
- Time available for supervision
- Technology available for monitoring

To maximize organizational efficiency and effectiveness, a utility should aim for span of control in the range of 1:4 to 1:9. Narrow spans, 1:3 or lower, are considered inefficient because they can result in duplicated oversight, micro-management, an excess of supervisory positions, and inflated compensation costs. Wide spans, 1:10 or higher, can result in burnout, lack of individual attention, weakened relationships, and poor performance due to a lack of appropriate oversight and control. There are situations where span of control outside the ideal range may be effective; however, in these cases, the reason should be documented for future decision making and planning.

DLC does not have a routine process in place to review span of control outside a defined ideal range. The PUC Auditors have observed processes where span of control outside a defined ideal range are the focus of annual reviews to ensure proper oversight. In addition, companies should utilize comprehensive staffing studies, conducted internally or by a third-party, every three – five years to ensure optimized staffing including appropriate management oversight of each business unit and/or division.

DLC's last span of control assessment was completed on June 30, 2022. Since then, reorganization has taken place where business units and divisions have been created, moved, changed, or discontinued. These changes have rendered the results from the 2022 span of control assessment unreliable. The company had planned to perform a span of control assessment in 2025, but it was postponed until the end of 2026. As a result, there may be ineffective or suboptimal reporting relationships that need to be corrected. In addition, the company should undergo a comprehensive staffing study to evaluate appropriate staffing levels and optimal management oversight since having undergone significant reorganization.

Recommendation III-1 – Develop and implement a procedure to routinely review span of control and complete a comprehensive staffing study.

Finding III-2 – There are improvement opportunities in DLC's guiding document governance process.

Throughout audit fieldwork, business unit management reported that a company-wide initiative was underway to review and update guiding documents. The PUC Auditors noted that some business unit and/or division level guiding documents had been reviewed throughout 2024 and 2025 and had been updated using a standardized guiding document template, and some were yet in need of review and update.

DLC's Corporate Compliance division has robust guiding document governance established through its Development and Maintenance of Corporate Policies (Policy on Policies). It mainly focuses on corporate level guiding documents like the Policies on Ethical Conduct and the Remote Work Policy. The Policy on Policies provides guidance on corporate level guiding document ownership, routine review, and approval procedures. In addition, the Policy on Policies provides some guidance to the other business units and divisions directing the use of the standardized guiding document format and ensuring employee accessibility; however, the ELT relies on the individual business units and/or divisions to self-manage the guiding documents specific to their operations.

The management personnel from most of the business units indicated that a dedicated SharePoint will be created for each business unit and/or division to house their guiding documents for accessibility. As the guiding documents are reviewed and updated during this process, each should include an owner who is responsible for ensuring the routine review and update, an established review schedule, identification of the key role(s) accountable for the described processes, and a scope that identifies all job titles under the governance of the guiding document.

In addition, each business unit and/or division level guiding document repository should include a table of contents document that outlines each guiding document therein as well as the established review schedule. As an additional control, the Policy on Policies should identify a list of business unit and/or division guiding document sponsors to highlight who is responsible to provide oversight for each of the business unit and/or division level guiding documents to clarify responsibility for ongoing review and update per the established schedules.

Recommendation III-2 – Establish a guiding document repository for each business unit and/or division to provide accessibility of the reviewed and updated guiding documents and revise the Development and Maintenance of Corporate Policies to include a master list of business unit and/or division level guiding document repository sponsors.

IV – CORPORATE GOVERNANCE

Background

As discussed in chapter II – Background, DLC is a fully owned subsidiary of Duquesne Light Holdings, Inc. (DLH). DLH is owned by DQE Holdings LLC (DQE), a private equity, investor-owned holding company. See Exhibit II-1 for the corporate entity chart. Because of its private ownership, DQE and its subsidiaries are not required to follow the corporate governance requirements contained in the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission's regulations. Although not required, the companies follow the spirit of several governance guidelines established for public companies as best practice.

DQE, DLH, and DLC each have a board of directors, but each board has identical membership. The three boards conduct necessary business to comply with legal and regulatory requirements for each entity and to provide governance to DQE and its subsidiaries. For purposes of this report, the three companies' boards will collectively be referred to as Board. Per DQE's limited liability corporation agreement (LLC Agreement), each member owning at least 10% of the privately held company is entitled to appoint a member director for each 10% of interests held, up to a limit of two member directors. There are currently three owners, each owning more than 20% of DQE; accounting for six member directors. In addition, the LLC Agreement allows DLC to appoint its Chief Executive Officer (CEO) to serve as a director. Lastly, the Board may appoint individual(s) who are not affiliated with any owner to serve as independent director(s). As of the end of audit fieldwork on December 17, 2025, the Board had two independent directors with expertise in utility operations, energy compliance, and financial services; and in total, there were nine directors on the Board.

The Board provides oversight to DLC through the following five chartered board committees:

- **Asset Management Committee (AMC)** – reviews the operational and financial performance and monitors the safe operation and compliance of the company's transmission and distribution assets

- **Audit Committee (AC)** – oversees the integrity of the companies' financial statements, the work and independence of both the Internal Audit division and the independent auditor, and the companies' adherence to legal and regulatory requirements

- **Business Plan and Budget Review Committee (BPBRC)** – reviews and makes recommendations for Board approval of the companies' annual budget and business plan proposals

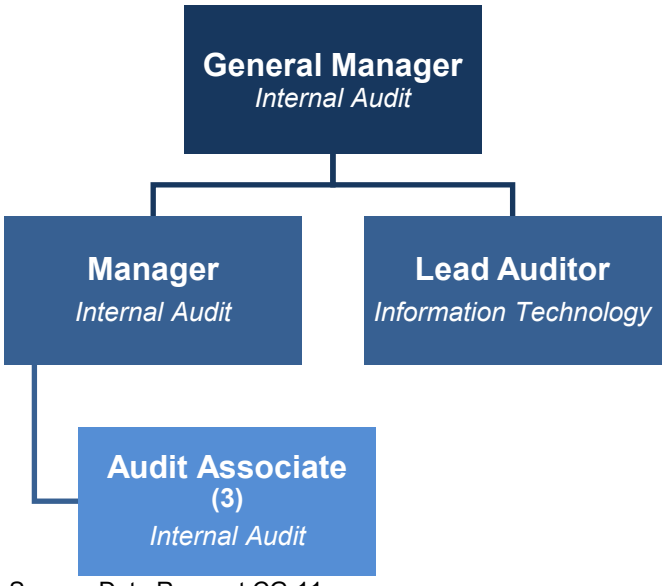
- **Governance, Regulatory, and Corporate Responsibility Committee (GRCRC)** – assists the Board in setting governance policies and provides oversight for community involvement and regulatory activities

- **Talent and Compensation Committee (TCC)** – assists the Board with its responsibilities relating to compensation and benefits for executives, management, and staff and oversees long-term planning for executive development and succession

DLC maintains an informative governance and corporate responsibility section on its company website[2] to ensure current information is available to owners, customers, and the public. In 2021, DLC developed a public report to highlight the company's efforts on ESG (Environmental, Social, and Governance) initiatives. The GRCRC is responsible to oversee ESG strategy based on three pillars: Climate Conscious, Powering People, and Responsible Performance. In addition, Internal Audit reviews the ESG report, annually, to verify accuracy.

The General Manager, Internal Audit (IA Leader) leads Internal Audit, reporting administratively to the Vice President, General Counsel and functionally to the AC. The AC retains ultimate authority to hire, evaluate, and terminate the IA Leader. Internal Audit's organizational structure is shown in Exhibit IV-1.

Exhibit IV-1
DQE Holdings LLC
Internal Audit Organizational Structure
As of December 31, 2025



Source: Data Request CG-11

Internal Audit completed audits in four categories for 2025: Operational (35.2%), Financial (23.6%), Compliance (21.5%), and Information Technology (19.6%).[3] The annual internal audit plan is developed with the input of the Executive Leadership Team and an assessment completed by the Enterprise Risk Management division. There is a

[2] www.duquesnelight.com/company/about/corporate-responsilbilty
[3] The category percentages do not equal 100% due to rounding.

rolling three-year plan that provides a general schedule of expected audit areas. These audit areas may be adjusted as changes in business or the control environment occur. Consideration is also given for the estimated time Internal Audit will need to devote to assisting the independent auditor.

DQE typically seeks competitive bids for independent auditing services every three – six years to ensure costs are reasonable given market conditions. DQE underwent its most recent competitive bid process in 2022, and the next competitive bid process is planned for 2026. The Board has retained Deloitte & Touche LLP (Deloitte) to perform independent auditing services, citing Deloitte's specialization in public utility accounting. Both the Board and Deloitte are committed to maintaining a proper partner rotation schedule to ensure independence.

DLC's Policies for Ethical Conduct (Ethics Policy) was updated in December 2024. The Ethics Policy is, "to set forth standard expectations of conduct for Personnel in support of the Company's commitment to conduct its business in accordance with the highest standards of business and common-sense ethics and applicable laws and regulations." The Ethics Policy is available on the corporate website[4]. Some of the notable topics covered by the Ethics Policy include:

- Corporate and Individual Responsibility
- Professional Conduct
- Environment
- Compliance with Laws and Regulations
- Conflicts of Interests
- Confidential Information
- Recordkeeping
- Off Duty or Non-Workplace Conduct
- Disclosure of Information

Findings and Conclusions

Our examination of the corporate governance function included a review of the Board's structure and activities including the board committees and their charters; guiding documents; and the reporting relationships and operations of the internal and independent auditors. Based on our review, nothing came to our attention that would lead the PUC Auditors to conclude that areas reviewed were not being performed adequately; therefore, no recommendations have been offered for the corporate governance functional area.

[4] https://www.duquesnelight.com/docs/default-source/default-document-library/policies-for-ethical-conduct

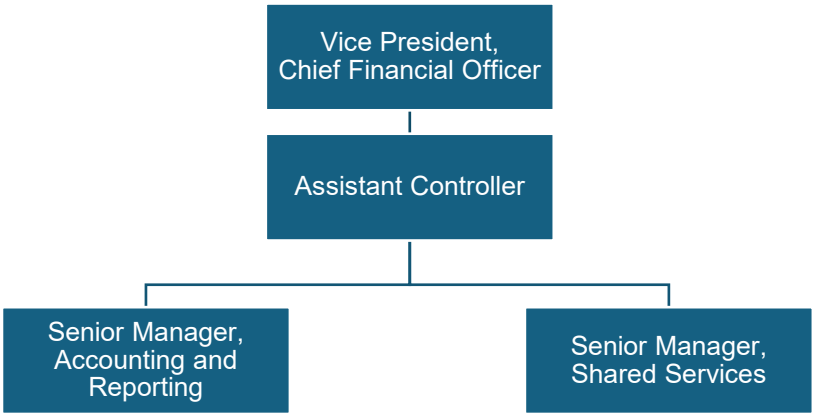
V – AFFILIATED INTERESTS AND COST ALLOCATIONS

Background

As shown in Exhibit II-1 of chapter II – Background, Duquesne Light Holdings, Inc. (DLH), which is owned by DQE Holdings LLC (DQE), owns and distributes electricity through DLC, its regulated subsidiary. DLC has transactions with some of DLH's subsidiaries throughout its day-to-day operations, mostly stemming from DLC providing goods and services to nonregulated affiliates or obtaining financing from DLH.

The Assistant Controller, who works in the Accounting division of the Office of the Chief Financial Officer (CFO) business unit, oversees cost allocation processes. The Assistant Controller's management team is shown in Exhibit V-1. See Exhibit VI-1 in chapter VI – Financial Management for a comprehensive organizational structure of the Office of the CFO business unit.

Exhibit V-1
Duquesne Light Company
Reporting Relationships of the Assistant Controller
As of October 31, 2025



Source: Data Request EM-46

Transactions between DLC and its affiliates are governed by affiliated interest agreements detailed on the next page. All have been filed with and approved by the Pennsylvania Public Utility Commission and provide the necessary detail to explain the affiliated transactions that occurred during the audit period. It should be noted that in addition to these agreements, DLC is party to short- and long-term borrowing agreements which are described in chapter VI – Financial Management. See chapter II – Background for descriptions of DLC's affiliates.

- **Administrative Services Agreement (ASA)**[5] – explains administrative fees that DLC charges affiliates which are based on allocation factors of the actual or estimated cost of services performed
- **Intercorporate Tax Payment Agreement**[6] – describes how federal tax expenses are allocated across DQE Holdings LLC's subsidiaries
- **Services Agreement between DLC and The Efficiency Network, Inc. (TEN)**[7] – describes streetlight construction services TEN provides to DLC
- **Services Agreement between DLC and TEN**[8] – explains energy audit services provided by TEN to DLC
- **Telecommunications Master Services Agreement** – provided an overview of telecommunication services DQE Communications LLC (DQE Comm) provided to DLC prior to divestiture[9]
- **Pole and Duct Arrangement** – explained the terms of pole attachment fees DLC charged former affiliate, DQE Comm
- **Fiber Services/Use Agreements** – described terms for DLC to rent communication fiber from DQE Comm before disaffiliation
- **Telecommunications Service Agreement** – provided the process by which DLC's employees performed technician work on behalf of DQE Comm prior to disaffiliation

DLC has shared service employees that perform various services for affiliates. A list of the services DLC provided to affiliates and the corresponding allocation factors is found in Exhibit V-2. These employees directly charge time to affiliates or specific projects as much as possible through the electronic time entry system[10]. For activities that direct charging is unfeasible, indirect allocation is based on the methodologies approved in the ASA. DLC maintains a cost allocation manual that thoroughly explains its cost allocation processes.

Each month, staff prepares and enters manual journal entries to allocate costs for specific projects, shared tools like software applications, etc. to affiliates. Monthly invoices for shared services are provided to affiliates and are payable within 30 days of receipt. The Manager, Accounting and Reporting routinely reviews cost allocations for accuracy. Costs allocated to DLC by DLH; such as letter of credit fees, bond issuance costs, bank service and other finance-related charges; are also reviewed to ensure they were solely for DLC's benefit.

[5] Approved by the PUC March 30, 2023 at Docket No.: G-2023-3038590
[6] Approved by the PUC June 5, 2006 at Docket No.: G-00051152
[7] Approved by the PUC January 10, 2023 at Docket No.: G-2022-3035094
[8] Approved by the PUC October 9, 2024 at Docket No.: G-2024-3050372
[9] As explained in chapter II – Background, DQE Comm was sold on April 30, 2024 after which it was no longer DLC's affiliate.
[10] *eTime* through May 2023; *WorkForce* as of June 30, 2023

Exhibit V-2
Duquesne Light Company
Services Provided to Affiliates and Allocation Factors Utilized
For the Period 2020 – 2024

Service	Allocation Factor
Alarm Monitoring	Average Asset
Independent Audit	Average Asset
Compliance	EBITDA
Communications/External Affairs	Headcount
Cash Disbursements	Direct
Executive Oversight	EBITDA
Finance/Accounting Admin and Managerial Oversight	EBITDA
Financial Planning & Analysis	EBITDA
Human Resources Managerial Oversight	Headcount
Information Services	Average Asset
Internal Audit	EBITDA
Legal	EBITDA
Materials Management – Office Supplies	Total Materials Per Employee
New Hire Background Checks	Headcount
Payroll	Headcount
Pension Administration	Headcount
Rent	Total Cost Per Employee Per Floor
Safety and Workforce Development	EBITDA
Tax	EBITDA
Treasury	Average Asset

Source: ASA at Docket No.: G-2023-3038590
EBITA = earnings before interest, taxes, depreciation, and amortization

Total annual charges to and from DLC's affiliates, by type, for the period 2022 – November 2025 are shown in Exhibits V-3 and V-4, respectively. As shown, the administrative cost allocations make up only a small amount of total affiliated charges.

