

Power To Deliver



DQE

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	1990	1989	1988	Percent Change	
				90 vs 89	89 vs 88
Operating Revenues (In Millions)	\$1,134.3	\$1,120.7	\$1,063.2	1.2%	5.4%
Book Value per Share of Common Stock at Year-End	\$ 20.07	\$ 19.27	\$ 18.51	4.2%	4.1%
Earnings per Share of Common Stock	\$ 2.24	\$ 2.03	\$ 1.86	10.3%	9.1%
Shares of Common Stock Outstanding at Year-End (000)	53,759	55,340	57,831	-2.9%	-4.3%
Annualized Dividends Declared per Share at Year-End	\$ 1.44	\$ 1.36	\$ 1.28	5.9%	6.3%
Return on Average Common Equity	11.3%	10.6%	10.4%	6.6%	1.9%
Net Operating Cash Flow (In Millions)	\$ 275.1	\$ 207.8	\$ 165.9	32.4%	25.2%
Long-Term Debt and Preferred Stock (In Millions)	\$1,690.4	\$1,760.3	\$1,795.0	-4.0%	-1.9%
Interest on Long-Term Debt (In Millions)	\$ 139.9	\$ 144.6	\$ 152.7	-3.3%	-5.3%
Stock Price at Year-End	\$ 24.875	\$ 23.875	\$ 18.750	4.2%	27.3%
Retail Sales (MWH)	11,694	11,569	11,604	1.1%	-0.3%
Annual System Generation (MWH)	13,986	14,316	14,976	-2.3%	-4.4%
Peak Load (MW)	2,379	2,381	2,372	-0.1%	0.4%

Earnings per Share
(Dollars per Share)



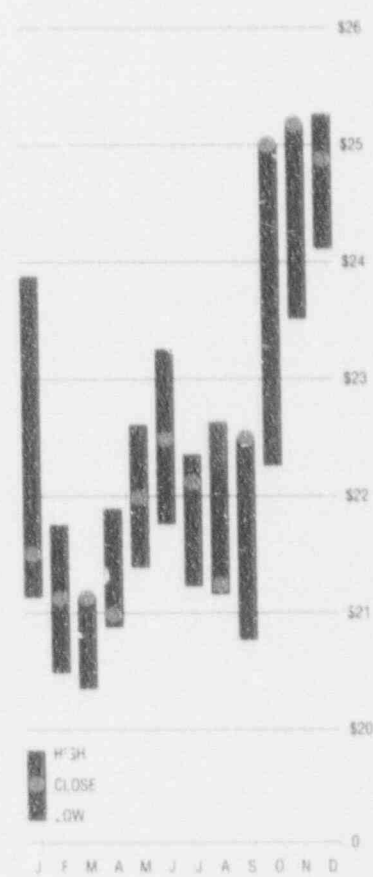
Earnings per share increased 21% since 1987

End of Year Dividend Rate
(Dollars per Share)



Our annualized dividend rate increased 20% since 1987

DQE Common Stock Performance 1990
(Dollars per Share)



DQE common stock reached a 17-year high of 25 1/4 in 1990

TO OUR SHAREHOLDERS

Nineteen-ninety was the first full year of operation for DQE. It was a good year.

We formed DQE in 1989 because we believed that the best way to prosper in the current energy marketplace was to create a holding company organizational structure designed to accommodate change and give us the flexibility to help initiate opportunities. Our organizational and financial restructuring, the vitality of our core business territory, and the prospect of new opportunities surrounding our proposed transaction to sell power in the East position us well for the future.

We were able to convert a modest gain in sales and revenues into a 10.3 percent increase in earnings per share. Mild summer weather and the initial impact of the current recession resulted in lower than expected retail customer sales and revenues. Sales to retail customers increased 1.1 percent in 1990 to 11.7 billion kilowatt-hours. Revenues from retail customers increased 1.4 percent to \$1.09 billion.

Our earnings per share of \$2.24 represent a 21 cent increase over 1989. As a result of this increase, we are able to offer a quarterly 1991 dividend increase of two cents, to 36 cents per share.

With the onset of recession, we continue to re-examine every aspect of our company, aiming to strictly control expenses while seeking to establish better ways of


doing business that support our corporate objective—to be a low-cost producer and profitable supplier of electric energy and related energy services, recognized for excellence and quality.

Taking the Initiative

A major initiative in 1990 was the signing of a contract to sell General Public Utilities Corporation (GPU) 500 megawatts of power and to jointly construct and own a 200-mile transmission line. The proposed line could deliver up to 1,500 megawatts of power from Pittsburgh to an interconnection, near Harrisburg, with the power grid serving energy-short areas along the East Coast.

In addition to being consistent with President Bush's plans for a national energy strategy, this transaction has the potential to create jobs, to reactivate a power plant that meets new Clean Air Act standards, and to develop a local energy export industry.

Clearly, this multiyear project offers many advantages. The potential for jobs is particularly important in a time of increasing economic uncertainty in the state. The agreement includes the transfer to GPU of a 50 percent interest in our Phillips Power Station, which would be returned to service in 1994. Restart of that major power



Wesley W. von Schack
Chairman of the Board and
Chief Executive Officer

plant and building of the transmission line can provide significant impetus to economic development in Pennsylvania—creating more than 2,000 construction jobs and 1,000 permanent jobs in power production, coal mining, and support activities.

Further, southwestern Pennsylvania enjoys a wealth of fuel sources. Removing the transmission bottleneck can open a sizeable market for these resources and help establish the foundation for a local energy export industry.

In December, we petitioned the Pennsylvania Public Utility Commission (PUC) for approval of the DQE-GPU transaction. This project serves the interests of all of our constituencies. Yet we want to be sure that the PUC supports it before we invest major capital in plant reactivation and transmission line work. An ambitious yet realistic schedule has been set for this project. For the wide-ranging benefits of this transaction to be realized, approval from the PUC is needed during 1991.

Our Core Business Has Competitive Advantages

Providing electricity to more than 574,000 customers in Allegheny and Beaver counties in southwestern Pennsylvania still is the

vital heart of DQE. Your company has a competitive advantage over many other electric energy providers in four key areas.

First, we have no need for new baseload generation. Our total active generating capacity is 2,835 megawatts. More than 500 megawatts will be added in 1994, with the proposed restart of Phillips Power Station and the already scheduled 1994 reactivation of Brunot Island Power Station. This will give us enough margin to meet both anticipated system demand and the sale to GPU. The combination of available power and the potential ownership of additional transmission capacity adds to our ability to meet future demand in the Pittsburgh region and in markets in the East.

Second, our long-standing commitment to improving the environment—more than \$600 million invested in air- and water-control equipment since 1970—greatly lessens the potential impact of new Clean Air Act regulations. Thanks to that investment, more than 80 percent of the company's total capacity can be generated by facilities that are in full compliance with 1995 sulfur dioxide emission standards.

Emissions will be reduced at plants providing the remaining capacity to put us in complete compliance by the deadline. To the extent possible, we plan to limit long-term capital and

"Our long-standing commitment to improving the environment greatly lessens the potential impact of new Clean Air Act regulations."

"During the past three years, your total return, including stock price appreciation and the dividend, has been in the top 25 percent of industry performance."

operating commitments by using least-cost compliance options, including cleaner coal. This approach will enable us to take advantage of improvements in emission control technologies expected during this decade.

Third, our fuel sources are stable and in good supply. We do not rely on oil to generate electricity. Abundant coal supplies 75 percent of the company's fuel mix, with the remaining 25 percent generated by nuclear fuel. This balanced mix helps us to keep fuel costs competitive and to maintain reliability.

And fourth, while both the national and regional economies clearly are in recession, we do not anticipate long-term implications in southwestern Pennsylvania. Continued diversification of the business and industrial base has lessened the area's—and your company's—exposure to a severe economic downturn such as that of the early 1980s, when the region was so dependent on the steel industry. As many of our shareholders know, regional economic development has been, and will continue to be, a cornerstone of our strategic plan. We believe that, in partnership with other

regional organizations, we can take some credit for the comparatively sound economic health of today's revitalized Allegheny and Beaver counties.

In highlighting these broad competitive advantages, we cannot overlook the outstanding contributions made by our people in every aspect of daily operations. Continued operations excellence and high levels of customer satisfaction will be key factors in your company's ability to compete in the new energy marketplace, both within and outside its traditional service territory.