Exhibit V-3
Duquesne Light Company
Summary of Charges to Affiliates (in millions)
For the Period 2022 – 2025 YTD*

Affiliate	Type of Charge	2022	2023	2024	2025 YTD
DQE Comm	Duct and Pole Attachment Rental	$ 1.5	$ 1.4	$ 0.5	--
Various	Administrative Costs>	$ 2.6	$ 2.9	$ 1.8	$ 1.2
Total Charges from DLC		**$ 4.1**	**$ 4.3**	**$ 2.3**	**$ 1.2**

Source: Data Requests AI-02 and AI-35 and auditor analysis
* - 2025 YTD was through November 30, 2025
> - Administrative Costs are the services shown in Exhibit V-1

Exhibit V-4
Duquesne Light Company
Summary of Charges from Affiliates (in millions)
For the Period 2022 – 2025 YTD*

Affiliate	Type of Charge	2022	2023	2024	2025 YTD
DQE Comm	Rental of Communication Fiber and Services	$ 3.9	$ 3.8	$ 1.0	--
DLH	Interest (Short- and Long-Term Borrowings)	$ 1.8	$ 6.1	$ 8.1	$ 5.6
DLH	Tax Sharing Payments	$ 26.8	$ 35.7	$ 29.5	$ 29.0
Total Charges to DLC		**$ 32.5**	**$ 45.6**	**$ 38.6**	**$ 34.6**

Source: Data Requests AI-02 and AI-35 and auditor analysis
* - 2025 YTD was through November 30, 2025

Findings and Conclusions

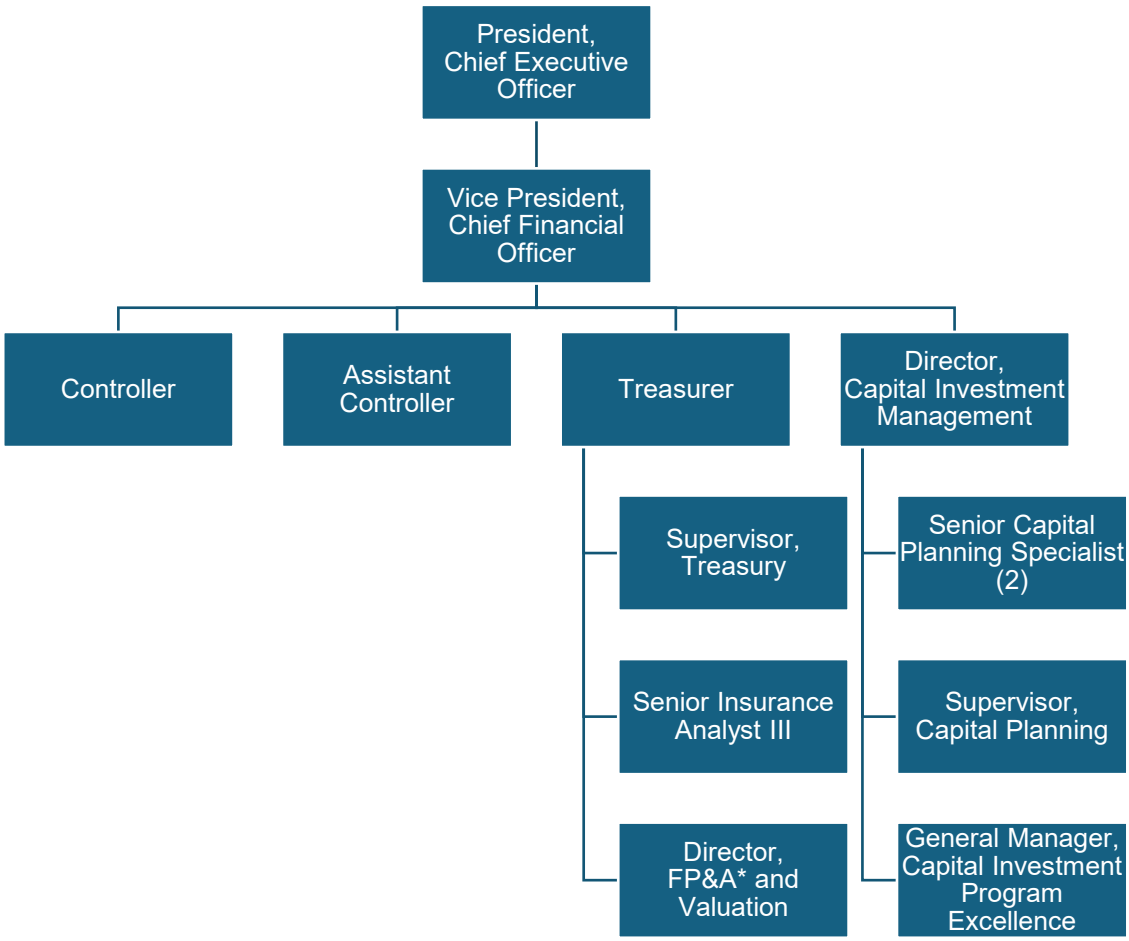
Our examination of the affiliated interests and cost allocations function included a review of contracts and agreements governing transactions between affiliates; cost allocation methodologies, guiding documents, and practices; employee time and expense reporting processes; internal control and audit of cost allocation activity; etc. Based on our review, nothing came to our attention that would lead the PUC Auditors to conclude that areas reviewed were not being performed adequately; therefore, no recommendations have been offered for the affiliated interests and cost allocations functional area.

VI – FINANCIAL MANAGEMENT

Background

Within DLC's Office of the Chief Financial Officer (CFO) business unit, the Treasury and Capital Investment Management divisions oversee the operating and maintenance (O&M) and capital budgeting, cash management including short- and long-term financing, and pension fund administration. Exhibit VI-1 shows the Office of the CFO business unit's organizational structure.

Exhibit VI-1
Duquesne Light Company
Office of the Chief Financial Officer Organizational Structure
As of October 31, 2025



Source: Data Request EM-46
* - FP&A = Financial Planning & Analysis

DLC has been utilizing a Controller and an Assistant Controller, both reporting directly to the CFO, because they are working through a financial transformation initiative.

The financial transformation is centered around the implementation of *Oracle* products which will increase automation and improve efficiency throughout the Office of the CFO business unit and the organization. Phase 1 focused on budget processes and was completed in August 2025. Phase 2 is ongoing and is focused on enhancing processes involving the general ledger, accounts payable, and financial reporting along with moving the Office of the CFO procurement processes to Oracle and the implementation of the Oracle Projects module which will give more visibility to costs throughout the organization. Completion of Phase 2 is set for the second quarter of 2027. Anticipated process improvements include, but are not limited to, automation of journal entries, reconciliations, and internal and external reporting and more visibility of real-time information on capital projects and other financial transactions.

DLC updates the rolling five-year business plan on an annual basis. The business plan summarizes the key quantitative and qualitative objectives. DLC establishes its desired capital structure which provides a targeted capitalization range considering regulatory capitalization, debt covenants, and rating agency criteria. Once the capital structure has been determined, the Treasury division, with input from other business units and divisions, prepares a plan to balance capitalization goals against projected business liquidity needs, and the short- and long-term financing strategy is planned. DLC's Board of Directors' Business Plan and Budget Review Committee reviews the plan and then makes a recommendation for full Board approval. Variances to the O&M and capital budgets are tracked monthly and require review and documentation when actual spending variances are +/- $250,000 and 10% for O&M spending by functional area and +/- $1 million and 10% for capital spending by project.

According to DLC's Revolving Credit Facility Agreement[11] with Duquesne Light Holdings, Inc. (DLH), DLC must maintain a debt capitalization ratio of less than 65%. However, to maintain compliance with regulatory requirements, DLC must keep its debt capitalization ratio under 60%. DLC aims to maintain a balanced mix of debt to equity to ensure financial flexibility and support long-term infrastructure investments that are consistent with peer utilities and to preserve a favorable credit rating. DLC's capital structure as of September 30, 2025 was 45.8% debt and 54.2% equity.

Exhibit VI-2 shows DLC's short-term debt as of December 8, 2025, and Exhibit VI-3 shows DLC's long-term debt for the period 2020 – December 8, 2025. On October 31, 2024, S&P Global published an opinion affirming DLC's BBB+ rating with a stable outlook, and on April 8, 2025, Moody's published an opinion affirming DLC's A3 rating with a stable outlook.

[11] Approved by the PUC on May 15, 2023 at Docket No.: G-2009-2148505

Exhibit VI-2
Duquesne Light Company
Short-Term Debt
As of December 8, 2025

Instrument	Issuance Date	Limit	Term in Years	Amount Drawn	Interest Rate
DLH's RCF	September 18, 2024	$ 300,000,000	5	$ 120,000,000	SOFR* + 0.975%
Intercompany Loan	--	$ 300,000,000	--	133,000,000	SOFR + 0.975%
Total Short-Term Debt as of December 8, 2025				**$ 253,000,000**	

Source: Data Request FM-14
* - SOFR = Secured Overnight Financing Rate

Exhibit VI-3
Duquesne Light Company
Long-Term Debt
For the Period 2020 – 2025 YTD*

Instrument	Issuance Date	Maturity Date	Term in Years	Amount Outstanding	Interest Rate
First Mortgage Bond[12]	May 5, 2020	May 5, 2050	30	$ 200,000,000	3.11%
First Mortgage Bond[13]	October 3, 2022	October 3, 2052	30	130,000,000	4.59%
First Mortgage Bond[14]	March 12, 2024	March 12, 2054	30	80,000,000	5.67%
First Mortgage Bond	March 12, 2024	March 12, 2064	40	50,000,000	5.77%
First Mortgage Bond	April 30, 2025	April 30, 2032	7	50,000,000	5.21%
First Mortgage Bond	April 30, 2025	April 30, 2035	10	150,000,000	5.44%
Total Long-Term Debt for the Audit Period				**$ 660,000,000**	

Source: Data Request FM-14
* - 2025 YTD was as of December 8, 2025
Note - the issuances on March 12, 2024 and April 30, 2025 were covered by the total borrowing limit in the securities certificate approved by the PUC on August 24, 2023

The Treasury division tracks daily receipts and disbursements to ensure that the master account is adequately funded. Any disbursements not covered by cash on hand are funded through short-term borrowings through DLH's revolving credit facility (RCF) or other intercompany loans with affiliates. In addition, one bank that is a member of DLH's RCF is set to supply stand-alone letters of credit to DLC, if needed. DLC also maintains a short-term investment account for temporary deposits of excess cash in money-market mutual funds. First mortgage bonds are used for long-term borrowings. The PUC grants authority to DLC to issue short- and long-term promissory notes through financing petitions.

DLC closely manages its liquidity through a daily cash forecasting model. In addition, a monthly cash forecast is prepared to estimate net liquidity over 18 months. The actual cash position is reported with explanations for variances compared to the cash

[12] Approved by the PUC on December 5, 2019 at Docket No.: S-2019-3013570
[13] Approved by the PUC on November 18, 2021 at Docket No.: S-2021-3028991
[14] Approved by the PUC on August 24, 2023 at Docket No.: S-2023-3041782

forecasts. These processes are maintained with the goal of planning and managing the company's cash needs over the long-term. DLC has implemented ring-fencing[15] to achieve financial protection. These safeguards include being organized as a separate legal entity from DLH, having stand-alone financial statements, maintaining its own credit ratings, and independently raising capital via external markets. The company does not invest in DQE Holdings LLC's (DQE) money pool, which means DLC's surplus cash cannot be borrowed by any of DQE's subsidiaries.

DLC is the fiduciary of its pension and other post-employment benefits (OPEB) plans and uses BNY Mellon as a trustee. DLC maintains a Pension Investment Committee and a Retirement Plans Policy Oversight Committee to manage its fiduciary responsibilities. DLC's projected pension contributions are approximately $10 million per year in 2025, 2026, and 2027 and $5 million per year in 2028 and 2029. In addition, DLC funds its OPEB through the Voluntary Employees' Beneficiaries Association Trust. DLC's pension funding status is presented in Exhibit VI-4.

Exhibit VI-4
Duquesne Light Company
Pension Funding Status
As of January 1, 2024

Projected Benefit Obligation	$ (880,873,391)
Fair Value of Assets	910,220,266
Amount Overfunded	**$ 29,346,875**
Percentage Overfunded	**103.3%**

Source: Data Request FM-19

Findings and Conclusions

Our examination of the financial management function included a review of accounting and finance guiding documents, the budgeting and forecasting processes including budget variance tracking and reporting, short- and long-term financing practices, dividend practices, pension plan funding, and ring-fencing. Based on our review, DLC should initiate or devote additional effort to improving the efficiency and/or effectiveness of the financial management function by addressing the identified findings.

Finding VI-1 – DLC has significant pole attachment fees in arrears.

As shown in Exhibit VI-5, pole attachment fees in arrears increased substantially in 2024. The main driver of the increase was annual pole attachment fees for two companies billed in March 2024 which remained outstanding as of November 30, 2025.

[15] Ring-fencing is the process of separating a company's assets or profits from the potentially riskier activities of its parent and other affiliates.

Exhibit VI-5
Duquesne Light Company
Pole Attachment Fees Arrearage Aging
As of November 30, 2025

	Current	1-30 Days	31-60 Days	60+ Days	Total
Amount	$ 119,307	$ 120,572	$ 340,631	$ 1,633,560	$ 2,214,070
Percentage of Outstanding	5.39%	5.45%	15.38%	73.78%	100.00%

Source: Data Request AI-34

The Accounting division conducts a monthly review of aging reports for pole attachment fees as part of its standard reconciliation procedures. Procedural guiding documents detail that for balances in arrears less than 90 days, collection efforts are limited to courtesy reminders and payment inquiries. Accounts 90 days or more past due are subject to escalated collection actions including calls, demand letters, and/or legal actions where applicable and practical. Pole attachments are managed by the Manager, Third Party Attachments within the Operations business unit and a Senior Disbursement/Revenue Analyst and the Senior Manager, Shared Services both within the Office of the CFO business unit.

DLC typically does not pursue collecting pole attachment fees in arrears, except in rare circumstances where payment is not made due to disagreement of the rate being charged. The company asserts that past due pole attachment fees are insignificant to the overall revenue and the cost of collection is higher than the fees collected. As such, DLC's past due pole attachment fees are continuing to increase along with potential corresponding additional interest expense. Near the end of audit fieldwork, DLC's short-term borrowing rate was 4.955%[16]. With $1.6 million overdue 60 or more days, annual accrued interest expense on additional borrowing could equate up to $79,280 as estimated using the simple interest calculation method.

According to DLC, the pole attachment contracts have verbiage allowing for late fees and/or interest on past due balances, but DLC has opted not to activate these consequences for late payment thus far. The company indicated that it intends to enforce these provisions moving forward with implementation as soon as is practicable. Collecting pole attachment revenue can improve the company's cash flow. Consequences for non-payment should be made known upfront to encourage timely payments, and DLC should ensure collection to make use of these funds and to avoid unnecessary interest expense. Imposing late fees is a low-cost method to achieve this goal. In addition, heightened collection efforts should be considered when economically beneficial.

[16] SOFR of 3.98% as of November 12, 2025 + an adder of 0.975%

Recommendation VI-1 – Impose consequences for non-payment of pole attachment fees and heighten internal collection procedures to reduce outstanding pole attachment fees.

Finding VI-2 – DLC's dividend policy does not include a provision to provide advance notification to the PUC when a dividend payment would exceed 85% of net income.

DLC has a formal dividend policy, titled Shareholders Payments, that provides guidance on quarterly dividend declaration. However, it does not include a provision to provide advance written notification to the PUC when a dividend payout would exceed 85% of net income. The Treasury Supervisor indicated awareness of the requirement to notify the PUC but confirmed this requirement was not explicitly included in the policy. Rather, the Debt Compliance Committee, which is responsible for reviewing all finance covenants, uses a check list to review whether any dividend payouts would exceed 85% of net income that includes the requirement to notify the PUC should that situation arise. As shown in Exhibit VI-6, DLC's dividend payouts were substantially below this threshold throughout the audit period.