Looking Ahead

Financial restructuring has been one of the most successful components of our business strategy. We expect to continue this activity as long as it makes economic sense to do so. During the past three years, your total return, including stock price appreciation and the dividend, has been in the top 25 percent of industry performance.

Since 1987, we have repurchased nearly 27 percent of the common shares outstanding. In addition, we reduced annual interest expense by \$32.4 million through the repurchase of high cost debt, and we reduced preferred and preference dividend expense by \$6.1 million through stock repurchases. In 1990 alone, we reduced interest expense on long-term debt by \$4.7 million

and preferred and preference dividend expense by \$2.7 million, while buying back an additional 1.6 million shares of common stock. In addition, Standard and Poor's Corporation, Fitch Investors Service, and Moody's Investors Service upgraded Duquesne Light's first mortgage bond ratings one step to BBB+, BBB+, and Baa1, respectively.

The strength and vitality we have gained through our financial and organizational restructuring help give us the flexibility to consider a wide range of growth opportunities. We only will focus on options that are closely related to our core business.

In last year's report, I discussed the significant contribution Allegheny Development Corporation (ADC), a DQE company, will make to our future growth. ADC enters 1991 on schedule and on budget in its activities to provide energy services to the new Pittsburgh International Airport. When completed in 1992, the \$625 million airport will be a hub for economic development. Demand from commercial growth is expected to add 20 to 30 megawatts of load to the initial 17 megawatts required for the facility.

Our customers' increasing interest in energy efficiency presents another new business opportunity. In late 1990, we submitted a demand side management (DSM) proposal to the PUC detailing a

variety of innovative programs that will help customers conserve electricity. Such conservation techniques would help us to meet future customer energy needs while deferring construction of peak-load power plants. We were the first energy provider in the state to submit a DSM plan.

We hope to reach agreement with the PUC on how these activities will be implemented and how the appropriate ratemaking procedures will be set. We are urging the PUC to provide utilities with financial incentives that stimulate conservation and load management activities. If a decline in revenues is the reward for conservation efforts, utilities simply will not proactively encourage customers to use less electricity.

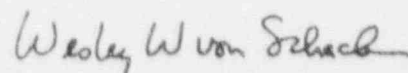
In 1991, we will file a plan with the Federal Energy Regulatory Commission (FERC) for market-based pricing and open access to the company-owned portion of the proposed DQE-GPU transmission line. In effect, we propose to allow the market to determine who can use the line. We believe our proposal fully supports the changing philosophy of national transmission line operations advanced by FERC and many state regulators.

Given the effects of the current recession, we expect 1991 will be a difficult year. However, we are confident that we can manage our way effectively through that

challenge and also continue to meet your expectations for high performance levels in 1991. And we continue to be optimistic about our long-term future.

The challenges facing the many competitors in the energy services marketplace of the 1990s will be quite different from those of the 1980s. Our people met the challenges of the 1980s and are ready for the 1990s. We are presenting nontraditional solutions to these new challenges. In doing so, we want to create opportunities for growth that will be of mutual benefit to shareholders, customers, our people, and the larger community. The following pages express why I believe we have the power to deliver.

On behalf of the Board of Directors,



Wesley W. von Schack

*Chairman of the Board and
Chief Executive Officer*

February 7, 1991

POWER TO DELIVER

NEW ENERGY HORIZONS

At DQE, we recognize that the electric power market of the 1990s is characterized by a variety of dynamic forces and will become increasingly competitive.

To succeed, we must understand these forces and tailor our business strategies to the realities of the changing marketplace.

Electric demand continues to grow, particularly in northeastern and mid-Atlantic states, yet utilities are not building new generating facilities. Utility to utility sales have become an increasingly important vehicle to deliver power from markets with adequate supply to markets where demand exceeds supply. Spurred by regulatory efforts to increase competition, independent power producers also are stepping in to fill the energy void. More than 4 percent of all power consumed in the United States in 1989 was provided by these entrepreneurs. Their share is expected to double by the year 2000.

Regulatory changes will continue to encourage competitive sources of power generation, especially independent power production. Energy companies, including electric utilities, will have to be creative and cost-effective if they are to retain and increase their share of the business. They will have to play a more active role in the development and application of new technologies, as new entrants and traditional suppliers of related energy services

compete directly in the generation and transmission of electricity.

As these trends continue, utilities increasingly will have more opportunities to shop for power, to buy instead of build the capacity needed to serve their customers. It is likely that a majority of this power will come from a competitive bidding process involving both utilities and independent power producers. Already there are variations of competitive bidding in approximately 26 states, including Pennsylvania.

To deliver power from one section of the country to another, various suppliers must obtain access to the transmission grid built and maintained by investor-owned utilities. Transmission access is being addressed on a case-by-case basis across the country. It is a complex issue, chiefly because of the technicalities of transmitting power over long distances and pricing questions raised by opening access to new power suppliers. However, it appears that market forces and regulatory reform will result in increased transmission access in the 1990s.

DQE in the New Energy Marketplace

To take advantage of the opportunities within and outside our traditional service territory offered by the new energy marketplace, we must continue to strive for excellence and quality in all aspects of our operations. Our goal is to be recognized as one of the

We believe state and federal regulators will find our transmission line proposal to be consistent with national energy policy.

The organizational flexibility of our holding company structure enhances our ability to take advantage of new business opportunities.

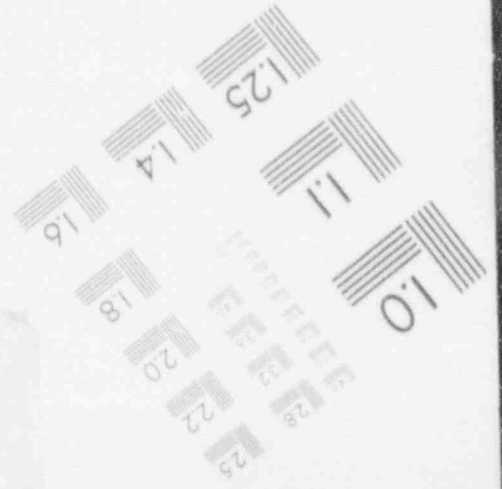
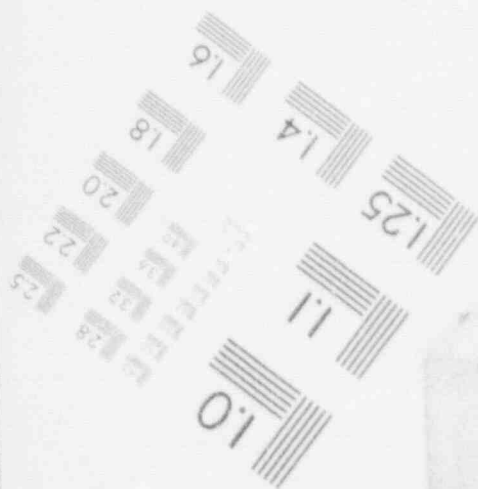
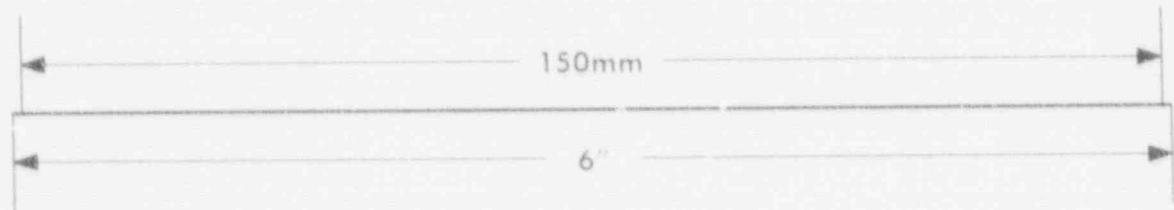
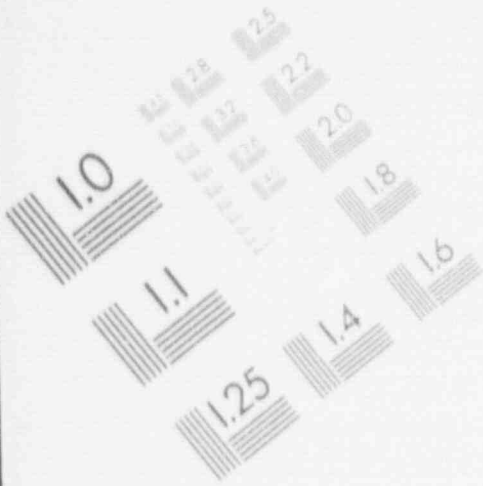


Allegheny Development Corporation's success in winning the energy services contract for the new Pittsburgh airport demonstrates our ability to meet new competitive opportunities.

Supplying needed power to markets in the East can be a major catalyst for investment and job creation in energy-rich southwestern Pennsylvania.

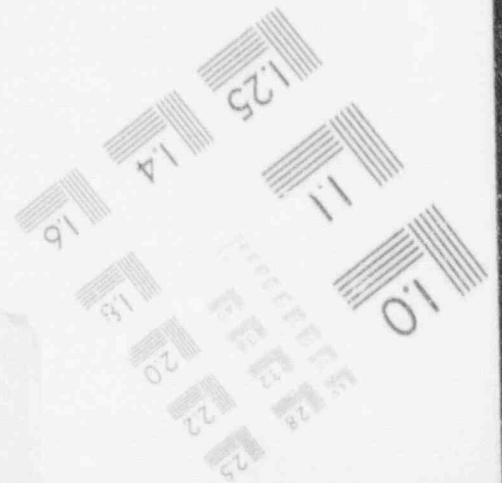
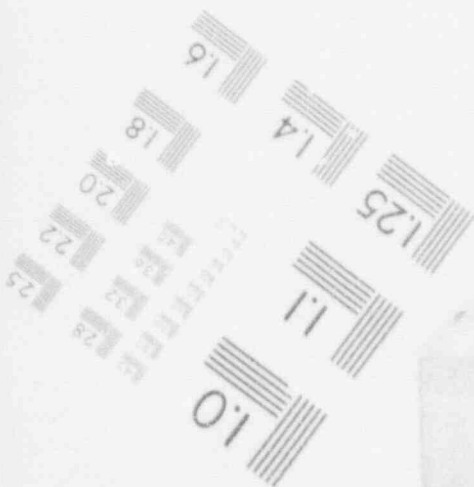
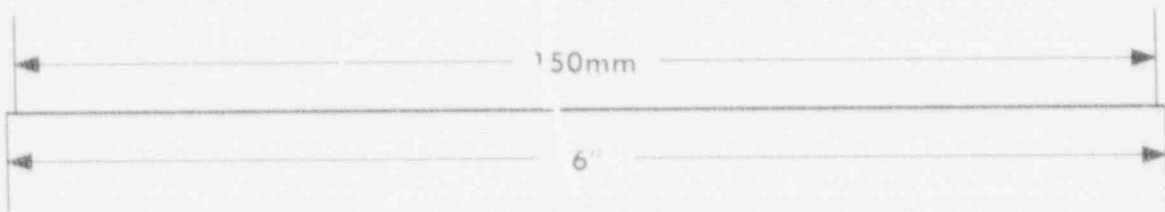
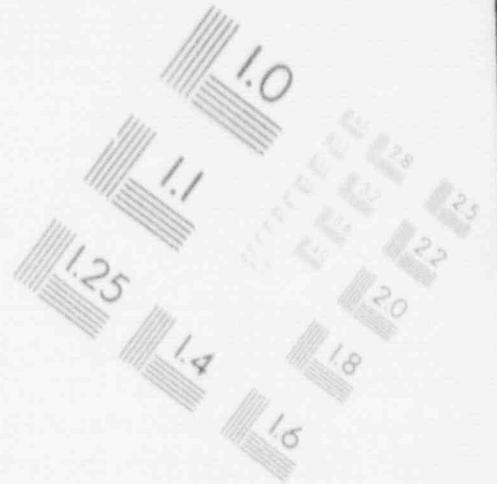
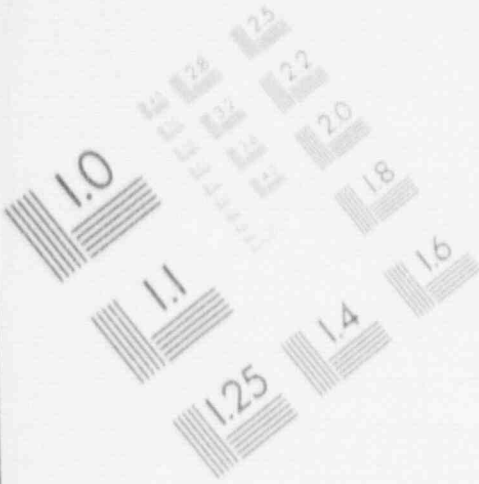
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IMAGE EVALUATION TEST TARGET (MT-3)



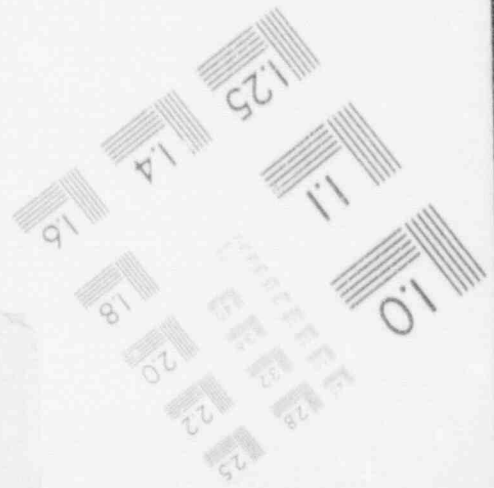
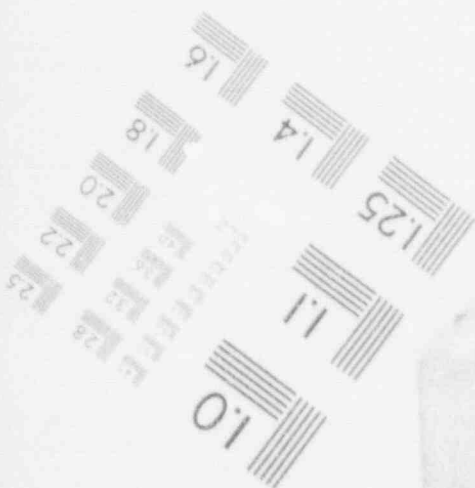
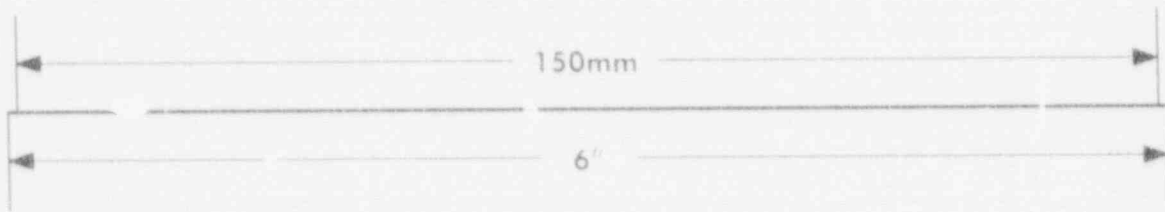
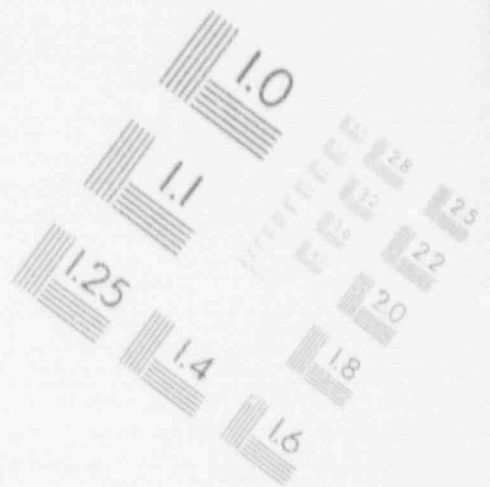
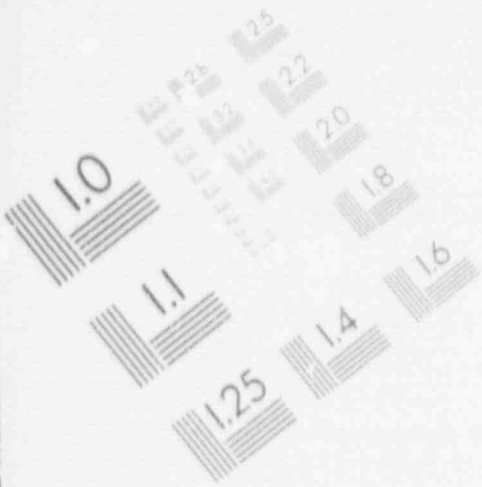
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IMAGE EVALUATION TEST TARGET (MT-3)



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IMAGE EVALUATION TEST TARGET (MT-3)



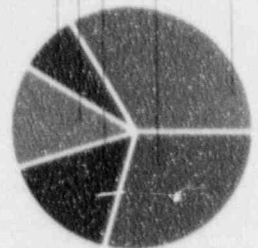
Our proposal to build a 200-mile transmission line can open the bottleneck limiting energy sales to power-deficient Eastern markets.