Exhibit VI-6
Duquesne Light Company
Dividend Payout Ratio
For the Period 2020 – 2024

	2020	2021	2022	2023	2024
Net Income (in millions)	$ 170.3	$ 174.6	$ 204.5	$ 185.5	$ 195.9
Dividends Paid (in millions)	$ 80.0	$ 68.0	$ 111.5	$ 95.0	$ 2.0
Dividend Payout Ratio	**46.98%**	**38.95%**	**54.52%**	**51.21%**	**1.02%**

Source: 2020 – 2024 Annual Reports to the PUC and auditor analysis

A utility should include this notification provision in its dividend policy to ensure those who are responsible for planning dividends are aware of this requirement and can provide the necessary notification. Without such, the notification could be overlooked which would deny the PUC timely regulatory oversight.

Recommendation VI-2 – Revise the Shareholders Payments policy to include a provision to notify the PUC in advance when any dividend payout would exceed 85% of net income.

Finding VI-3 – Enhancing the delegation of authority processes could strengthen financial control.

DLC's delegation of authority approval levels were noted to be much higher than comparably sized or larger utilities. An executive could theoretically spend up to $100 million while an employee in upper-level management could spend up to $10 million without immediate oversight. Actual versus budgeted spend amounts are reviewed monthly by the Executive Leadership Team (ELT) as well as the Asset Management Committee, a subset of DLC's Board of Directors (Board). This process exists to provide additional control over the Board's approved business plan and is at a level of detail to deter overspending or discover fraudulent spending.

Approval levels are set based upon job levels but there is inherent ambiguity because many positions are multi-job level. For example, there is a different approval level set for vice presidents versus executives but most of the ELT is also a vice president. Finally, there was an exemption list highlighting circumstances that allowed for higher approval levels for certain transaction types. However, the exemption list had not been updated since January 9, 2019. Therefore, some of the employees listed to have exemption approval status were no longer in those roles, and the CFO that approved of the exemption list was no longer with the company.

The company opines that the Board pre-approves operational and capital spending through the review and annual update of the five-year consolidated business plan. DLC further contends the business plan provides the necessary level of granularity to support appropriate spending practices in all major categories whether O&M or capital. It was explained that DLC's executives and upper-level management are entrusted by the Board with the proper stewardship of the company's finances as they are often required to approve frequent, high-value transactions in the normal course of business and that they are held accountable through various Board oversight mechanisms including a monthly review of the company's results compared to the business plan, monthly key performance indicators associated with EBITDA (earnings before interest, taxes, depreciation, and amortization), dividend yield, and bi-annual formal reforecasting.

DLC is privately held and not subject to the same level of internal control testing as publicly traded companies but ensuring appropriate control over financial transactions is crucial for any company. DLC agreed that the exception list had become outdated and should be reviewed at least annually. Exceptions to the delegation of authority matrix should be carefully managed to ensure appropriate control over financial transactions. In addition, the PUC Auditors contend that creating multi-level approvals for expenses over a threshold, such as $5 million or greater, is a best practice that could strengthen DLC's control and is consistent with the practices of other peer utilities. Finally, all provisions of DLC's delegation of authority processes, matrix, related exceptions, etc., should be documented in a formal guiding document and reviewed annually.

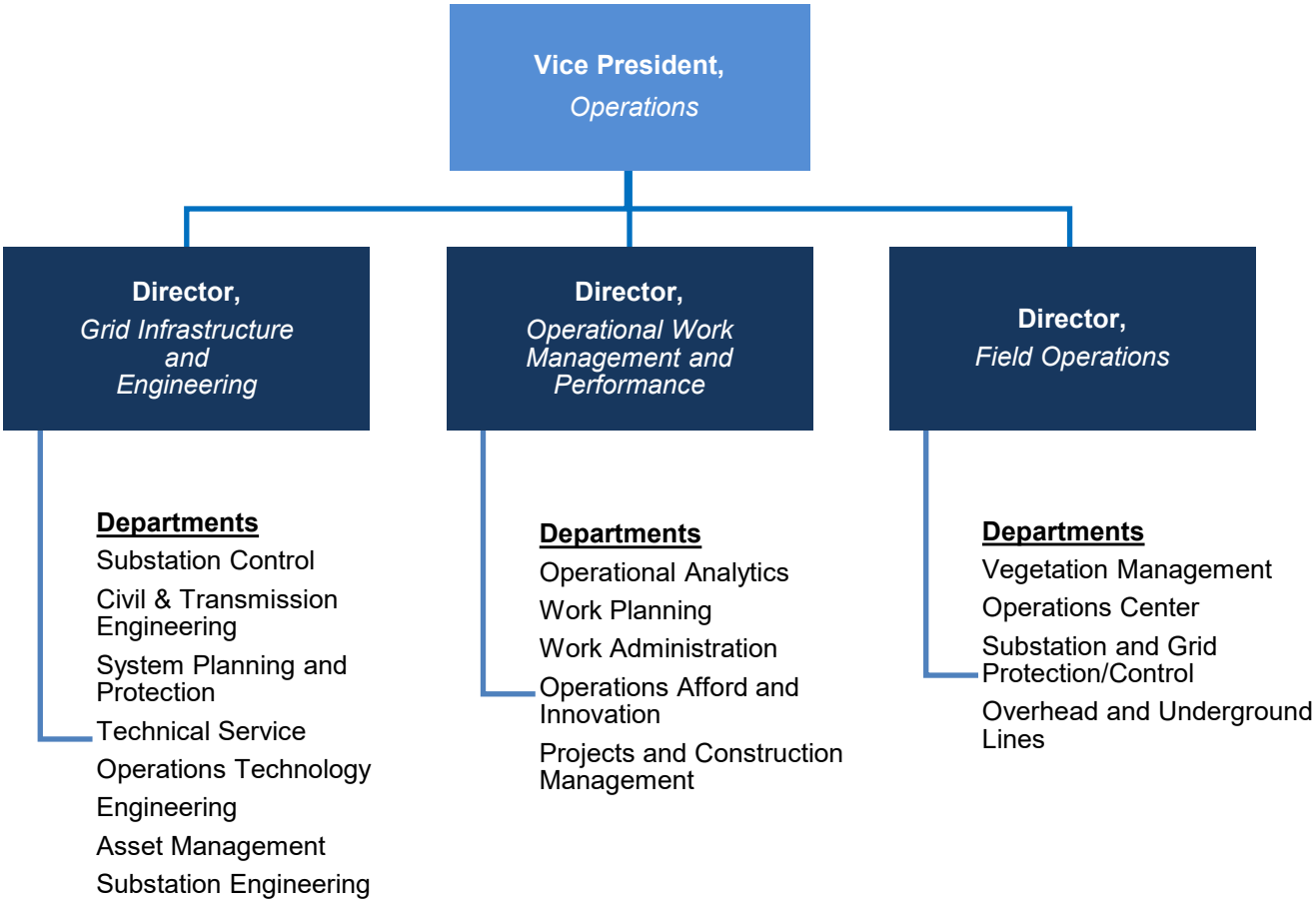
Recommendation VI-3 – Create a formal guiding document for the delegation of authority processes, that includes defined exceptions and a provision for annual review, and consider strengthening control over financial transactions by including a requirement for multi-level executive approval for transactions over $5 million.

VII – ELECTRIC OPERATIONS

Background

Electric Operations (EO) functions at DLC are performed under the direction of the Vice President, Operations. The Operations business unit is separated into three divisions: Operational Work Management and Performance, Field Operations, and Grid Infrastructure and Engineering. See Exhibit VII-1 for the Operations business unit organizational structure.

Exhibit VII-1
Duquesne Light Company
Operations Organizational Structure
As of October 31, 2025



Source: Data Request EM-02

The Operational Work Management and Performance division supports the other two divisions through analytics and performance measurement, budget development, work order management, etc. Its Project and Construction Management department provides oversight of projects being completed by contractors. Predominately, DLC uses

contractors for vegetation management, larger construction projects, engineering services, traffic control, and various operating and maintenance (O&M) activities when needed. This group is also responsible for developing the company's Long-Term Infrastructure Improvement Plan[17] (LTIIP).

Exhibit VII-2 shows the company's capital and O&M expenditures for the period 2021 – November 2025. During this period, DLC increased capital expenditures to replace aging infrastructure as defined in its approved LTIIP. In addition, DLC focused on upgrading resiliency for the downtown area of the City of Pittsburgh through substation improvements and the replacement of an end-of-life transmission line corridor. The O&M expenditures fund the plan to inspect and maintain existing equipment to ensure safe and reliable delivery of electricity through continuous maintenance programs along with additional projects related to energy efficiency programs and emergent technology projects.

Exhibit VII-2
Duquesne Light Company
Operations' Capital and Operating & Maintenance Expenditures
For the Period 2021 – 2025 YTD*

	2021	2022	2023	2024	2025 YTD
Capital	$ 326,070,433	$ 381,191,259	$ 408,859,208	$ 466,675,537	$ 452,877,648
O&M	$ 53,078,000	$ 57,703,000	$ 51,922,000	$ 51,189,000	$ 36,413,000

Totals	Capital	O&M
	$ 2,035,674,085	$ 250,305,000

Source: Data Requests EO-18, EO-68, FM-10, and FM-43; The Pennsylvania Public Utility Commission's (PUC) Annual Reliability Reports; and auditor analysis
* - 2025 YTD was through October 31, 2025

The Field Operations division manages the construction and maintenance of overhead and underground electric transmission and distribution facilities and equipment. Field Operations' departments monitor and operate DLC's grid around-the-clock using SCADA[18] and are responsible for restoring power when there is an outage. The company performs traditional O&M activities to ensure it meets defined inspection and maintenance standards with a goal to meet electric reliability standards. In addition, Field Operations' craftworker positions significantly increased as a result of bargaining agreement negotiations[19]. Staffing increased from its lowest point of 541 in 2021 to 609 as of December 31, 2025.

The Grid Infrastructure and Engineering division plans, designs, and estimates work time and cost to maintain a safe and resilient electrical grid. DLC's asset

[17] Approved by the PUC on November 10, 2022 at Docket No.: P-2022-3032805
[18] SCADA stands for supervisory control and data acquisition; an operational technology to enhance efficiency, safety, and resiliency
[19] Operations' staff are largely represented by Local 29 of the International Brotherhood of Electric Workers union.

management program outlines a preventive maintenance plan and governs when equipment should be repaired or replaced. Although DLC performs some design work internally, design work for large or specialized projects is contracted out and is coordinated with the Operational Work Management and Performance division. In addition, applications that provide real-time data, such as the geographical information system database and system mapping, support effective operations.

DLC's service territory is separated into five operating areas[20] as shown in Exhibit II-2 in chapter II – Background. Preble covers the City of Pittsburgh, McKeesport is to the southeast, Penn Hills is to the northeast, Edison covers the north, and Raccoon is to the northwest. Each operating area has a centrally located service center and garage to support daily operations. Typical EO work includes maintenance, emergency restoration, customer order fulfillment, and capital construction.

The PUC codified reliability performance standards through The Amended Reliability Benchmarks and Standards for the Electric Distribution Companies[21] which established the 12-month standard, 36-month standard, and benchmark performance for three reliability indices. Further details explaining the terminology used within the reliability standards are presented below.

- **Benchmark** – is an objective level of performance that an electric distribution company (EDC) should strive to achieve and maintain. As established, benchmark performance represents the statistical average of an EDC's annual, system-wide reliability performance over the five-year period 1994 – 1998.

- **Standard** – is a numerical value that represents the minimum level of accepted performance for each reliability index specifically determined for each EDC. Performance standards are based on the established benchmark for each EDC. DLC's rolling 12-month standard is 120% of the benchmark and its rolling 36-month standard is 110% of the benchmark.

- **Major Event** – is a sustained interruption due to an event beyond the EDC's control which affects at least 10% of its customers for a duration of five minutes or longer.

These indices measure EDCs' frequency and duration of outages, excluding outages associated with exempted major events. Exhibit VII-3 displays DLC's benchmarks, standards, and actual performance for 2020 – 2025. Definitions of the reliability indices are as follows:

- **System Average Interruption Duration Index (SAIDI)** – average duration of sustained interruptions per total system load connected during the analysis period; the average duration time of sustained interruptions, lasting more than five minutes

- **System Average Interruption Frequency Index (SAIFI)** – average frequency of sustained interruptions per total system load connected during the analysis period

[20] The operating areas present during audit fieldwork were established in 2007.
[21] Issued May 7, 2004 at Docket No.: M-00991220

- **Customer Average Interruption Duration Index (CAIDI)** – average interruption duration of sustained interruptions for the customers who experience interruptions during the analysis period; the average time required to restore service to the average customer experiencing a sustained interruption

Exhibit VII-3
Duquesne Light Company
Electric Reliability Performance
For the Period 2020 – 2025

Year	SAIDI	SAIFI	CAIDI
2020	111 minutes	0.85	131 minutes
2021	172 minutes	0.93	185 minutes
2022	136 minutes	0.93	146 minutes
2023	63 minutes	0.57	110 minutes
2024	126 minutes	0.82	155 minutes
2025	103 minutes	0.84	123 minutes
36-Month Avg (2023 – 2025)	**97.3 minutes**	**0.74**	**129.3 minutes**
Benchmark	**126 minutes**	**1.17**	**108 minutes**
Rolling 12-Month Standard	**182 minutes**	**1.40**	**130 minutes**
Rolling 36-Month Standard	**153 minutes**	**1.29**	**119 minutes**
Formula*	[(∑kVA-minutes interrupted) – kVA-minutes impact of major events] / system connected kVA	[(∑kVA interrupted) – kVA impact of major events] / system connected kVA	SAIDI / SAIFI

Source: PUC's Annual Reliability Reports
* - DLC measures interruptions based upon kilovolt-amp (kVA) load

As an EDC separates the electric distribution system into smaller independent parts (i.e., sectionalizes), when an outage occurs in part of the system, fewer customers would be impacted than before sectionalizing. This in turn leads to a reduction in SAIFI which mathematically results in an increase in CAIDI because individual outages are spread across a fewer number of customers than when the metric was developed using the historic 1994 – 1998 test period. For additional information on electric reliability and related performance, refer to Finding VII-1 regarding customers experiencing multiple interruptions and Finding VIII-2 in chapter VIII – Emergency Preparedness regarding the PUC's "Report on the Response of the Electric Distribution Companies Affected by Severe Storms from April 29, 2025 through May 9, 2025".

Findings and Conclusions

Our examination of the EO function included a review of operating guidelines and system reliability and maintenance, vegetation management, guiding documents, fieldwork safety programs, staffing levels, system planning, etc. Based on our review, the company should initiate or devote additional efforts to improving the efficiency and/or the effectiveness of its electric operations by addressing the identified findings.

Finding VII-1 – DLC has not established a formalized CEMI (customers experiencing multiple interruptions) mitigation program.

CEMI is a reliability metric that represents the number of outages customers are experiencing each year. This metric is expressed as CEMI#, where "#" is the number of outages experienced by one or more customers in a specified year. For instance, CEMI5 means one or more customers experienced exactly five outages in the year. Greater CEMI indicates worse reliability performance.

Prior to 2023, DLC did not track CEMI due to the limitations of its outage management system. But during 2023, the company began recording CEMI data based on related device operations such as an outage for a particular transformer, circuit, etc. While this gave the company some insight into CEMI, it was not always accurate. Therefore, with the implementation of a new outage management system in 2024, the company could record outages at a customer meter giving a true picture of outages per customer. Admittedly, DLC is still in early stages of tracking CEMI and must further refine its data capture and analysis. DLC's current CEMI data by number of outages and the corresponding kVA and customers affected for 2024 – November 2025 is provided in Exhibit VII-4.