A host of interconnecting forces is shaping a new energy marketplace. Increasing demand, lack of new baseload generation, independent power producers, transmission access, competitive bidding, demand-side management, and the Clean Air Act are all part of the mix. This dynamic, increasingly competitive energy marketplace of the 1990s could offer DOE opportunities within and outside its traditional service territory.

A financial and organizational restructuring over the past several years has equipped DOE to better compete in the new energy marketplace.

New Generating Capacity Planned (1989-98)

GENCO	34.6%
Non-Utility Generators	29.5%
Hydro	13.4%
Coal	12.8%
Other	9.7%



Non-utility generators are forecast to provide almost one-third of the new generating capacity planned through 1998.

North American Electric Reliability Council

THE WALL STREET JOURNAL WEDNESDAY, FEBRUARY 28, 1990

TECHNOLOGY

Blackouts on East Coast Are Called 'Unavoidable'

Plans to create jobs in region provide proof of resurgence

By David
The Pitts

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16 THE WALL STREET JOURNAL

FERC Seeks Wider Corridors of Power

Plan Calls for New Breed of Electricity Maker

here because that is what the interstate blackouts will do longer and wider areas than in a significant chunk of a state" at one time. These blackouts, Mr. Ellis added, "will have to be so serious that when demand has exceeded available generating capacity, we could happen at any time in 1990."

"The United States is on the verge of a power shortage that threatens the economic stability of the country," he said.

"The chief economist for the U.S. Electric Institute, the utility industry's trade group, described last fall a similar situation. The

problem is already a problem in several parts of the U.S. Despite one another, last summer, Potomac Electric Power Co., Virginia Power Co. and Long Island Lighting Co. had to institute 9% voltage reductions. Last winter, when Potomac took a bad winter, including Potomac General Electric Co. and Page Power & Light Co., also had to impose the 9% cuts that result in brownouts.

Now when this winter's cold snap in New York, for example, Marie Gans of Argonne Research, Research Co., recently

to avoid electric reliability in Virginia is planning to expand with blackouts again in the future.

The report predicts, according to Mr. Ellis and other analysts, is that utility supply is "building enough new plants in kind—[they are reluctant to build because they don't think state regulators are allowing rate levels that are sufficient to finance pre-paid construction. Moreover, he adds, utilities are gun-shy about building because of the 1990 regulations forced them to write off more than \$20 billion spent on plants that had never been built."

best-managed energy services companies in the country.

The competitive bidding for energy services for the new Pittsburgh International Airport was a microcosm of the challenges of the new energy marketplace. Heating, cooling, and electricity were bid in one package, and the competition was open to any supplier that could meet Allegheny County's requirements. Allegheny Development Corporation, an unregulated DQE company, successfully competed with an out-of-state energy group and subsidiaries of two local gas companies. Our ability to create additional non-traditional business initiatives will be important to our future success.

While projected sales to our retail customers do not require additional baseload generation construction in the near future, we will investigate opportunities to use our experience to build facilities for other utilities. Our Duquesne Enterprises subsidiary has joined a unique consortium of electric utilities, affiliates, and an independent power developer to identify and assess independent generation opportunities. The Power Development Group is composed of eight forward-looking companies from across the country with the equity capital, experience, and industry knowledge needed to foster efficient and economical development efforts nationwide. We are particularly interested in identifying and participating in regional projects to take maximum advan-

tage of our demonstrated knowledge of local transmission and power markets.

THE ENERGY ADVANTAGE

Nationally, demand for electricity is expected to continue to grow in all three major customer segments—residential, commercial, and industrial—in the next decade. Regulated utilities have scheduled fewer than 40,000 megawatts of the 100,000 to 200,000 megawatts of new capacity estimated to be required by these markets by the end of the century.

To capitalize on market expansion and the power gap, we must continue to produce an excellent product at the right price. We have much to offer. Reliability, experience, and skilled people top the list. We have the ability and the power to deliver.

The availability and reliability of our power supply is a competitive advantage. However, lack of transmission access has been an obstacle to marketing power in the East. Our innovative proposal to construct a 200-mile transmission line between Pittsburgh and Harrisburg would enable us to sell and transmit 500 megawatts of power to General Public Utilities Corporation (GPU). The line will have capacity for an additional 1,000 megawatts that can be marketed to energy-deficient areas.

This proposal is consistent with President Bush's plans for a national energy strategy and with federal regulators' efforts to increase

Southwestern Pennsylvania is rich in potential fuel sources, especially coal.



Our power plant availability consistently is above the national average.

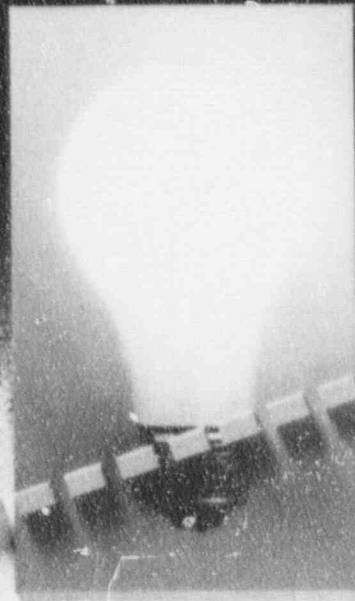
Thanks to the skills and hard work of our people, customers can be assured that safe and reliable electric service will be there when they want it.

Our people take pride in safe work habits. Their total lost-time incident rate consistently is below the industry average.

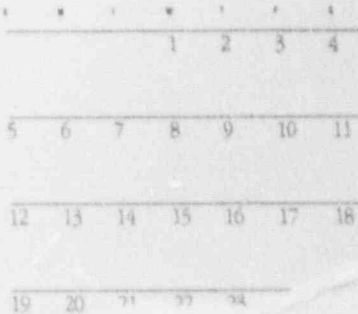


Our generating stations have a proven record of performance, reliability, and safety, as do the professional people who operate them. We have a stable fuel supply and a balanced mix of fuel sources. Because we long have been committed to protecting the environment, the majority of our plants already meet 1995 Clean Air Act standards. These components add up to the Energy Advantage.

Demand for electricity continues to outstrip supply in the East. Our solid operations performance and the proposed transmission link to Eastern markets should make us a prime candidate to supply some of that needed power.

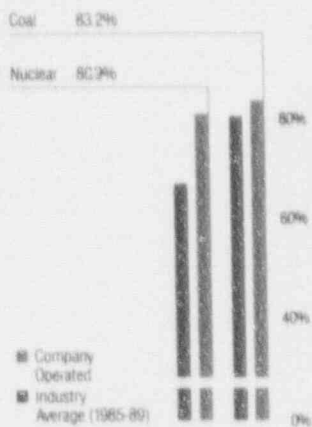


1991
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The North American Electric Reliability Council projects summer peak demand for electricity will grow 2 percent annually in the U.S. through the 1990s.

1990 Power Station Availability



Our operations people continue to maintain power station availability above the industry average.

competition. Opening the transmission bottleneck will broaden the menu of choices on the supply side, making it easier for sellers of energy services to meet consumer demand on a least-cost, diversified basis. Further, we do not plan to limit access on this highway for electric power. We will file a plan for market-based pricing and open access to the transmission line, which we believe will benefit customers, suppliers, and our company.

Southwestern Pennsylvania is rich in potential fuel sources, from abundant coal and natural gas to alternative sources, including methane gas from landfills, river currents, waste heat from industrial facilities, and waste coal. Construction of our transmission link to Eastern markets could draw investment to the greater Pittsburgh area from a variety of independent power producers that could develop these resources. The new power line will provide an opportunity to make our core service territory a hub for energy facilities generating electricity for customers hundreds of miles away.