Exhibit VII-4
Duquesne Light Company
Customers Experiencing Multiple Interruptions for Total System
For the Period 2024 – 2025 YTD*

Number of Outages Per Customer	2024		2025 YTD	
	kVA	Customers	kVA	Customers
4+ Outages	452,338	70,678	495,864	77,479
6+ Outages	152,377	23,809	129,054	20,165
8+ Outages	37,874	5,918	4,055	634
10+ Outages	33,858	5,290	--	--

Source: Data Request EO-71
* - 2025 YTD was through November 30, 2025

As shown above, 5,290 customers experienced ten or more interruptions, and 5,918 customers experienced eight or nine interruptions in 2024. Through November 2025, there was no CEMI10+; however, there were still 634 customers at the CEMI8+ level. 66 Pa.C.S. § 1501 states that, "Every public utility shall furnish and

maintain adequate, efficient, safe, and reasonable service… Such service also shall be reasonably continuous and without unreasonable interruptions or delay." Although the PUC has not defined adequate service based upon CEMI, the PUC Auditors contend that as CEMI increases, customers' satisfaction and DLC's performance for providing reasonably continuous service decreases.

Ideally, there should be zero CEMI10+ customers in any given year and CEMI6+ and CEMI8+ should be minimized. Due to DLC's infancy in tracking and analyzing CEMI data, it is sensible for the company to continue to refine its data collection and integrity and to trend that data over time. In doing so, DLC can establish reasonable goals for CEMI and develop a proper mitigation program. In the meantime, DLC should, at a minimum, aim for zero CEMI10+.

Recommendation VII-1 – Develop and implement a formal mitigation program with established goals to reduce the number of customers experiencing multiple interruptions.

Finding VII-2 – Some Field Operations' employees incurred high levels of individual overtime during the audit period.

Because of the hazardous nature of working with high voltage lines, excessive overtime (OT) for individual craftworkers can increase risk of adverse conditions. Fatigue and reduced awareness can result in injuries or death to employees and/or customers or cause damage to the company's and customers' property.

Exhibit VII-5 displays the ten employees with the highest individual OT levels each year throughout the audit period. Many of Field Operations' employees have exceeded 1,040 hours of OT, which equates to about 50% of straight time, and one individual reached 2,597 OT hours which is more than a traditional work year of 2,080 hours or over 100% OT. It should be noted that the OT hours reported in Exhibit VII-5 include hours for call-outs, standby time, minimum payouts[22], etc.

[22] Under most circumstances, craftworkers are entitled, under the collective bargaining agreement (CBA), to collect a minimum of 3 hours for each call out even if the task does not take that long.

Exhibit VII-5
Duquesne Light Company
Top Ten Highest Individual Overtime Hours
For the Period 2020 – 2025 YTD*

Rank	2020	2021	2022	2023	2024	2025 YTD
1	2,597	1,812	1,946	1,720	1,634	1,607
2	2,505	1,600	1,916	1,555	1,488	1,410
3	2,399	1,567	1,524	1,480	1,352	1,343
4	1,851	1,455	1,494	1,413	1,328	1,272
5	1,730	1,435	1,392	1,261	1,269	1,246
6	1,692	1,416	1,380	1,232	1,214	1,231
7	1,656	1,403	1,345	1,209	1,172	1,203
8	1,651	1,402	1,321	1,208	1,161	1,201
9	1,642	1,399	1,311	1,203	1,160	1,166
10	1,619	1,391	1,300	1,189	1,139	1,165

Source: Data Requests EO-07 and EO-67 and auditor analysis
* - 2025 YTD was through November 30, 2025

Field technicians accumulate OT in one of three categories: emergency, emergent, or planned. Emergency OT results from OT worked during storm restoration of service. Emergent OT results mostly from non-storm restoration of service. Planned OT, however, is more manageable. As shown in Exhibit VII-6, for the years 2020 – 2024, planned OT accounted for 74.5% – 80.8% of total OT. Consequently, the majority of individual OT for the audit period was considered within the company's control.

Exhibit VII-6
Duquesne Light Company
Overtime Data by Type
For the Period 2020 – 2024

	2020		2021		2022		2023		2024	
	Hours	% Total	Hours	% Total	Hours	% Total	Hours	% Total	Hours	% Total
Total OT	19,345		14,885		14,932		13,473		12,920	
Emergency	1,239	6.4%	1,028	6.9%	833	5.6%	733	5.4%	1,273	9.9%
Emergent	2,191	11.3%	1,757	11.8%	2,121	14.2%	2,020	15.0%	1,930	14.9%
Planned	15,508	**80.2%**	12,034	**80.8%**	11,873	**79.5%**	10,645	**79.0%**	9,625	**74.5%**

Source: Data Requests EO-07 and EO-67 and auditor analysis

DLC will need to further examine why some field technicians are incurring excessive individual OT. Utilities typically cite challenges in managing OT due to a variety of factors, such as CBA limitations, the need for specialized skills sets, increases in emergency restoration tasks, etc., but efforts should be made to identify circumstances resulting in excessive OT that can be mitigated through careful, intentional planning. DLC was able to reduce the number of planned OT from 15,508 hours in 2020 to 9,625 hours in 2024, a 37.9% reduction. This reduction was attributed to an agreement between the company and the union to hire additional craftworkers. The increase in staffing equated to more work being done during normal work hours.

Recommendation VII-2 – Analyze overtime data to determine additional process enhancements to further reduce individual overtime.

Finding VII-3 – DLC's Operating Manual Parts I and II for substations are outdated and have not been updated using the standardized guiding document format consistent with the other electric operations manuals and corporate policy documents.

During review of the Operations business unit's guiding documents, DLC's Operating Manual Parts I and II for substations were found to have the following deficiencies:

- Last cited revisions were in February 2006 for Part I and September 2010 for Part II
- There was no historic documentation within the guiding documents of review, update, approval, or acknowledgment activities
- Some contact information was dated from 1981 and contained references to entities no longer in business
- Multiple pages included proposed redline edits for management review indicating it was not a finalized guiding document
- Detail relating to permitting and employee certification were last updated in March 2008 and were not current
- Two new substations have been brought online after these manuals were last updated therefore procedures related to them are not included therein

It is best practice to routinely review, update, and seek approval for departmental guiding documents. For more details on appropriate guiding document governance, see Finding III-2 in chapter III – Executive Management and Organizational Structure. Without proper oversight, the potential exists for guiding documents to become out of compliance, create operational inefficiency and confusion, and increase exposure to risks. Because

of the inherent dangers within EO work, outdated operating manuals create a particularly heightened risk to person, property, and reliable service and need to be governed appropriately.

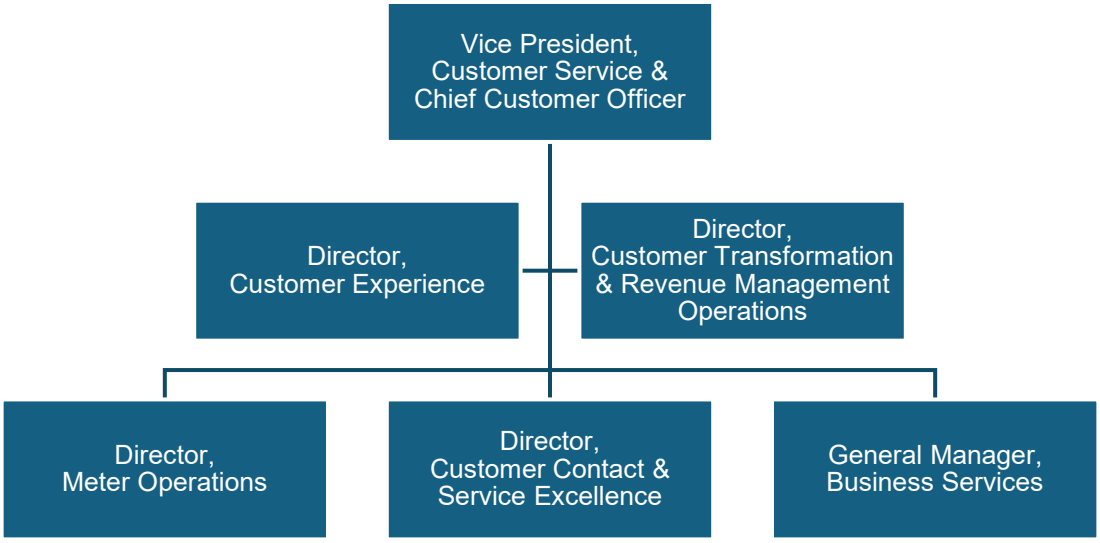
Recommendation VII-3 – Review electric operation manual(s) to ensure each is accurate, current, and in the standardized guiding document format and establish and implement a routine review schedule for these guiding documents going forward.

VIII – CUSTOMER SERVICE

Background

DLC's Customer Service business unit is directed by the Vice President, Customer Service & Chief Customer Officer and is comprised of the following divisions: Customer Experience, Customer Transformation & Revenue Management Operations, Meter Operations, Customer Contact & Service Excellence, and Business Services. Exhibit VIII-1 shows DLC's Customer Service business unit organizational structure.

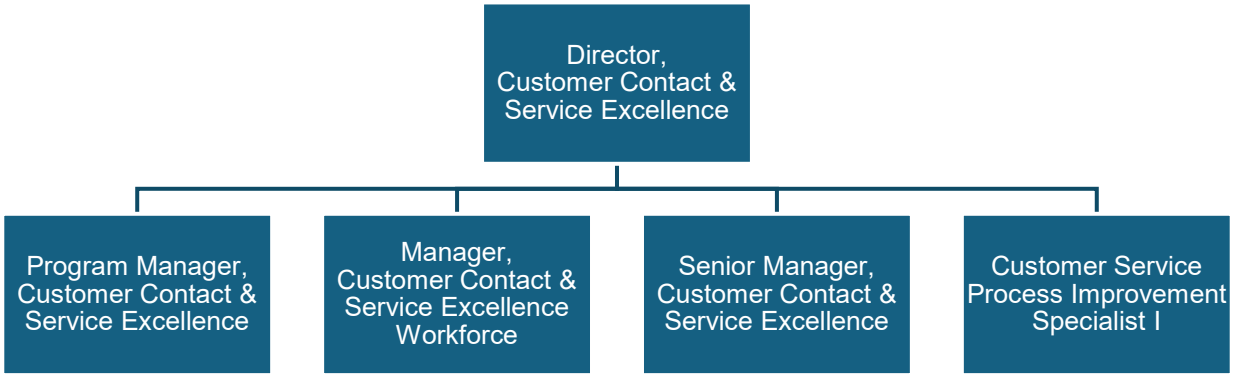
Exhibit VIII-1
Duquesne Light Company
Customer Service Organizational Structure
As of October 31, 2025



Source: Data Request EM-46

The largest division of the Customer Service business unit is Customer Contact & Service Excellence. The Contact Center, which had 133 management and staff employees, is comprised of two primary areas: call operations and back-office operations. Responsibilities include managing all incoming customer inquiries and overseeing performance metrics analysis and process improvement initiatives. In addition to the traditional customer service representatives (CSR), there are technical support representatives who work primarily with contractors and electricians on new business and wiring approval requirements. Adjacent the Contact Center, non-unionized teams; such as Quality Assurance, Training, Leadership, and Workforce Management; support operational efficiency and continuous improvement. Exhibit VIII-2 depicts DLC's Customer Contact & Service Excellence division.

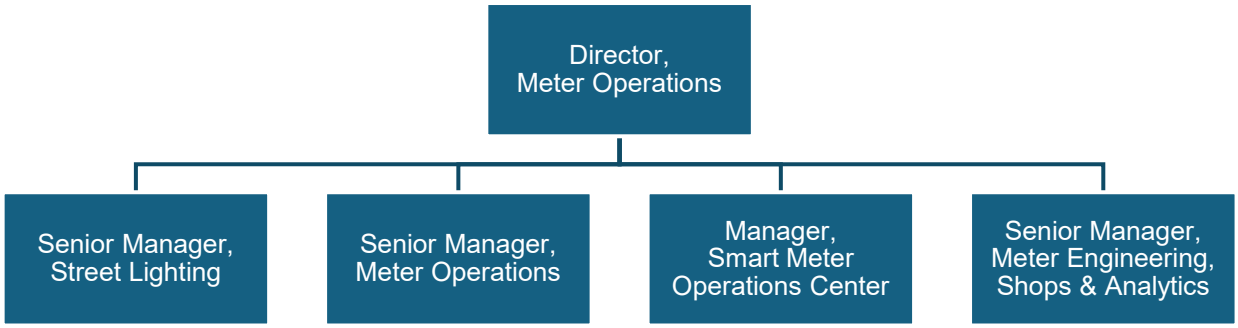
Exhibit VIII-2
Duquesne Light Company
Customer Contact & Service Excellence Organizational Structure
As of October 31, 2025



Source: Data Request EM-46

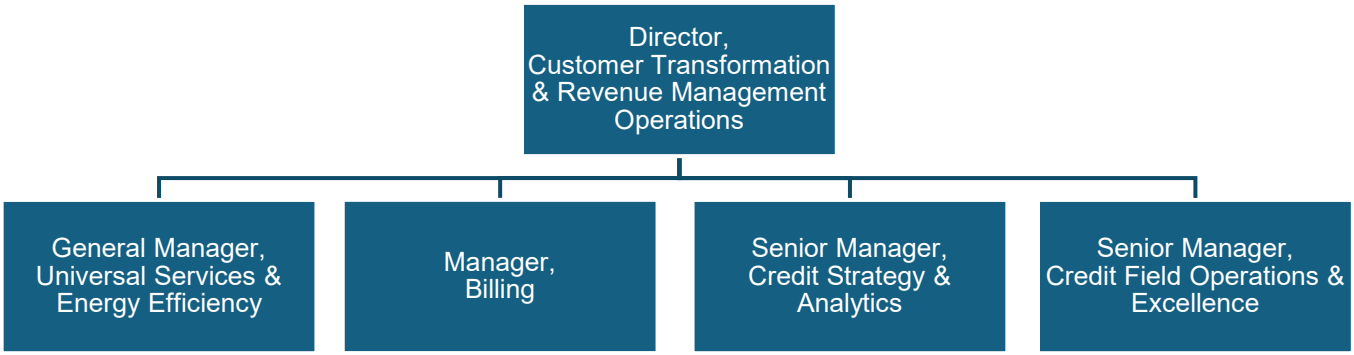
To gather customers' usage data, DLC uses an advanced metering infrastructure (AMI) network. This network automatically captures meter readings over multiple billing cycles and aggregates them into data files to prepare for bill creation and printing. DLC's Smart Meter Operations Center is responsible for maintaining the integrity of meter readings and usage reports. The Field Collections team, housed in the Customer Transformation & Revenue Management Operations division, is responsible for obtaining manual reads when necessary. DLC does not employ traditional meter reading staff because of its AMI network. Exhibits VIII-3 and VIII-4 outline the structure of both the Meter Operations division and Revenue Management division, respectively.

Exhibit VIII-3
Duquesne Light Company
Meter Operations Organizational Structure
As of October 31, 2025



Source: Data Request EM-46

Exhibit VIII-4
Duquesne Light Company
Revenue Management Organizational Structure
As of October 31, 2025



Source: Data Request EM-46

Because DLC's metering is fully automated, Meter Operations primarily focuses on inspecting and maintaining equipment to ensure reliable readings. Meter reading accuracy is verified through a set of more than 15 internal controls spread across multiple process checkpoints. These controls flag a variety of anomalies from excessive bill amounts to incorrect voltages and meter multipliers. These controls are designed to mitigate risk of incorrect billings. DLC's annual billing error rate was less than 1% of bills rendered over the period 2020 – May 31, 2025.

DLC uses a third-party bill printing vendor who is responsible for same-day mailing of paper bills and notifying customers enrolled in paperless billing of electronic bill availability. DLC's customers are offered multiple ways to make payments including one-time and monthly prescheduled online payments, paying by phone or mail, or using DLC's mobile app. While the company does not accept cash payments directly, customers are also able to use any Western Union within the service territory to make cash payments.

The Universal Services Program (USP) is administered by the Universal Services & Energy Efficiency team who builds and maintains key relationships with state officials, community program administrators, and third-party entities to fulfill the objectives of DLC's USP. DLC is committed to energy affordability as was evident through its Customer Assistance Program (CAP) participation rates which were notably better than other peer utilities as shown in Exhibit VIII-5. In addition, DLC's CAP participation rates continued to rise throughout 2024 and 2025 YTD. Specifically, DLC's CAP participation rate was 84.4% in 2024 and 84.9% as of October 31, 2025.