We actively have been studying ways to improve the quality of local coal. Because of the promise of those studies, we have initiated a joint venture, Custom Coals International, to develop a commercial patented "self-scrubbing" coal process. We believe our process will be a cost-effective alternative for utilities considering the addition of scrubbers or switching to

low sulfur coal to meet more stringent clean air standards.

THE POWER OF SERVICE

If we are to succeed in a competitive energy marketplace, customer satisfaction must continue to be our major focus, whether the customer is a family in Beaver County, a utility holding company, a national retailer seeking a new location, or a municipal authority seeking a supplier of energy services for a new airport. Customer satisfaction and our ability to meet a variety of customer needs are essential to continued success.

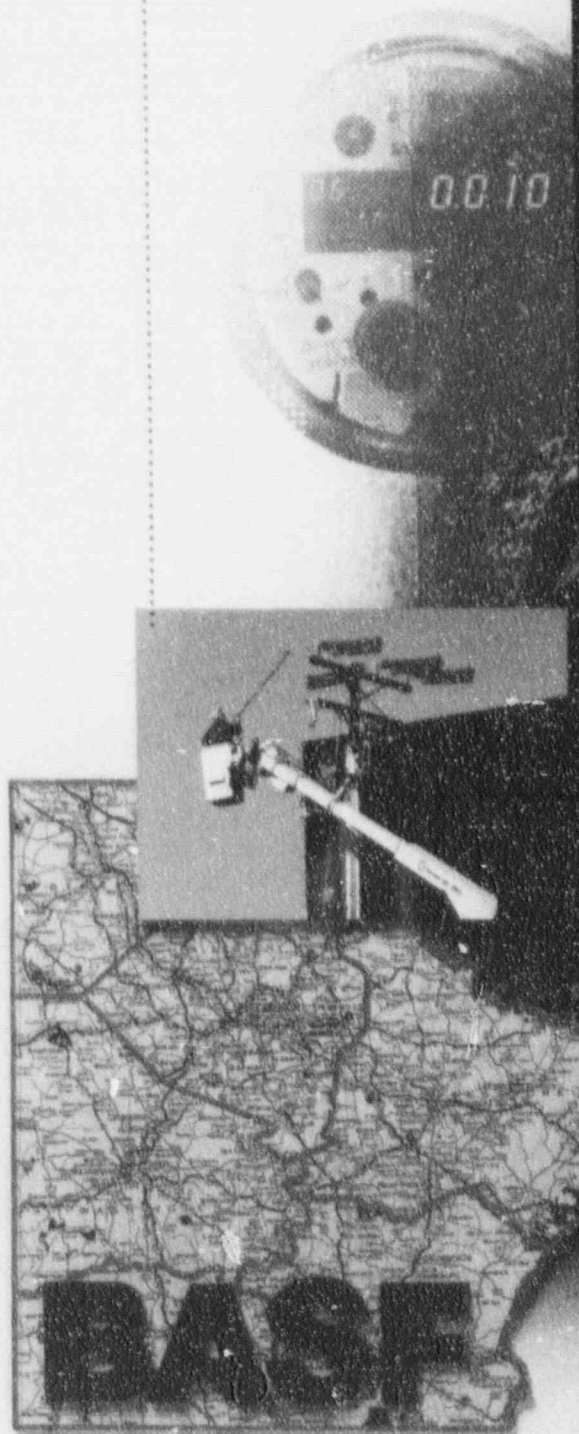
In 1990, all of our company-operated generating stations—the coal-fired Cheswick and Elrama and the nuclear-fueled Beaver Valley Units 1 and 2—again achieved availability ratings above the industry average. On July 3, Beaver Valley Unit 2 completed 354 days of continuous operation, a company record run.

Safety is an important component of operations excellence. Our people in the Nuclear Group set a new company safety record—3.9 million work hours, or 541 consecutive days, without a lost-time accident. Since 1982, company-wide safety incident rates consistently have been below the industry average.

... In Our Traditional Service Territory

Nineteen-ninety was the "Year of the Storm" for Duquesne Light Company. Fourteen major storms hit our system—almost tripling

We are helping local businesses grow. Continued expansion of the commercial sector has been a driving force in the diversification of the local economy.



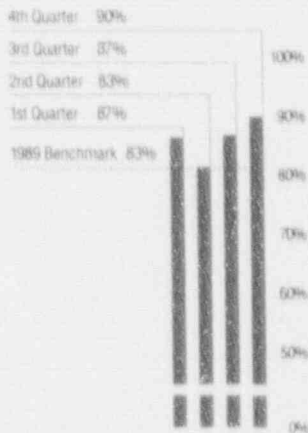
Our economic development effort helped secure a major BASF Corporation expansion at its Beaver County plant.

Crew Leader David Artman typifies our determination to meet customers' high expectations for reliability and service.

Consumers in the new energy marketplace have very high expectations for quality service. They expect timely, knowledgeable responses to inquiries. One-stop service is preferred. Consumers want to be sure that steps are being taken to control costs. Flexible pricing and service options are a must. Social responsibility has become a high priority.

We are striving to meet these expectations. One of our fundamental strategies in this era of dynamic change is to never take our eyes off customer satisfaction.

1990 Customer Satisfaction Rating



Almost 90% of customers surveyed rated excellent or good their overall quality of experience in dealing with your company.



YOUR COMPARATIVE USAGE DATA

ELECTRIC BILL



MEMBERING INFORMATION

MEMBER ID: 12345678
 ADDRESS: 123 Main St
 PHONE: 555-1234

PRIOR BILLING INFORMATION

AMOUNT OF LAST BILL: \$100.00
 PAYMENT RECEIVED APR-16: \$50.00
 PAYMENT RECEIVED MAY-15: \$50.00
 AMOUNT YOU OWE FROM YOUR LAST BILL: \$0.00

CURRENT CHARGES

BASE RATE: \$100.00
 SERVICE CHARGE: \$5.00
 TAXES: \$5.00
 TOTAL AMOUNT DUE: \$110.00

Our plain language bill and state-of-the-art telephone information system are just two of many efforts to improve customer communications.

the 1989 total. Our field, support and office people consistently did what it took to provide service to customers when conditions were at their worst.

Nineteen-ninety also marked the second year of a five-year program to enhance the capacity and reliability of our transmission and distribution network. Where necessary, we are adding capacity to circuits and replacing poles, equipment, and wires. We also are working on the development of a low-cost, hand-held monitor to field test power line insulators.

Improving customer satisfaction remains our number one goal. We achieved a number of successes in 1990.

- Customer surveys consistently rate our overall quality of service very high—well above the industry average.
- The first full year of monthly meter reading was the major contributor to a 35 percent reduction in customer billing complaints.
- Participation in our Electriccheck plan doubled, making it one of the more successful programs in the industry. This convenient service enables customers to have their monthly bill deducted directly from their bank accounts.

... In the New Energy Marketplace

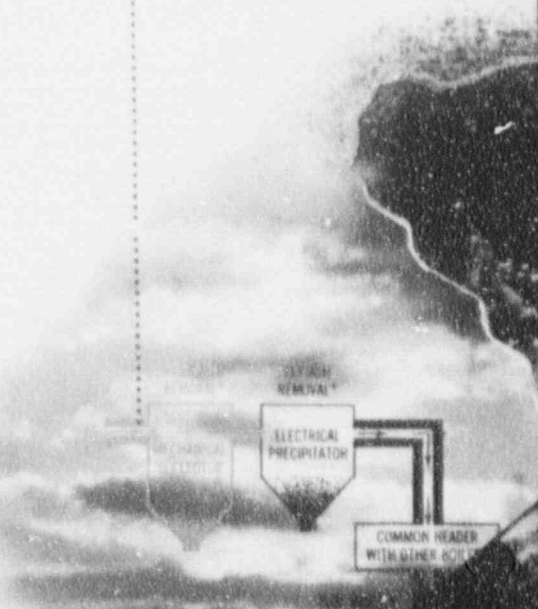
We are striving to become our customers' in-house energy expert.

Our commercial and industrial representatives match customer needs with appropriate electric-based technologies. Processes such as induction heating, infrared processing, and industrial heat pumps can improve the productivity and efficiency of certain industries. By introducing electrotechnologies and general efficiencies that can improve their competitiveness, we will become customers' energy provider of choice.

In addition, our people are expansion and relocation experts. Our economic development staff helps local firms grow and demonstrates to non-Pittsburgh companies the many advantages of locating a business and living in the region. Our specialists have extensive public and private contacts at the local and state level. They know the ins and outs of site selection, work force information, transportation, and financing.