Exhibit VIII-5
Duquesne Light Company
Customer Assistance Program Participation
For the Period 2020 – 2023

	2020	2021	2022	2023
Customer Assistance Program Participation Rate[23]	**Average Performance of Peer Utilities**			
	38.5%	45.5%	46.1%	44.0%
	DLC's Performance			
	70.6%	**73.2%**	**74.5%**	**70.7%**

Source: BCS' Universal Service Programs & Collections Performance reports for 2020 – 2023

DLC's USP is defined in its Universal Service and Energy Conservation Plan which is filed with the PUC for approval. The plan has four components:

- **Customer Assistance Program** – offers the opportunity for arrearage forgiveness and discounted monthly bills
- **Customer Assistance Referral and Evaluation Services** – provides information regarding resources available through the company and the community
- **Hardship Fund** – provides financial assistance in the form of grants for overdue energy bills
- **Smart Comfort** – DLC's Low-Income Usage Reduction Program that offers opportunities for weatherization and other usage reduction measures

Another function that is overseen by the Customer Transformation & Revenue Management Operations division is the company's theft of service (ToS) mitigation processes. Energy theft is a crime and safety issue that costs utility companies billions[24] of dollars each year. To prevent ratepayers from bearing the cost of ToS through higher rates, utilities must work to prevent theft and resolve confirmed cases quickly and effectively.

Although AMI technology helps to deter meter tampering, DLC has formal procedures in place to investigate reported ToS. DLC's ToS webpage[25] demonstrates the critical role that the public has in preventing dangerous incidents of service tampering. DLC claimed most of its tips of ToS come through this webpage. By using this resource, ratepayers can prevent safety hazards and minimize the impact of ToS on their rates. DLC further explained that from 2015 – 2025, 93% of energy theft related to residential cases while only 7% related to commercial cases. Exhibit VIII-6 presents the number of cases and estimated value of stolen energy during the period 2020 – approximately August 2025.

[23] The annual CAP rate is calculated from the number of customers enrolled in CAP as of Dec 31st each year divided by the EDC's number of confirmed low-income customers.
[24] https://www.networkedenergy.com/en/news-events/energy-theft-and-fraud-reduction?t
[25] https://duquesnelight.com/customer-support/energy-theft

Exhibit VIII-6
Duquesne Light Company
Theft of Service Data
For the Period 2020 – 2025 YTD*

Year	Case Count	Estimated Value
2020	28	$ 16,400
2021	81	$ 39,608
2022	83	$ 75,945
2023	68	$ 119,532
2024	77	$ 88,137
2025 YTD	56	$ 53,662

Source: Data Request CS-32
* - 2025 YTD was as of data provided September 11, 2025

Findings and Conclusions

Our examination of the customer service function included a review of the business unit's organizational structure, assigned responsibilities, guiding documents, performance levels, customer care and metering system capabilities, training and employee development, universal service programs, and strategic initiatives. Based on our review, DLC should initiate or devote additional effort to improving the efficiency and/or effectiveness of the customer service function by addressing the identified findings.

Finding VIII-1 – DLC's Contact Center performance was mostly below the panel average performance of regional peer utilities between 2020 – 2023.

The PUC's Bureau of Consumer Services (BCS) prepares annual reports of service quality data for the larger electric distribution companies (EDCs) and natural gas distribution companies which are available to the public on the PUC's website[26]. The Customer Service Performance Reports for 2020 – 2023 indicated that DLC's Contact Center performance was generally worse than the panel average of the other major EDCs.

In Exhibit VIII-7, DLC's telephone access performance is shown compared to the panel average performance of peer utility companies. Red shaded results indicate performance that did not meet the average peer performance level whereas green shaded results indicate performance that met or exceeded average peer performance. DLC's 2025 YTD performance, as of October 31, 2025, showed improvement in all three metrics; however, the average peer performance data was not available for comparison. Specifically, the call abandonment rate improved to 7.2%, the percent of calls answered within 30 seconds improved to 89.3%, and satisfaction with ease of reaching the EDC improved to 77%.

[26] https://www.puc.pa.gov/filing-resources/reports/customer-service-performance-reports/

Exhibit VIII-7
Duquesne Light Company
Telephone Access Performance
For the Period 2020 – 2024

	2020	2021	2022	2023	2024
Call Abandonment Rate[27]	**Average Performance of Peer Utilities**				
	2.0%	5.0%	6.4%	5.0%	7.8%
	DLC's Performance				
	4.0%	**9.0%**	**16.0%**	**22.0%**	**13.0%**
Percent of Calls Answered Within 30 Seconds[28]	**Average Performance of Peer Utilities**				
	91.0%	83.6%	79.6%	84.6%	79.8%
	DLC's Performance				
	88.0%	**84.0%**	**76.0%**	**78.0%**	**84.0%**
Satisfaction with Ease of Reaching EDC[29]	**Average Performance of Peer Utilities**				
	88%	86%	80%	75%	72%
	DLC's Performance				
	88%	**80%**	**77%**	**71%**	**68%**

Source: BCS' Customer Service Performance Reports for 2020 - 2024

In Exhibit VIII-8, customer satisfaction with DLC's CSRs' performance is shown compared to the panel average performance of peer utility companies. In order to ensure comparability, each EDC must set up customer surveys with the same questions. In all customer satisfaction ratings, higher percentages indicate better performance. Again, red shaded results indicate performance that did not meet the average peer performance level whereas green shaded results indicate performance that met or exceeded average peer performance. Similar to the telephone access metrics, DLC's performance as of October 31, 2025 improved in all three metrics. Satisfaction with the representative handling the contact improved to 90%, satisfaction with the representative's knowledge improved to 93%, and overall satisfaction with quality of service improved to 83%.

[27] The call abandonment rate is the number of calls during which the caller opted to disconnect before reaching a CSR divided by the total number of calls received – lower values indicate better performance.
[28] Answered calls are those connected to a CSR who is ready to render assistance – a higher percentage indicates better performance.
[29] The satisfaction with ease of reaching the EDC metric is gathered through customer surveys – higher percentages indicate better performance.

Exhibit VIII-8
Duquesne Light Company
Customer Service Representative Performance
For the Period 2020 – 2024

	2020	2021	2022	2023	2024
Satisfaction with EDC Representative Handling the Contact	**Average Performance of Peer Utilities**				
	92%	92%	91%	86%	85%
	DLC's Performance				
	92%	**89%**	**88%**	**88%**	**85%**
Satisfaction with EDC Representative's Knowledge	**Average Performance of Peer Utilities**				
	92%	93%	91%	88%	87%
	DLC's Performance				
	92%	**92%**	**87%**	**88%**	**88%**
Overall Satisfaction with EDC's Quality of Service	**Average Performance of Peer Utilities**				
	89%	89%	86%	81%	78%
	DLC's Performance				
	89%	**85%**	**81%**	**81%**	**77%**

Source: BCS' Customer Service Performance Reports for 2020 - 2024

On March 20, 2024, DLC filed a request with the PUC for a base rate increase[30]. Per the settlement agreement of the 2024 Base Rate Case (2024 Settlement), DLC's Contact Center agreed to improve its call abandonment rate to below 9% and to maintain a percentage of calls answered within 30 seconds of at least 80%. DLC explained it had been experiencing staffing challenges, mostly due to retirements and other turnover, which contributed to low performance levels. As of October 31, 2025, DLC met these requirements with the call abandonment rate at 7.2% and the percent of calls answered within 30 seconds at 89.3%.

Most businesses are susceptible to challenges from the external environment that create service concerns that need to be remediated as quickly as possible. Like most utilities, DLC's staffing was impacted by the COVID pandemic. In addition, rising energy prices and affordability concerns changed customer needs and required DLC to evolve. Evaluating lessons learned from prior challenges and having action plans in place are vital to business continuity.

In the short-term, DLC increased staffing levels, enhanced its CSR coaching framework to ensure consistent guidance and staff development, and focused its efforts on first call resolution. Over the longer term, DLC was about halfway through implementing a strategic initiative known as Power Up: Contact Center Transformation. This initiative aims to transform the contact center into a center of excellence through advancements of people, process, and technology.

[30] See Docket No.: R-2024-3046523 – new rates became effective December 20, 2024

Examples of some of the planned enhancements by category include:

- People
  - Headcount and resource optimization
  - Individualized plans to upskill CSRs including enhanced empathy soft skills
  - Supervisor development
- Process
  - Revaluation of back-office tasks and the development of productivity goals
  - Identification of manual tasks for automation
- Technology
  - Upgraded systems to support modernized tools such as cloud-based systems and phone platforms
  - Improved functionality of interactive voice response system and self-service tools
  - Enhanced tools to gather customer feedback

Recommendation VIII-1 – Monitor the effectiveness of the service improvement strategies and ensure the successful completion of the Power Up: Contact Center Transformation project to optimize the Contact Center's performance.

Finding VIII-2 – DLC's dispute handling performance fell below the average performance of peer utilities throughout the audit period.

The number of residential disputes that did not receive a response within 30 days is reported within BCS's Customer Service Performance Report. This metric demonstrates how responsive a utility is when handling customer complaints. Lower values indicate better performance, and red shaded results indicate performance at a worse level than average performance of peers. Exhibit VIII-9 presents how DLC's performance compared to its peers from 2020 – 2024. DLC's performance as of October 31, 2025 showed further decline at 94 complaint cases that did not receive response within 30 days.

Exhibit VIII-9
Duquesne Light Company
Responsiveness to Disputes
For the Period 2020 – 2024

	2020	2021	2022	2023	2024
Number of Residential Disputes Not Receiving a Response Within 30 Days	**Average Performance of Peer Utilities**				
	14	23	13	19	28
	DLC's Performance				
	1	**81**	**60**	**49**	**70**

Source: BCS' Customer Service Performance Reports for 2020 – 2024

In addition, the BCS reports on the number and percentage of justified complaints[31] and infractions[32] utility companies have each year through the Utility Consumer Activities Report and Evaluation, issued annually. These metrics demonstrate if a utility takes appropriate action when handling complaints. DLC's performance was below the panel average performance of peer EDCs from 2020 – 2022, as shown in Exhibit VIII-10. Lower values indicate better performance, and red shaded results indicate performance worse than average performance of peers.

Exhibit VIII-10
Duquesne Light Company
Complaint Handling Performance
For the Period 2020 – 2023

	2020	2021	2022	2023
Justified Complaints Rate[33]	**Average Performance of Peer Utilities**			
	0.04	0.07	0.09	0.08*
	DLC's Performance			
	0.07	**0.12**	**0.12**	**0.06**
Infraction Rate[34]	**Average Performance of Peer Utilities**			
	0.05	0.14	0.15	0.23
	DLC's Performance			
	0.10	**0.23**	**0.24**	**0.17**

Source: BCS' Utility Consumer Activities Report and Evaluations for 2020 – 2023
* - PPL data excluded for 2023 because a known billing issue created an outlier that skewed the panel average

Similar to the customer service performance levels from Finding VIII-1, the complaint handling process was also discussed in the 2024 Settlement. DLC was to develop internal protocols for regular and proper analysis of its complaint trends, both for internal disputes and complaints elevated to the PUC. Understanding the type of infractions is imperative to developing remediation plans. Exhibit VIII-11 presents DLC's

[31] A complaint is considered "justified" if it is found that the utility did not comply with the PUC's Orders or Secretarial Letters or other policies, regulations, reports, or tariffs.
[32] An infraction is a misapplication or infringement of the PUC's statutes or regulations, particularly the standards and billing practices for residential utility service.
[33] Number of justified complaints per 1,000 residential customers
[34] Number of infractions per 1,000 residential customers

top three types of infractions during the audit period. DLC identified several factors leading to delays in reporting and had begun to develop a resolution plan.

Exhibit VIII-11
Duquesne Light Company
Top Three Infraction Types
For the Period 2020 – 2025 YTD*

PA Code Title 52 Section	Number of Violations	Description
§ 56.163(1)	101	Did not meet requirements to provide timely response to informal complaints
§ 56.1	35	Did not meet a requirement established to enforce fair and equitable residential public utility service standards to govern eligibility criteria, credit and deposit practices, and account billing, termination, and complaint procedures
§ 56.151(4)	32	Failed to provide information needed to satisfy customer's dispute requiring additional investigation

Source: 2020 – 2025 YTD complaint data provided by the BCS and auditor analysis
* - 2025 YTD was through April 30, 2025

DLC noted that the number of customer complaints increased every year from 2020 – 2025. From complaint data gathered during the prior management audit, the PUC Auditors calculated that the number of complaints increased by approximately 20%[35]. The company explained that nearly 80% of the 15,683 complaints from 2021 – August 2025 involved payment arrangement requests (PARs) from payment troubled customers. The company asserted this was due to the increases in electric supply costs which caused more customers to experience difficulty affording monthly bills. In addition, DLC stated that electric supply prices are likely to continue to rise, further exacerbating this trend.

DLC established the Regulatory Performance (RP) team in late 2023 and was developing the Regulatory Risk and Issue Management (RIM) Program which was expected to launch by year-end 2025. The RIM Program is expected to highlight negative systemic trends that contribute to recurring complaints and infractions. Following the launch of the RIM Program, the RP team has additional plans to refine and mature these processes for optimal effectiveness. The customer service process improvements discussed in Finding VIII-1 are also expected to support reducing overall customer complaints.

With understanding of the complaint handling components performed throughout the various departments of the organization and ensuring the proper level of prioritization is set for each component, the complaint handling process can be streamlined. Supervisory staff of each participating department must ensure authority is given to prioritize these processes to successfully respond in an appropriate and timely fashion.

[35] From 2014 – July 2018, DLC had 13,084 complaints compared to the 15,683 complaints DLC received between 2021 – August 2025 (15,683 – 13,084 = 2,599; 2,599/13,084 = 19.9% increase)

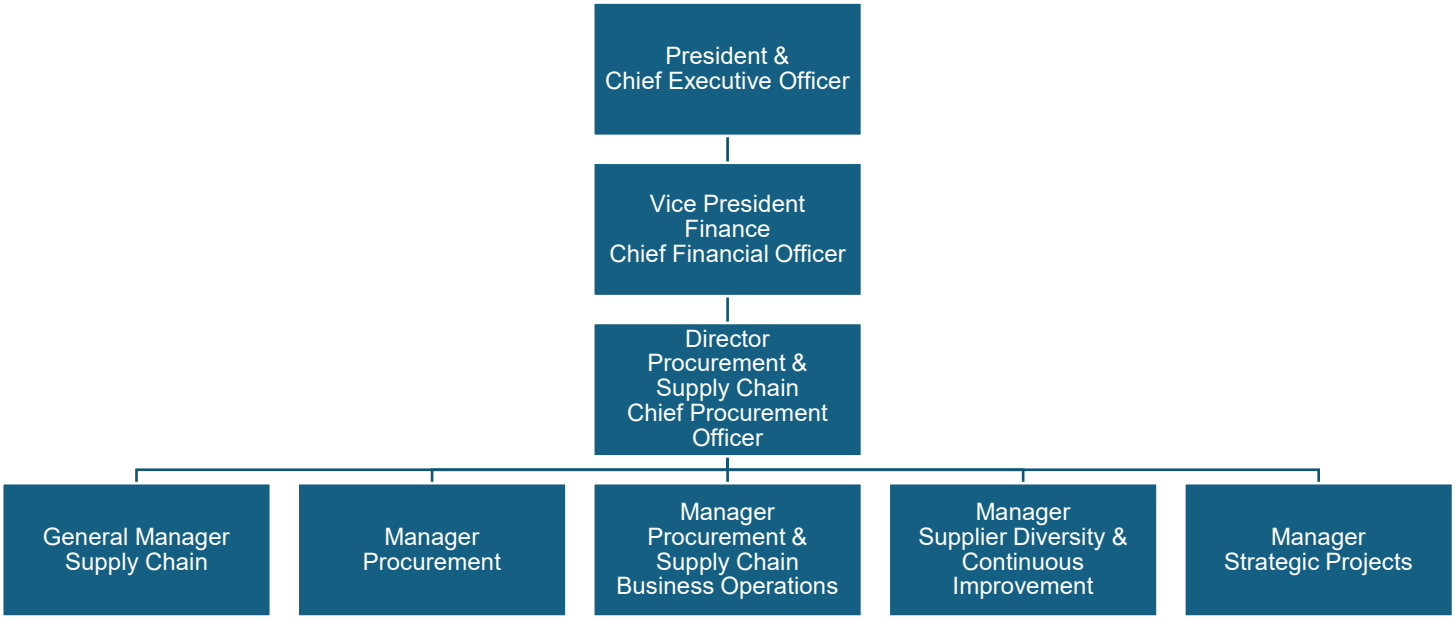
Recommendation VIII-2 – Ensure the successful launch of the Regulatory Risk and Issue Management Program, and then evaluate if new processes improve complaint handling efficiency and reduce infractions.