Our people are recognized leaders in local economic development efforts. Since we tripled our economic development resources in 1987, Duquesne Light people have helped add or retain more than 11,000 jobs in the region. Highlighting 1990 activities was our role in the planned restart of two local mills. We advised the out-of-town buyer of available

A pioneer in implementing scrubber technology in the 1970s, we plan to take advantage of new developments in clean-coal technologies during the 1990s.



More than 350,000 tons of fly ash were recycled as fill in a recently opened section of Interstate 279, saving \$1 million in disposal costs.

Children of our people carried the important message of electric safety through a series of television public service spots and newspaper advertisements.



Engineer Bob Orchowski and other company people are enhancing the wildlife habitat that coexists with one of our generating stations on a 180-acre island.



Daquesne Light Wins Bellringer Award



Your company received the Bellringer Award for best community relations program in the country. A cornerstone was employee volunteerism, including helping needy children during the holidays.

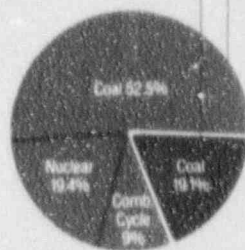
Consumers increasingly judge companies for their social responsibility as well as for the quality of their products and services. Our commitment to the environment and to the communities we serve is well documented.

Our future success is linked to the economic health and vitality of the regions we serve. We are an acknowledged leader in the continuing effort to improve the quality of life in the greater Pittsburgh region. Our economic development people have established partnerships with local educational, business, and public institutions. Working together, we have made our corporate home one of the most livable areas in the country.

**Clean Air Compliance
1995 SO₂ Emission Standard**

Capacity in Compliance 80.9%

Capacity Requiring Modification 19.1%



Because of our long-standing environmental commitment, 81% of our capacity already meets the 1995 standard.

low-cost financing and pointed out the benefits of Duquesne Light's economic development and time-of-day rates. The \$130 million restart of a state-of-the-art melt shop and a modern tube-making plant will add significant electric load and as many as 650 jobs over the next three years.

Another 1990 highlight was BASF Corporation's announcement of a \$29 million expansion at its Beaver County facility that will add both jobs and significant growth in electric consumption. With this expansion, BASF will have the potential to become one of our largest customers.

Our prospecting for new businesses and jobs extended to Europe in 1990. Nearly 170 European firms currently operate in the greater Pittsburgh region. To encourage continued foreign investment here, our Economic Development Department cosponsored a trip to Hanover, Germany, to take part in the world's largest industrial trade show and to contact companies that can take advantage of opportunities in our region.

ENVIRONMENTAL LEADER. COMMUNITY PARTNER

Equal to our determination to be recognized as one of the best-managed energy services companies in the country is our

commitment to be recognized as an environmental leader and a community partner.

Enhancing the Environment

We have been an environmental pioneer in many ways. Installing and operating the nation's first plant-wide scrubber systems at our Elrama and Phillips power stations in the early 1970s demonstrated the viability of this technology. In 1986, we were the first electric utility to use natural gas to co-fire a coal-fueled boiler, a process that also reduces emissions and fuel costs at our Cheswick Power Station. The recycling of 353,000 tons of fly ash for use as fill on the recently opened East Street Valley section of Interstate 279 received national attention.

A highlight of our environmental work in 1990 was the announcement of a program to enhance the habitat for wildlife on Brunot Island, the site of one of our generating stations. More than two-thirds of the 180-acre island, located just two miles from downtown Pittsburgh, is grassland that provides a habitat for a variety of wildlife. The Western Pennsylvania Conservancy is providing advice to company volunteers who will be improving the habitat and erecting nesting boxes.

Our history of environmental commitment will make it easier to comply with the recently amended Clean Air Act. More than 80

percent of our power is produced at plants that already meet new sulfur dioxide emission standards for 1995.

A Community Partner

The vitality of our core business is a direct reflection of the economic health of the communities we serve. Their health is our health. As a concerned community partner, we are dedicated to the continued revitalization of the greater Pittsburgh region. It is all part of our commitment to know our customers better and to provide the services they need.

Duquesne Light's community relations program received a major honor in 1990. *Community Relations Report*, a national publication, presented the company with the prestigious Bellringer Award of Excellence for the best community relations program in the country. The award cites the company's long history of addressing community and consumer needs through both mainstream energy-related programs and specialized community outreach activities.

Much credit for the Bellringer Award is due the men and women of Duquesne Light. They are well known for their volunteer efforts and generosity. By working directly in the community and providing significant leadership, our people embody the company's social conscience and its caring spirit.

BOARD OF DIRECTORS

FEBRUARY 1991

(All board terms 3 years)

John M. Arthur, 68, elected 1967 (4, 5), term expires 1992. Retired as Chairman, Duquesne Light, in 1987, served as Chairman and Chief Executive Officer, 1968-85. Directorships include Mine Safety Appliances Company (worker and plant protection equipment and systems) and Chambers Development Company, Inc. (waste management operations). Charter Trustee of the University of Pittsburgh.

Daniel Berg, 61, elected 1983 (1, 5), term expires 1991. Institute Professor, Rensselaer Polytechnic Institute (RPI). President and Institute Professor of RPI, 1985-87. Directorships include Hy-Tech Machine, Inc. (supplier of specialty parts) and Perfect-A-Tech (precision component supplier).

Doreen E. Boyce, 56, elected 1975 (2, 4), term expires 1992. Chief Executive Officer and Director of the Buhl Foundation (support of educational and community programs) since 1982. Directorships include Microbac Laboratories, Inc. and Dollar Bank, Federal Savings Bank. Trustee of Franklin & Marshall College.

Robert P. Bozzone, 57, elected 1990 (1, 2), term expires 1991. President and Chief Executive Officer of Allegheny Ludlum Corporation (specialty metals production) since May 1990. President and Chief Operating Officer, 1985-90. Directorships include Allegheny Ludlum Corporation and the Pittsburgh Branch of the Federal Reserve Bank of Cleveland.

Sigo Falk, 56, elected 1979 (2, 3), term expires 1993. Personal investments. From 1987 to November 1989, President and Chief Executive Officer of Cranberry Emergency and Diagnostic Center (ambulatory health care services). Directorship National InterGroup, Inc. Trustee of Chatham College.

William H. Knoell, 66, elected 1980 (3, 5), term expires 1991. Retired Chairman and Chief Executive Officer of Cyclops Industries, Inc. (basic and specialty steels and fabricated steel products, industrial and commercial construction). Directorships include Cyclops Industries and Cabot Oil & Gas Corporation. Life trustee of Carnegie Mellon University.

G. Christian Lantzsich, 66, elected 1973 (2, 5), term expires 1992. Retired Vice Chairman, Mellon Bank Corporation (bank holding company), retired Vice Chairman and Chief Financial Officer, Mellon Bank, N.A. (commercial banking and trust services). Directorships include Koger Equity, Inc. (real estate investment trust) and Presbyterian University Hospital. Director at-large, Trout Unlimited (national conservation organization).

Dr. Robert Mehrabian, 49, elected January 29, 1991, term expires 1992. President, Carnegie Mellon University. Dean, College of Engineering, University of California at Santa Barbara, 1983-90. Director Center for Materials Science, National Bureau of Standards, 1982-83. Fellow, American Society for Metals International, elected member National Academy of Engineering

Thomas J. Murrin, 61, elected January 29, 1991, term expires 1991. Dean, Duquesne University School of Business and Administration. Deputy Secretary of the U.S. Department of Commerce, 1989-90. President, Westinghouse Electric Corporation Energy and Advanced Technology Group, 1983-87.

Robert B. Pease, 65, elected 1989 (1, 4), term expires 1993. Senior Vice President, National Development Corporation (real estate). Executive Director, Allegheny Conference on Community Development, 1968-90. Directorships include the Regional Industrial Development Corporation of Southwestern Pennsylvania.

Eric W. Springer, 61, elected 1977 (1, 3), term expires 1993. Partner of Harty, Springer and Mattern, PC (attorneys-at-law). Directorships include the Urban League of Pittsburgh and Presbyterian University Hospital.

Wesley W. von Schack, 46, elected 1986 (3, 4, 5), term expires 1993. Chairman, President, and Chief Executive Officer of DQE and Duquesne Light. Directorships include Mellon Bank Corporation, Michael Baker Corporation (consulting and design engineering services), the Regional Industrial Development Corporation of Southwestern Pennsylvania, the Pennsylvania Business Roundtable, and the Pittsburgh Cultural Trust.

DQE/Duquesne Light Committees

- 1 Audit
- 2 Compensation
- 3 Nominating

Duquesne Light Committees

- 4 Employment and Community Relations
- 5 Nuclear Review

Front row, left to right: Eric W. Springer, Sigo Falk, Doreen E. Boyce, G. Christian Lantzsich. Back row, left to right: John M. Arthur, Robert B. Pease, Robert P. Bozzone, Daniel Berg, William H. Knoell, and Wesley W. von Schack. Not pictured: Dr. Robert Mehrabian and Thomas J. Murrin.



OFFICERS

FEBRUARY 1991

DQE

Wesley W. von Schack
*Chairman of the Board, President
and Chief Executive Officer*

David D. Marshall
Vice President

Frederick S. Potter
Vice President

Gary L. Schwass
Vice President and Treasurer

Diane S. Eismont
Secretary

James D. Mitchell
Assistant Treasurer

Raymond H. Panza
Controller

Joan S. Senchyshyn
Assistant Secretary

DUQUESNE LIGHT COMPANY

Wesley W. von Schack
*Chairman of the Board, President
and Chief Executive Officer*

John J. Carey
*Executive Vice President,
Operations*

David D. Marshall
*Assistant to the President
Vice President, Corporate
Development*

Roger D. Beck
*Vice President, Marketing and
Customer Services*

Gary R. Brandenberger
Vice President, Power Supply

William J. DeLeo
*Vice President, Corporate
Performance and Management
Information Services*

Dianna L. Green
*Vice President, Administrative
Services*

Gary I. Schwass
*Vice President, Finance
Chief Financial Officer*

John D. Sieber
Vice President, Nuclear

Edwyna G. Anderson
General Counsel

George E. Bentz
*Assistant Vice President,
Human Resources*

Diane S. Eismont
Secretary

James D. Mitchell
Treasurer

Raymond H. Panza
Controller

Donald J. Clayton
Assistant Treasurer

Joan S. Senchyshyn
Assistant Secretary

DUQUESNE ENTERPRISES

David D. Marshall
President

Frederick S. Potter
Vice President

Anthony J. Villiotti
Treasurer and Controller

Allegheny Development Corporation

H. Donald Morine
President

H. Michael Siegel
Vice President

Property Ventures, Ltd.

H. Donald Morine
President

John L. Weinhold
Vice President

MONTAUK

Gary L. Schwass
President

James D. Mitchell
Vice President and Treasurer

18	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
24	REPORTS OF MANAGEMENT AND INDEPENDENT ACCOUNTANTS
25	STATEMENT OF CONSOLIDATED INCOME
28	CONSOLIDATED BALANCE SHEET
28	STATEMENT OF CONSOLIDATED CASH FLOWS
29	STATEMENT OF CONSOLIDATED RETAINED EARNINGS
29	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
46	SELECTED FINANCIAL DATA
47	SELECTED OPERATING DATA
48	SELECTED COMMON STOCK DATA

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS



CORPORATE STRUCTURE

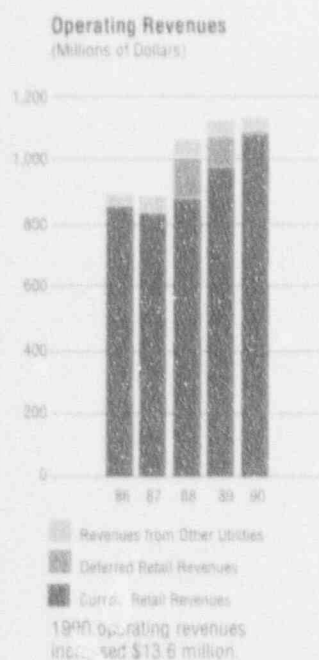
DQE was formed as a holding company in 1989, with Duquesne Light Company (Duquesne) as a wholly owned subsidiary. DQE and Duquesne are sometimes referred to collectively as the Company. As the principal operating subsidiary of DQE, Duquesne's operations account for the major share of DQE's total assets, revenues and income. Therefore, DQE's financial condition, changes in its liquidity and its future financial outlook depend primarily on the operating, investing and financial activities of Duquesne.

Although the electric utility business will continue to be the largest portion of DQE's business for the foreseeable future, the Company has taken important steps to develop its two non-utility subsidiaries: Duquesne Enterprises (DE) and Montauk. DE is developing a total energy services package for the new Greater Pittsburgh International Airport, pursuing demand side management opportunities and providing real estate services. Montauk is involved in a variety of investment management activities.

RESULTS OF OPERATIONS

Operating Revenues

Operating revenues increased (decreased) in the years 1988 through 1990 over the respective preceding years, for the following reasons:

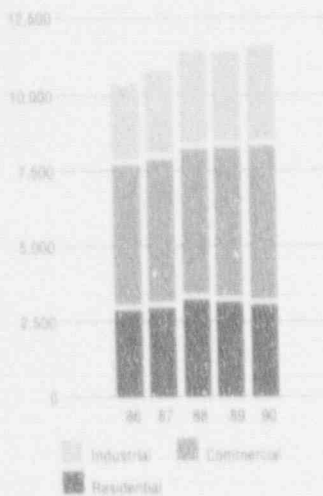


(Millions of Dollars)	1990	1989	1988
General rate increase	\$81.0	\$83.7	\$ 63.3
Deferred customer revenues	(85.5)	(21.3)	117.5
Retail KWH sales	8.4	(1.6)	22.0
Energy cost rate revenues	5.9	(4.2)	(34.9)
General rate decrease	-	-	(7.7)
Other	5.2	12.8	5.1
Revenues from other utilities	(1.4)	(12.0)	9.9
Total	\$13.6	\$57.4	\$175.2

Retail operating revenues are based on rates authorized by the Pennsylvania Public Utility Commission (PUC) and are designed to recover operating expenses, plus a rate of return on the investment in utility rate base.

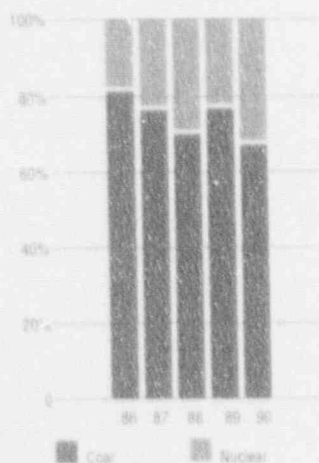
The general rate increase and the deferred customer revenues resulted from a \$232 million rate increase granted in late March of 1988 which is being phased in over a six-year period. The phase-in was designed such that rates increase each year in years 1988 through 1991 by \$85 million, remain constant in years 1992 and 1993 and decrease by \$85 million in 1994. The rate increase granted has been recognized in revenues since March 1988 and a deferred asset has been established for that portion of revenues yet to be collected from customers. The Company expects this deferred asset to be fully recovered by the end of the phase-in period.

Retail KWH Sales
(Millions)



1990 retail KWH sales increased slightly despite mild weather.

KWH Generated by Energy Source
(Percent)



Our fuel mix is well balanced. This helps us keep fuel costs competitive and maintain reliability.

Retail sales in 1990 increased 1.1% compared to 1989, as modest growth in commercial and industrial sales was offset by the effect of mild weather conditions on residential sales. Sales in 1989 decreased slightly, compared to 1988, reflecting a return to near normal summer temperatures.

The fluctuations in energy cost rate revenues in all years were primarily due to changes in fuel costs which the energy cost rate is designed to recover.

The decreases in sales to other utilities, which were all made on a short-term basis in 1990 and 1989, were primarily due to decreases in demand from other utilities. Benefits from such short-term sales are passed through to Duquesne's customers.

Operation and Maintenance Expenses

Fuel expense fluctuated from 1988 through 1990 due to changes in the cost per ton of coal, the mix between coal and nuclear generation and the total kilowatt-hours generated. Maintenance expense increased in 1990 and 1989 reflecting the full impact of operations and refueling since introduction of Beaver Valley 2 and Perry 1 into service.

Taxes

The increases in income taxes in 1990 and 1989 were primarily due to increased taxable income. The effective income tax rates for 1990, 1989 and 1988 were 38%, 37% and 31%, respectively. The 1988 effective tax rate was lower than 1990 or 1989 due to the higher amount of nontaxable carrying charges included in book income in 1988. See Note F.