IX – PURCHASING AND MATERIALS MANAGEMENT

Background

DLC's Procurement & Supply Chain (P&SC) business unit is responsible for purchasing and materials management functions at DLC and non-inventory related procurement (e.g., office supplies, vendor services, etc.) for affiliated companies. P&SC's organizational structure is presented in Exhibit IX-1.

Exhibit IX-1
Duquesne Light Company
Procurement & Supply Chain Organizational Structure
As of December 31, 2025



Source: Data Requests MM-01and MM-38

DLC's P&SC business unit utilizes multiple divisions to perform its responsibilities. An overview of each division's responsibilities was as follows:

- **Procurement** – purchasing responsibilities including negotiations and procurement of materials and services as requested by DLC's leadership teams
- **Supply Chain** – material management responsibilities include inventory warehousing, fabrication shops, and logistics
- **Procurement and Supply Chain Business Operations** – general support responsibilities including budget management, processes and controls, system enhancements, and data analytics and reporting
- **Supplier Diversity and Continuous Improvement** – oversight of responsible procurement, continuous improvement, and cost reduction strategies

- **Strategic Projects**[36] – strategic planning support for DLC's future initiatives in grid modernization and emerging technologies

Various controls are in place within the P&SC business unit to minimize excess, inappropriate, or poorly timed spending. Guiding documents ensure appropriate governance and oversight is provided for the procurement of equipment, materials, and/or services. Purchasing authorization is generally defined in the company's delegation of authority matrix and more specifically described in P&SC's guiding documents. Approval levels are based on the dollar amount of the transaction. See Finding VI-3 for additional details on transaction approval processes.

In addition, routinely reviewed guidelines have been established to govern replenishment processes. Automated controls, such as economic order points (i.e., when to replenish) and economic order quantities (i.e., amount to reorder) are programmed within DLC's inventory management system, *Maximo*, to reduce manual labor associated with these activities.

DLC utilizes a hub and spoke warehousing model. Only the hub warehouse receives deliveries from third-party suppliers. Materials are then distributed from the hub to six spoke facilities (i.e., stockrooms, storerooms, laydown yards, etc.) located in or near some of DLC's service centers. Field crews then acquire materials from one of the spoke facilities to prepare for system maintenance or construction projects. The hub does not issue materials directly to field crews.

In addition to accepting deliveries, the hub warehouse also manages the following areas to fulfill purposes unique to only the hub:

- **Scrap** – manages materials that will be scrapped
- **Quarantine** – removes pentachlorophenol and other environmental concerns from materials to be scrapped and manages chemical containment protocols
- **Refurbishing** – repairs, retrofits, or modifies nonfunctioning, higher valued items, such as transformers, for future use
- **Paint** – performs onsite painting services
- **Metal Working/Welding** – performs onsite metal working and welding
- **Machining** – fabricates or modifies components or items no longer available to purchase
- **Consignment** – pulls material orders to ship to spoke facilities

Physical inventory counts are conducted at the hub and each spoke facility daily. DLC uses the industry-endorsed ABC Analysis[37] counting method. Most materials are classified as "A", "B", or "C" level materials which correlates to the items' value. Physical count frequency is specified for each classification level in the business unit's materials management guiding document; class "A", "B", and "C" items are counted at least once every 90, 180, and 365 days, respectively. Materials of a nominal value are classified as "E" and are expensed upon delivery. Level "E" materials do not have a physical count

[36] The Strategic Projects division was the most recently formed P&SC division, formed in July 2025.
[37] ABC Analysis is founded on the Pareto Principle which states 20% of the inventory has 80% of the cumulative value.

requirement but are monitored for necessary replenishment. Supply Chain personnel attempt to reconcile discrepancies between the physical item counts and the item inventory recorded in *Maximo*. See Finding IX-3 for additional information on the inventory management processes.

Findings and Conclusions

Our examination of the purchasing and materials management functions included a review of business unit organizational structure and leadership, roles and responsibilities, guiding documents, purchasing and inventory management software applications, and controls related to the supply chain processes. Based on our review, DLC should devote additional effort to improving its purchasing and materials management functions by addressing the identified findings.

Finding IX-1 – DLC's inventory management system is outdated.

DLC utilizes *Maximo*, a supply chain management system created by IBM, for purchasing and materials management functions including purchase requisitions, purchase orders, blanket contracts and master agreements, terms and conditions, receiving, stock coding, inventory transactions, and reporting. The version of *Maximo* DLC uses does not offer barcoding capability. In addition, there are some steps in the purchase requisition and approval process that must be done manually which increases processing time and labor efforts. Manual tasks both increase the risk of data entry errors and lengthen the overall supply chain timeframes. Therefore, the PUC Auditors contend that efficiency, reporting, and data analytics are not currently optimized.

DLC plans to implement the *Oracle Cloud Supply Chain Management System* (*Oracle SCM*) in mid-2027. *Oracle SCM* will not replace *Maximo* but will be used in concurrence with *Maximo* to enhance capabilities. DLC estimates that the *Oracle SCM* implementation will reduce supply chain function costs by $7 – $10 million over the next several years.

Specifically, *Oracle SCM* will allow for the use of barcoding technology and will improve:

- Real-time inventory visibility and tracking at all materials management facilities
- Supply chain automation resulting in better efficiency and heightened control
  - Digitized supplier onboarding and qualification using an integrated self-service vendor portal with automated approval routing
  - Physical inventory logistics with barcode enabled tracking and system driven cycle counts which will improve inventory accuracy
  - Ad hoc reporting and data consolidation through real-time dashboards and analytics
- Integrated supply chain planning through enhanced use of historical data and internal demand signals
- Reliability performance for customers by optimizing inventory availability

Recommendation IX-1 – Ensure successful implementation of the *Oracle Cloud Supply Chain Management System.*

Finding IX-2 – DLC has a significant amount of non-moving stock.

As of October 31, 2025, a report showing the summation of DLC's individual storeroom's slow-moving stock showed $18.1 million in stock with no movement over 12, 24, or 36 months. The breakdown of no movement timeframe and percentage of the summated total of individual storeroom level non-moving stock was as follows:

- 12 months – $4.6 million – 25.4%
- 24 months – $1.5 million – 8.3%
- 36 months – $12.0 million – 66.3%

DLC provided additional non-moving stock data as of November 3, 2025 that showed that company-wide there was $11.3 million worth of inventory that had not moved within 12 – 36 months. DLC explained the $6.8 million difference was due to perspective because items that had moved from at least one storeroom within the company would have been excluded from company-wide inventory reporting whereas the storeroom level reporting included each item that had not moved within 12 – 36 months from each specific storeroom. The PUC Auditors were concerned by the $6.8 million dollars of regularly used stock idle in some storerooms for 12 months or more; however, Audits believes that inventory visibility will be improved through the *Oracle Cloud Supply Chain Management System* implementation as discussed in Finding IX-1.

Furthermore, DLC indicated that it does not have formal guidance on procedures for reviewing materials that are slow or non-moving. A written guiding document should be established to govern the routine review of non-moving inventory and inventory reclassification as critical spares/emergency stock[38]. The guiding document should include the frequency of review, definition of items considered non-moving, general criteria defining obsolescence, a decision tree for determining obsolescence, a timeline for action to scrap obsolete items, and the accounting treatment of scrapped materials. In addition, the guiding document should list which staff should be involved. Ideally, this would be a cross-functional team composed of representatives from Purchasing, Operations, Warehousing, Engineering, and Accounting.

Without a guiding document, the criterion for determining obsolete inventory is subject to interpretation, and this process may be frequently postponed or ignored. Retaining obsolete inventory increases carrying costs and worsens inventory turnover rates.

[38] Emergency stock includes critical or time sensitive replacement items required to restore service promptly; emergency stock is excluded from inventory turnover analysis due to its critical and inflexible nature.

Because DLC's company-wide total non-moving stock over 12 – 36 months was reported at $11.3 million, this inventory should be targeted for review to determine the appropriate action such as potential return to the hub warehouse for issuance to another storeroom for use in plant, reclassification as emergency stock, or identification as obsolescence which should be scrapped. By reducing the total inventory by $11.3 million in non-moving stock, DLC could realize annual savings of approximately $1.7 million in reduced carrying costs.[39] Actual savings may be reduced if DLC identifies non-moving stock to classify as emergency stock, but DLC was unable to perform this reclassification by the end of audit fieldwork.

Recommendation IX-2 – Develop and implement procedures to review non-moving and emergency stock inventory annually and timely remove obsolete materials to minimize excessive carrying costs.

Finding IX-3 – DLC's inventory accuracy reporting does not provide clarified detail.

As explained earlier in this chapter, DLC utilizes the ABC Analysis method for physical inventory analysis to verify material handling accuracy. However, DLC does not utilize an absolute value approach when reporting the results of inventory analysis resulting in an inaccurate measure of performance. With DLC's current approach, positive and negative variances offset one another yielding a much lower variance than is occurring. For example, if item X has an additional item over system records and item Y has one less than system records, the resulting variance would offset, and the company would report 100% accuracy. Instead, both items should be documented as instances of inaccuracy. In addition, the impact of netting variances has the potential to grossly misrepresent inventory dollar value accuracy.

Because DLC prepares its inventory accuracy reports with netted variances, the PUC Auditors could not determine if the company's inventory accuracy performance was at acceptable levels. Therefore, DLC must correct its reporting methodology before performance can be evaluated. The implementation of *Oracle SCM*, described in Finding IX-1, should aid in properly capturing DLC's inventory accuracy performance.

Recommendation IX-3 – Utilize an absolute value approach when reporting results of inventory analysis which aggregates both missing and excess material values.

[39] DLC was unable to provide actual carrying costs; carrying costs were estimated at 15% based on industry average.

X – EMERGENCY PREPAREDNESS

Background

Effective June 2005, Chapter 101 requires all jurisdictional utilities to develop and maintain written physical security, cybersecurity, emergency response, and business continuity plans to protect infrastructure within the Commonwealth of Pennsylvania to ensure safe, reliable utility service. Furthermore, pursuant 52 Pa. Code § 101.1, all jurisdictional utilities are required to submit a self-certification form to the PUC, annually, documenting compliance with Chapter 101. This form, available on the PUC's website, includes 13 questions as shown in Exhibit X-1.

Exhibit X-1
Pennsylvania Public Utility Commission
Public Utility Security Planning and Readiness Self-Certification Form

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

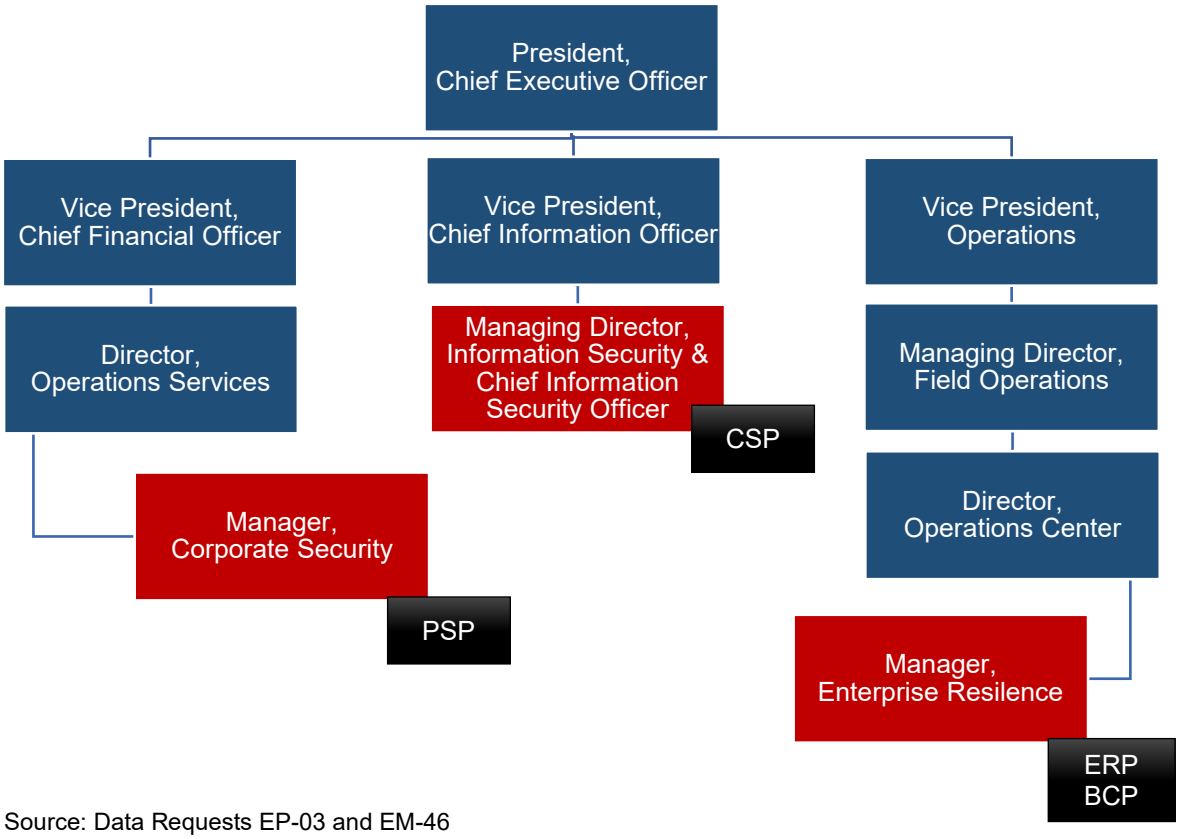
Source: Public Utility Security Planning and Readiness Self-Certification Form available on the PUC's website at http://www.puc.state.pa.us/general/onlineforms/pdf/Physical_Cyber_Security_Form.pdf

The PUC Auditors use a NIST (National Institute of Standards and Technology) Cybersecurity Framework-based audit plan, modified to address the needs and capabilities of the PUC and Pennsylvania's utility companies. DLC submitted its 2024 self-certification form which was reviewed along with DLC's physical security plans (PSP), cybersecurity plans (CSP), emergency response plans (ERP), business continuity plans (BCP), and associated manuals and procedures. In addition, a physical inspection was performed on a sample of the company's facilities including warehouses, district offices, the main office, operations centers, and remote field locations. Due to the sensitive nature of the information reviewed, specific details are not disclosed in this report; instead, efficiency and effectiveness are discussed in generalities.

Although each employee has a role to play in emergency preparedness, key personnel provide oversight for physical security, cybersecurity, emergency response, and business continuity. DLC tests the corresponding PSPs, ERPs, and BCPs at least annually. Meanwhile, cybersecurity measures are monitored and tested on a continuous basis. The purpose and main overseer for each security area is presented below, and Exhibit X-2 shows reporting relationships of those involved in emergency preparedness coordination.

- **PSP** (Manager, Corporate Security) – provides security or security measures to protect personnel, company assets, visitors, property, facilities, and equipment
- **CSP** (Chief Information Security Officer) – protects DLC's technology resources and assets
- **ERP** (Manager, Enterprise Resilience) – establishes the framework for emergency preparedness, response, and service restoration
- **BCP** (Manager, Enterprise Resilience) – ensures the continuation of critical business processes following an event of a disruption

Exhibit X-2
Duquesne Light Company
Emergency Preparedness Plan Coordinators
As of October 31, 2025



Source: Data Requests EP-03 and EM-46

Findings and Conclusions

Our examination of the emergency preparedness function included a review of the PSPs, CSPs, ERPs, and BCPs as well as vulnerability assessments and associated security measures. Based on our review, DLC should devote additional effort to improving its emergency preparedness function by addressing the identified findings.

Finding X-1 – The review cycle for DLC's cybersecurity plan does not meet Pa Code §101.3(b).

Section 2.1.6 of DLC's Cybersecurity Policy establishes the review and maintenance timeline for information technology policies and procedures. Specifically, it states:

> The Company shall review and update the IT-POL-100 Cybersecurity Policies and all supporting documents (program, plan, process, procedure, job aid, standard, etc.) on at least a three-year cycle, or as necessary, to ensure the documents are current and remain relevant to the Company.

DLC conducted a routinely scheduled review of the CSP in 2023. Then, it completed an ad hoc update and review of the CSP in 2024, in its entirety, because the company felt there was a need to change certain processes. The second review was not a routinely scheduled review and would not have occurred otherwise.

Pa Code §101.3(b) requires annual review of public utility emergency preparedness and security plans, including cybersecurity plans. Therefore, given the current provisions outlined in its CSP, a potential exists where DLC would not meet Pennsylvania's regulations to review cybersecurity plans annually.

Recommendation X-1 – Revise the policy detailing the cybersecurity plan to include a provision to review annually.

Finding X-2 – The PUC's Bureau of Technical Utility Services initiated a review of DLC's storm preparation and response activities following storms in spring 2025 that resulted in extensive service outages.

On April 29, 2025, a significant series of storms impacted DLC's service territory causing widespread damage and extensive service outages. On May 2, 2025, DLC's territory was further impacted by additional storms which caused more outages and delayed ongoing restoration efforts. Based on the number and duration of outages from

these storms, the PUC assigned its Bureau of Technical Utility Services (TUS)[40] to review DLC's preparation and response efforts.

After the conclusion of audit fieldwork, the PUC Auditors were notified that TUS had published its report on January 5, 2026. TUS' report provided a summary of DLC's preparation and response activities and included findings and recommendations. TUS' recommendations focused on a variety of aspects specific to storm preparation and response including linemen engagement in early storm response, road closure management, outage duration mitigation and the reliability of time until restoration estimates, capabilities to handle increased customer call volume, appropriate regional communications, and weather/outage prediction modeling. The PUC Auditors encourage DLC to collaborate with the TUS and other stakeholders to implement meaningful improvements.

Recommendation X-2 – Collaborate with the PUC's Bureau of Technical Utility Services to implement recommendations to improve storm preparation and response.

[40] This investigation and the corresponding report also focused on FirstEnergy Pennsylvania Electric Company's preparation and response.

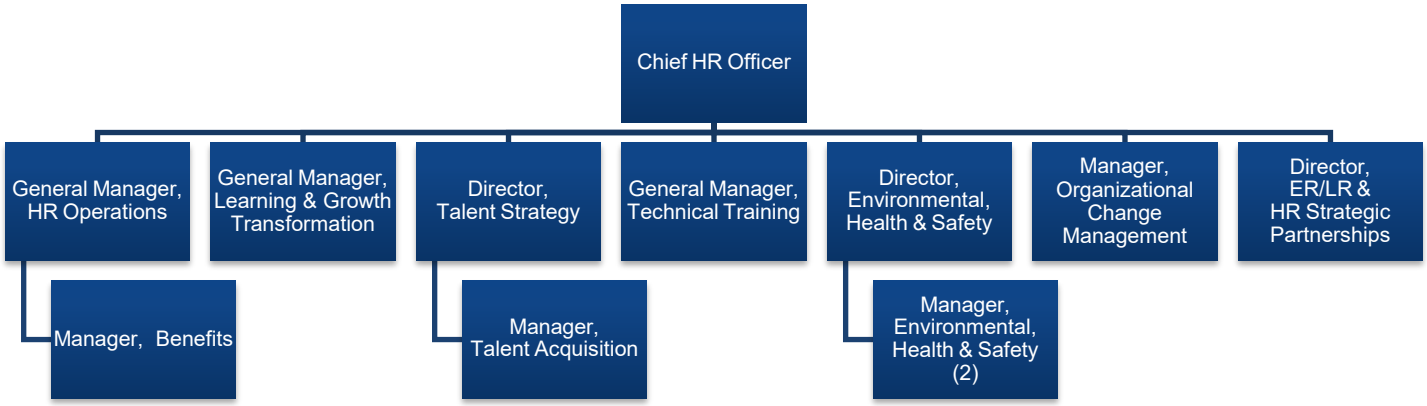
XI – HUMAN RESOURCES

Background

DLC's Human Resources and Environmental, Health & Safety business unit has expanded since 2020, and the human resources (HR) function has matured compared to the HR business unit that was in place during the prior management audit. The former HR business unit consisted of four main departments: Total Reward, Talent Development and Diversity & Inclusion, Employee & Labor Relations, and Talent Acquisition. As shown in Exhibit XI-1, the HR function now consists of HR Operations, Learning & Growth Transformation, Talent Strategy, Technical Training, and Employee Relations/ Labor Relations (ER/LR) & HR Strategic Partnerships.

In December 2021, DLC reestablished its Vice President of Communications and Corporate Giving role and strategically moved the diversity, equity, and inclusivity (DEI) function under this role rather than under the Chief HR Officer (CHRO) to implement a broader, corporate-wide DEI strategy. In addition, DLC realigned two non-HR yet closely aligned functions under the oversight of the CHRO for efficiency. The Environmental, Health & Safety (EHS) team was realigned under the CHRO in May 2023 followed by the Organizational Change Management team in January 2025. As of October 31, 2025, the business unit had a total of 56 employees.

Exhibit XI-1
Duquesne Light Company
Human Resources and Environmental, Health & Safety Organizational Structure
As of October 31, 2025



Source: Data Request EM-46

HR continued to implement its HR strategic plan[41] which started in 2013. The objective of the plan was to mature the business unit from a compliance-driven HR services provider to an integrated business partner. Many of the changes and key HR initiatives were implemented with this goal in mind, ensuring that the HR function participates in key business decision-making. One example is the introduction of the Senior HR Business Leaders (HRBLs) role. As of October 31, 2025, four HRBLs have been placed to each focus on one of four designated business groupings; including operations, contact center, corporate functions, and the Office of the Chief Financial Officer. The HRBLs work closely with their assigned business area to align staffing and human resource-related activities to directly support business goals.

Throughout HR function maturation, the traditional HR activities have undergone review and update. To maintain a culture of continuous improvement and excellence, DLC has strengthened its strategic planning and goal setting processes, which are described in more detail in chapter III – Executive Management and Organizational Structure. Individual contributor goals are crafted to support the company's achievement of overarching strategic initiatives inspired by identified corporate priorities such as customer centricity and the safety culture. Annually, the individual contributor goals are entered into DLC's talent management system, Success Factors, and the various HR departments have implemented a robust performance review process to support success and to intervene when necessary. This process is further utilized to develop training and leadership opportunities and to support pay-for-performance salary increases.

In additional support of the culture of excellence, the HR divisions have focused on identifying and providing opportunities for enrichment and advancement to top performers. One such strategy has been through the implementation of the "We Lead the Grid" leadership development program. Beginning in 2024, selected employees have participated in cohorts designed to enhance networking and collaboration aimed at building cross-functional connections across the organization. These processes go hand-in-hand with DLC's succession planning process to identify and/or ready talent for key positions. However, when no internal candidates are present for specific roles, HR develops hiring profiles for future recruitment needs. During the audit period, formal succession planning efforts were extended beyond the Executive Leadership Team to include director and senior management levels.

DLC utilizes a comprehensive pay-for-performance compensation strategy for its executive, management and supervisory, and salaried staff. The HR Operations division performs extensive benchmarking annually to understand the current compensation environment to set compensation levels to attract and maintain top talent yet maintain customer affordability. Short- and long-term incentive plans and bonus pay opportunities are included to encourage and reward exemplary performance. More detail on these programs is in chapter III – Executive-Management and Organizational Structure. In contrast, unionized[42] employees are compensated according to the terms of the

[41] The prior management audit report is available at Docket No.: D-2018-3000838.
[42] Many of DLC's hourly staff are unionized through Local Union 29 of the International Brotherhood of Electric Workers – the bargaining agreement in effect during audit fieldwork covered the years 2023 – 2026; preparations were underway to prepare for contract negotiations to occur in 2026

negotiated collective bargaining agreement. DLC also offers employees and retirees a variety of insurance benefits and work/life balance programs to further support employee satisfaction.

During the audit period, DLC implemented two new human resources information system (HRIS) tools to optimize its use of data. Qualtrics was added in 2021 to better evaluate employee experience and sentiment. DLC utilizes it to conduct and analyze comprehensive employee engagement surveys and customized pulse surveys. Cloverleaf was added in 2022 to perform employee talent assessments. This data is combined with organizational insights to improve employee development plans.

Over the next twelve months, DLC plans to further enhance its HRIS with changes to the company career website, updates to the onboarding module, and the addition of a new Job Profile Builder module. The new career website will allow administrators to easily create and modify their own job pages, making the hiring process faster and more flexible. Onboarding module updates will streamline and enhance this process. The added Job Profile Builder module will house job profiles and individual performance profiles for established roles at DLC, helping the company select the right candidates for promotions, new positions, and other development opportunities.

The PUC has encouraged utilities to proactively increase diversity in their workforce and procurement efforts for more than two decades. Originally in February 1995, and updated as of April 14, 2022[43], the PUC adopted Chapter 69 regulations which encourage utilities to integrate diversity efforts as a part of the business strategy. Since March 1997, the PUC has encouraged utilities to file annual reports disclosing relative initiatives and results in both workforce and procurement. DLC complied by submitting annual diversity filings throughout the audit period.

DLC maintained goals to encourage and improve the diversity of its workforce between 2020 – 2024. The company did not establish specific goals of this nature for 2025. To further enhance its DEI culture, business employee resource groups (BERGs) were launched in 2020 to serve as education forums and to encourage employee belonging. BERGs support members of various communities such as African Americans, Asian Americans, individuals with disabilities, LGBTQ+, Native Hawaiians, Pacific Islanders, veterans, and women; and one to support cross-generational understanding and learning.

[43] Docket No.: L-2020-3017284

As previously mentioned, DLC realigned its DEI function to report to its Chief Impact/Engagement Officer under its Communications & Corporate Giving business unit in 2021. Other notable DEI-focused accomplishments between 2021 – 2024 included:

- Onboarding a Senior Diversity Recruiter
- Offering new DEI trainings and diverse supplier programs
- Enhancement of the ESG (Environmental, Social, and Governance) strategy
- DQE's Board of Directors surpassed 65% diverse representation
- Reactivating the American Association of Blacks in Energy group

As previously described, DLC's EHS division; led by the Director, EHS; has reported to the CHRO since May 2023. The EHS division develops company-wide efforts to promote safety and focuses on protecting employees and the public from hazards inherent to operating an electric distribution company. EHS' responsibilities are carried out through six main workstreams:

1. Serious Injury or Fatality (SIF) and Injury Prevention
2. Preventable Motor Vehicle Accident (PMVA) Reduction
3. Contractor Safety
4. Public Safety and Outreach
5. High Hazard Skill Training
6. Environmental Management

DLC has continued its commitment to maintaining a strong safety culture as a corporate priority. Every employee is assigned one or more safety-related performance goals, from the Chief Executive Officer to entry-level staff. DLC maintains an Executive Safety Committee comprised of 14 vice presidents, directors, and senior managers. There are additional safety committees, which are partnerships between unionized and non-unionized staff, representing the various departments company-wide to further bolster the safety culture.

Findings and Conclusions

Our examination of the HR function included a review of the business unit's organizational structure and processes, goals and initiatives, capabilities of the HRIS, recruitment and succession planning, training and employee development, compensation and benefits, DEI efforts, and safety performance. Based on our examination, DLC should focus on improving the efficiency and/or effectiveness of the HR function by addressing the identified findings.

Finding XI-1 – DLC's safety incidents increased throughout the audit period, and safety performance did not consistently meet internal safety goals.

During the prior management audit period, DLC implemented a focused safety program in 2015 which resulted in a reduction in the annual number of safety incidents from approximately 45 to 10 – 15 per year between 2015 – 2017. However, the number of injuries has been increasing throughout the current audit period as shown in Exhibit XI-2.

Exhibit XI-2
Duquesne Light Company
Injuries by Service Center
For the Period 2022 – 2025 YTD*

Service Center	2022	2023	2024	2025 YTD	Total by Service Center
EDISON	5	2	11	2	20
MANCHESTER	1	1	2	--	4
MCKEESPORT	2	--	--	--	2
NEW MANCHESTER	1	1	1	1	4
PENN HILLS	4	2	2	2	10
PREBLE	3	4	6	11	24
RACCOON	1	7	2	--	10
SEVENTH AVENUE	--	1	--	--	1
SEYMOUR STREET	--	--	2	--	2
WOODS RUN	5	2	2	14	23
Total Incidents	**22**	**20**	**28**	**30**	**100**

Source: Data Request HR-65
* - 2025 YTD was through October 31, 2025

DLC monitors multiple safety performance indicators with some aligning to the safety performance data all companies must report to the Occupational Safety and Health Administration (OSHA). Exhibit XI-3 shows DLC's internal safety metric goals and the performance achieved for 2020 – 2025 YTD. Green shaded cells indicate performance that met or exceeded goals, while red shaded cells indicate performance that did not meet goals. Of the 48 metric points shown, 32 or approximately 67% indicated missed goals.

Exhibit XI-3
Duquesne Light Company
Internal Safety Metric Goals and Performance
For the Period 2022 – 2025 YTD*

Metric	2020	2021	2022	2023	2024	2025 YTD
OSHA Recordable Incidents Rate						
OSHA Rate[44] Goal	1.10	0.90	0.89	0.89	0.73	1.01
OSHA Rate Actual	0.89	0.97	1.11	1.04	1.41	1.65
OSHA # Goal	22	18	18	18	15	20
OSHA # Actual	18	20	22	20	28	22
OSHA Days Away, Restricted, and Transferred (DART) Rate						
DART Rate[45] Goal	0.45	0.70	0.57	0.57	0.49	0.55
DART Rate Actual	0.69	0.48	0.55	0.57	0.96	1.05
DART # Goal	9	14	12	12	10	11
DART # Actual	14	10	11	11	19	14
OSHA Lost Time Accident (LTA) Rate						
LTA Rate[46] Goal	0.10	0.20	0.20	0.20	0.15	0.20
LTA Rate Actual	0.10	0.29	0.20	0.31	0.15	0.30
LTA # Goal	2	4	4	4	3	4
LTA # Actual	2	6	4	6	3	4
Preventable Motor Vehicle Accident (PMVA) Rate						
PMVA Rate[47] Goal	2.83	3.73	3.73	3.73	4.12	4.40
PMVA Rate Actual	3.96	5.09	5.03	5.45	4.71	4.26
PMVA # Goal	12	16	16	16	17	19
PMVA # Actual	17	21	20	23	22	14

Source: Data Request HR-52
* - 2025 YTD was through August 31, 2025

DLC sets safety goals using historic performance and benchmarking data that aligns with 1st and 2nd quartile performance of the Edison Electric Institute's annual safety panel results. When the PUC Auditors compared DLC's safety performance levels to industry average performance levels published by the Bureau of Labor Statistics, DLC's safety performance was notably better than industry average performance between 2020 – 2023 despite not meeting its internal goals. In addition, DLC has prioritized the reduction of SIF injuries. The company reported only three between 2023 – 2024, and zero for 2025 as of September 30, 2025.

[44] OSHA Rate – used to measure the rate of work-related injuries and illnesses; calculated by number of incidents per 100 full-time employees
[45] DART Rate – demonstrates how effectively companies prevent serious injuries by minimizing safety incidents resulting in days away, restricted, or required position transfers; calculated by number of qualifying incidents per 100 full-time employees
[46] LTA Rate –a variation measure representing a specific component of the DART Rate for the number of incidents that cause an employee to miss at least one full day of work; calculated by number of qualifying incidents per 100 full-time employees
[47] PMVA Rate – used to measure the rate of motor vehicles accidents deemed preventable by the driver; calculated by the number of preventable accidents multiplied by one million then divided by the total annual mileage driven

While the company's performance remains better than historical levels before 2015, the number of safety incidents has increased. The company confirmed that causal factors are recorded as part of safety incident investigations; however, this data has not been compiled and trended. The PUC Auditors contend that DLC should perform extensive safety incident root cause analysis to highlight what areas of safety performance need support through policy enforcement or refresher training. The company should use detailed records of injuries, illnesses, and motor vehicle accidents to understand the type of incident, how and why it occurred, and who or what was responsible. This causal data should then be trended to identify areas in need of improvement. Failing to analyze causal data has resulted in missed opportunities to identify safety practices in need of enhancement and/or reinforcement.

Recommendation XI-1 – Analyze safety incident root cause data to more effectively focus safety program improvement efforts and improve safety performance.

Finding XI-2 – DLC's budgeted versus actual staffing levels reports showed variances in some business units and/or divisions that were fully staffed.

A review of a sample of DLC's budgeted versus actual staffing levels by business unit or division showed the variances presented in Exhibit XI-4. The PUC Auditors inquired whether the vacant budgeted positions were being actively recruited, and in most cases, the company indicated that those groups were fully staffed and no recruitment was planned or underway.

Exhibit XI-4
Duquesne Light Company
Budgeted Versus Actual Staffing Levels by Sampled Business Unit or Division
For the Period 2024 – 2025

Business Unit or Division	2024			2025		
	Budgeted Staff	Actual Staff	+/(-)	Budgeted Staff	Actual Staff	+/(-)
HUMAN RESOURCES	55	47	(8)	61	53	(8)
BILLING & REVENUE MANAGEMENT	47	45	(2)	50	44	(6)
METER SERVICES	88	78	(10)	84	76	(8)
MATERIALS MANAGEMENT	78	68	(10)	80	70	(10)
INFORMATION TECHNOLOGY	244	229	(15)	228	224	(4)
Total Per Sample	**512**	**467**	**(45)**	**503**	**467**	**(36)**

Source: Data Requests HR-03, CS-29, MM-14, and IT-08

The company stated that the Financial Planning & Analysis division ensures that funding for staffing is closely monitored, and all hiring decisions require approval. Although the PUC Auditors do not dispute that these processes are in place, it does not characterize how a specific number of positions would be reported as budgeted for each business unit and/or division nor does it explain the circumstances under which multiple groups we reported to have more budgeted staff than management felt were needed for efficient and effective operations. Budgeted staffing levels should represent the approved full complement for each year derived from careful strategic planning processes while actual staffing should represent the number of filled positions at any given point in time. Any variances between these two numbers should represent vacant positions planned to be filled, removed, etc. if business need no longer warrants them.

The company explained that for planning purposes, estimated vacancy reserves are established to help plan for hiring activities related to average anticipated turnover that may have been misapplied in the staffing level reports, but this data should not interfere with the integrity of the budgeted versus actual staffing levels reporting and should be maintained in a separate report with clear indication of what levels of vacancy reserves have been applied. DLC should correct the budgeted staffing levels being reported. If staffing level report data is inaccurate, management decision making or external reporting could inadvertently be negatively impacted.

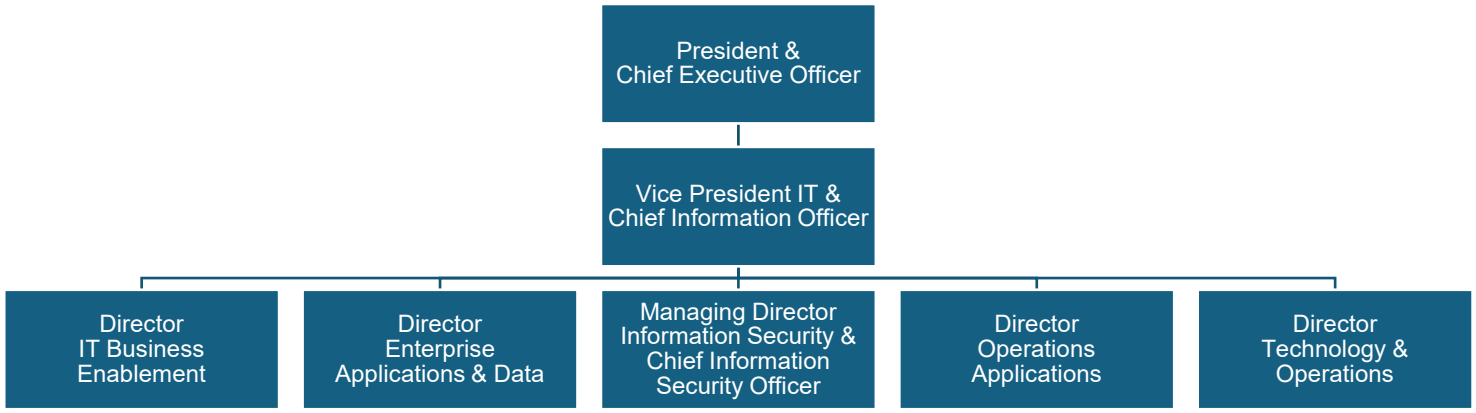
Recommendation XI-2 – Review the budgeted staffing levels data being presented in staffing level reports to ensure it is accurately reflecting the annual approved complement.

XII – INFORMATION TECHNOLOGY

Background

DLC's Information Technology (IT) business unit provides IT and cybersecurity functions for DLC and its affiliated companies. See Exhibit II-1 for the corporate entity chart. The IT business unit's organizational structure is presented in Exhibit XII-1. The IT business unit is divided into five divisions under the oversight of the Vice President, IT and Chief Information Officer. Each division is further divided into function-based departments which are shown in Exhibit XII-2.

Exhibit XII-1
Duquesne Light Company
Information Technology Organizational Structure
As of October 31, 2025

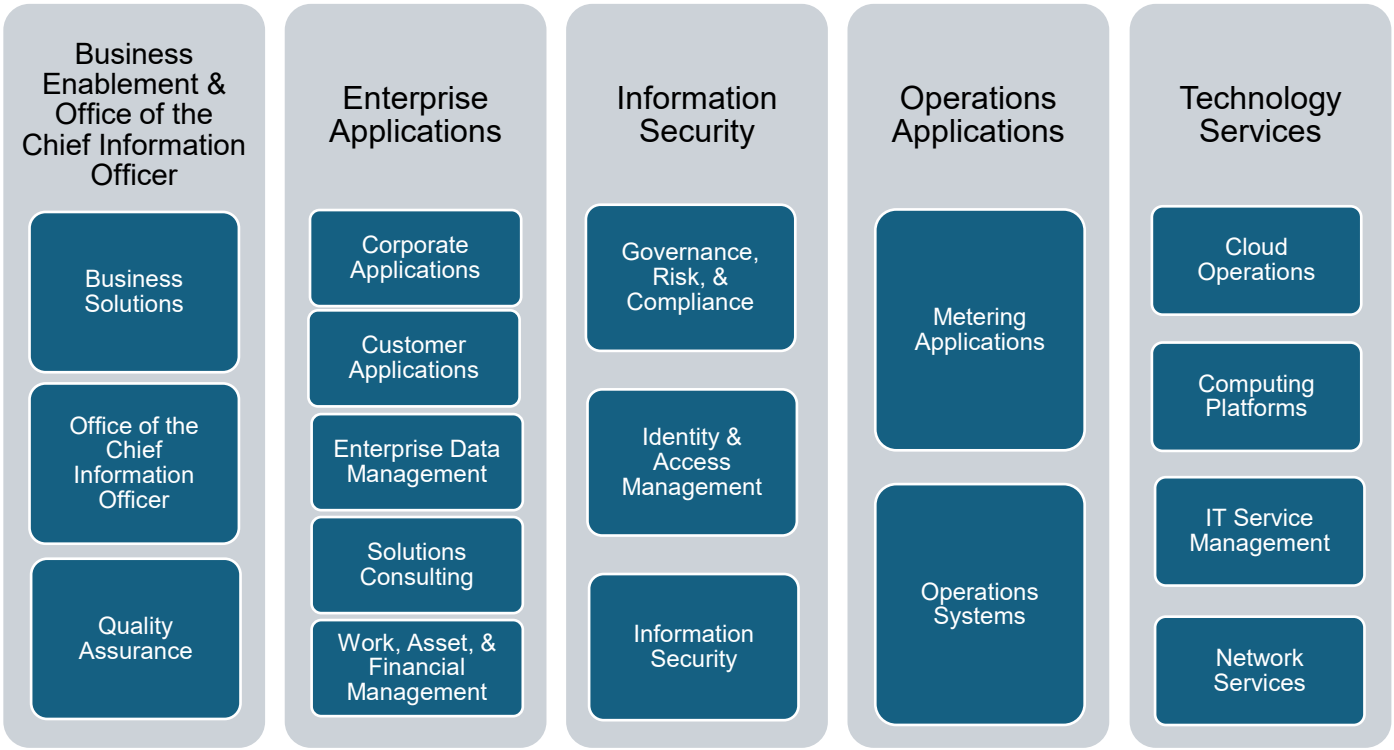


Source: Data Request IT-02

An overview of the roles and responsibilities of each division is as follows:

- **Business Enablement and Office of the Chief Information Officer** – provides IT-related financial planning; project and portfolio planning, procurement, execution, governance, training, quality assurance and improvement; and business relationship management
- **Enterprise Applications** – maintains and governs technology and architecture supporting systems used by customers and employees and ensures data accessibility for informed decision-making
- **Information Security** – provides critical infrastructure protection (CIP), cyber protection, identity and access management, IT compliance, and risk management
- **Operations Applications** – maintains and operates technology supporting the electric grid and metering
- **Technology Services** – manages support activities such as operating the data center, IT operations, network services, and disaster recovery

Exhibit XII-2
Duquesne Light Company
Information Technology Divisions and Departments
As of December 31, 2025



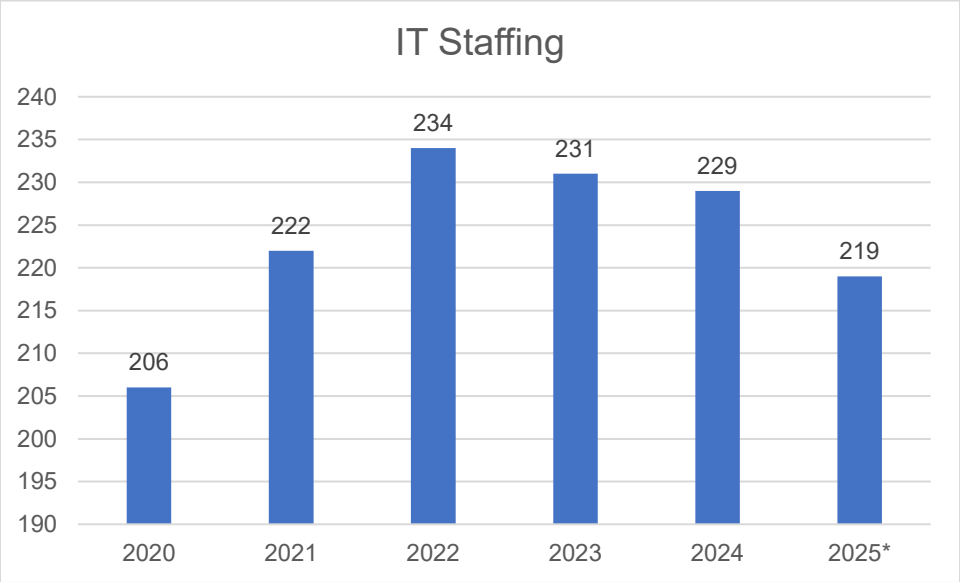
Source: Data Request IT-01

The IT business unit's annual capital and operating and maintenance budgets have line items for each division highlighted in Exhibit XII-2. For example, the Operations Applications division has dedicated budgeted funds it uses to ensure the upkeep and operation of operating technology such as SCADA (supervisory control and data acquisition).

The IT budgeting process occurs year-round. Requests for new projects require review through a scoring mechanism defined by the Finance division. The IT business unit's Enterprise Architect Team reviews and prioritizes the company's system upgrades or replacements. This encompasses balancing current technologies, purchasing new technologies from suppliers, or building new technologies internally. The business case for anticipated projects is developed in the early part of the second quarter each year. This plan is then refined throughout the summer. The finalized business case is presented to DLC's Board of Directors (Board) during the December meeting.

IT responsibilities are covered by a mix of in-house and third-party providers. Internal staffing versus contractor utilization is routinely evaluated based on muti-year strategic plans. DLC's strategy is to keep as much as possible in-house but to supplement with contractors for support or when specific in-depth knowledge is needed. DLC's IT staffing has varied between 206 – 234 throughout the audit period. IT staffing is displayed in Exhibit XII-3.

Exhibit XII-3
Duquesne Light Company
Information Technology Staffing
For the Period 2020 – 2025 YTD*



Source: Data Requests IT-08 and IT-32
* - 2025 YTD was through November 30, 2025

IT's goals are established and approved by the Chief Executive Officer (CEO), annually. Many of the goals are supportive of DLC's other business units and focus on facilitation of strategic priorities. Meanwhile, specific IT-related goals include the establishment and review of grid modernization and cybersecurity indices. These targets are updated each one – two years as deemed necessary. The grid modernization index reflects the integration of contemporary technologies. The cybersecurity index reflects the company's objectives to limit risk by providing sufficient CIP and cyber protection through appropriate equipment, security enhancements, and employee awareness.

DLC performs both IT and cyber assessments, annually, using industry standard frameworks to measure maturity. Maturity testing is comprised of various focus areas which can be measured against respective targets and benchmarks. Scores for each focus area are then compiled into a final score which likewise can be measured against respective targets and benchmarks. The company has made sufficient investment in the focused areas to ensure that both IT and cyber maturity score targets have been met.

The IT business unit's vision for technological improvement is planned and scheduled through DLC's strategic planning processes, the North Star initiative, detailing project completion status and estimated timelines. This vision aligns projects across five categories: Capital Deployment, Connecting and Supporting Customers, Continuous Improvement, Cultural Transformation, and Technology Optimization. The IT plan underway was comprised of approximately 65 projects scheduled for completion throughout 2025 – 2030.

The major projects of the IT plan are expected to enhance the following:

- Outage restoration automation through advanced distribution management system, SCADA, and distribution management system implementations
- Supply chain process optimization through *Maximo*/*Oracle Cloud Supply Chain Information System* upgrades[48]
- Interactive billing
- Disaster recovery efficiency and effectiveness
- New hire onboarding applications
- Mainframe and backup infrastructure replacement

The Enterprise Reliability Steering Committee (ERS Committee) informs the Board about cybersecurity-related activities. The ERS Committee is comprised of the Chief Information Security Officer (CISO), the CEO, and other of DLC's officers who meet with the Board, quarterly. Its mission is broader than cybersecurity and provides oversight on NERC (North American Electric Reliability Corporation) matters, high risk activities, security, and environmental concerns. In addition, the CISO reports to the Board during a private session, quarterly. Because of the volatile nature of cybersecurity, there are often unexpected cyber activities or expenses that require direct Board approval to expedite and reprioritize the annual project lineup.

Findings and Conclusions

Our examination of the IT and cybersecurity functions included a review of the business unit's organizational structure and staffing levels, operational expenses, guiding documents, cybersecurity measures, training techniques, and other related information. Based on our review, nothing came to our attention that would lead the PUC Auditors to conclude that areas reviewed were not being performed adequately; therefore, no recommendations have been offered for the IT functional area.

[48] See Finding IX-1 for specific details

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