Other Income and Deductions

Other income increased in 1990 compared to 1989 largely due to higher carrying charges on deferred revenues and a 1989 charge for rate refunds which resulted from the settlement of the 1987 rate case.

Other income decreased in 1989 compared to 1988 primarily due to the absence of carrying charges applicable to Beaver Valley 2 and Perry 1 and the 1989 rate refunds discussed above. Interest income decreased in 1989 as previously invested cash was used for financial restructuring. Interest income in 1988 largely reflected the impact of investing the proceeds from the sale of Beaver Valley 2. These decreases were partially offset by increased carrying charges in 1989 on deferred revenues.

Interest and Other Charges

Interest and other charges decreased in 1990 and 1989 due to retirement or refinancing of higher cost first mortgage bonds, pollution control obligations and preferred and preference stock. These activities allowed the Company to reduce interest expense and dividends on preferred and preference stock to \$158 million in 1990 from \$175 million in 1988.

**CAPITAL
RESOURCES AND
LIQUIDITY**

Earnings Per Share

Earnings per share were affected by the changes in net income and the decrease in the average number of shares outstanding resulting from the Company's repurchases of its common stock. The repurchases of common stock increased earnings per share by \$.05 for 1990 compared to 1989 and by \$.25 for 1989 compared to 1988.

Construction

Construction expenditures during 1990, exclusive of allowance for funds used during construction (AFC) and nuclear fuel, were \$110 million. These expenditures were made to improve and expand production, transmission and distribution systems.

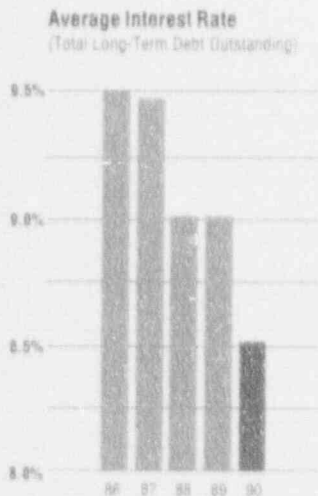
The Company estimates that its 1991 construction expenditures, including expenditures relative to a proposed transaction with General Public Utilities Corporation (GPU), will total approximately \$160 million. Capital expenditures for 1992 through 1995 are expected to total \$800 million. The Company expects to recover \$150 million of these expenditures in 1994 from the transfer of a 50% interest in the Phillips plant to GPU. These amounts do not include AFC and nuclear fuel or possible expenditures related to the Clean Air Act amendments which are discussed separately under Environmental Matters on page twenty-two. The Company currently has no plans for construction of new baseload generating plants.

See further discussion related to the GPU transaction under Long-Term Power Sales on page twenty-one.

Financing

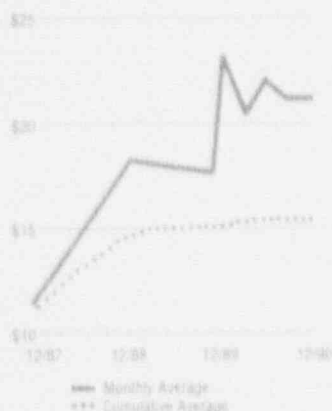
The Company is continuing its efforts to reduce its capital costs by making additional purchases or refunding of its securities to the extent financially beneficial results can be achieved. During 1990 the Company repurchased 1.6 million shares of common stock for \$34 million and also repurchased \$32 million of preferred and preference stock.

In addition the Company retired or refinanced \$242 million of long-term debt. Approximately \$42 million of first mortgage bonds were retired, \$74 million of first mortgage bonds were refinanced and \$126 million of pollution control bonds were also refinanced. It is expected that 1991 interest expense on long-term debt will be approximately \$4 million lower than in 1990 as a result of these transactions.



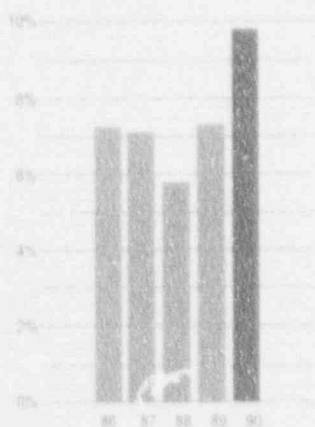
The Company has continued to reduce the average interest rate it pays on its long-term debt.

Average Cost of Shares Repurchased (Dollars Per Share)



The Company has repurchased nearly 27% of its stock since 1987.

Operating Cash Flows (Percent of Total Capitalization)



Our financial flexibility continues to improve.

In 1989 Duquesne entered into an agreement with an unaffiliated corporation whereby Duquesne is entitled to sell and the corporation is required to purchase, on an ongoing basis, up to \$90 million of its accounts receivable. At December 31, 1990 Duquesne had sold \$68 million of receivables. These sales provide Duquesne with enhanced liquidity and reduced working capital requirements.

Duquesne finances its nuclear fuel requirements through a leasing arrangement under which it may finance up to \$145 million of nuclear fuel. As of December 31, 1990, Duquesne's nuclear fuel financed under this arrangement was \$123 million, including interest, storage and other costs.

Dividends may be paid on the common stock to the extent permitted by law and as declared by the Board of Directors. However, such dividends are affected by provisions in Duquesne's Restated Articles relating to payments of dividends. No dividends or distributions may be made on Duquesne's common stock if dividends or sinking fund obligations on Duquesne's preferred or preference stock are unpaid. Further, the aggregate amount of Duquesne's common stock dividend payments or distributions are limited to certain percentages of net income if the ratio of common stockholders' equity to total capitalization is less than specified percentages. No portion of retained earnings at December 31, 1990 was restricted.

Duquesne is considering forming a leveraged employee stock ownership plan (ESOP) in 1991. The ESOP is expected to have minimal impact on earnings per share as DQE expects to purchase shares of its common stock on the open market to offset any dilution.

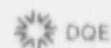
Long-Term Power Sales

In September 1990 the Company entered into a long-term firm power sale agreement with GPU. Under the terms of the agreement, GPU will purchase from the Company 500 MW of capacity and associated energy for 20 years beginning in 1994. The back up capacity for the sale will be provided by the currently cold-reserved Phillips plant and Brunot Island (B.I.) combined cycle facilities which are to be reactivated and returned to commercial operation. The reactivations of the Phillips and B.I. facilities are expected to be completed over the next three years. GPU will acquire a 50% interest in the Phillips plant after it is returned to commercial operation in 1994.

As part of the overall arrangement, GPU and DQE will also jointly construct and operate a 500 KV transmission line from Pittsburgh to Harrisburg, Pennsylvania, which is scheduled to be in service in 1996. Duquesne will own 1/3 of the new line and will have an option to use up to another 1/6 of the line.

Consummation of the transactions described above is subject to certain conditions, including receipt of federal, state and local regulatory and environmental approvals.

MANAGEMENT'S DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (CONTINUED)



Environmental Matters

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and the Superfund Amendments and Reauthorization Act of 1986 (SARA) established a variety of informational and environmental action programs. Duquesne has been notified by the Environmental Protection Agency of its involvement or potential involvement in three hazardous waste sites. Duquesne is currently determining the extent, if any, of its liability in this regard. Duquesne believes that the ultimate outcome of these and other environmental matters will not have a material adverse effect on its financial position or results of operations.

In 1990 Congress approved certain amendments to the Clean Air Act. The emission limit standards of the new legislation will require Duquesne to reduce sulfur dioxide (SO₂) and/or nitrogen oxide (NO_x) emissions at its wholly owned Cheswick plant and its jointly owned Eastlake, Sammis and Fort Martin plants by 1995. Preliminary studies indicate that the Company will be able to comply with the Phase I requirements beginning in 1995 by using lower sulfur coal and adding low NO_x burners at these four plants and Phillips. The capital costs associated with this strategy of meeting Phase I are estimated to be \$50 million. To meet Phase II requirements beginning in 2000, Duquesne is exploring a combination of compliance methods to take advantage of advances in clean coal technology. Duquesne will continue to work with the owner/operators of our jointly owned stations to arrive at a cost effective compliance strategy to meet the requirements of Phase II.

Accounting Matters

The Financial Accounting Standards Board has issued statements regarding the accounting for income taxes and postemployment benefits which the Company will be required to adopt by 1992 and 1993, respectively. See Notes A and G for a discussion of the accounting changes required by the new statements. The Company does not anticipate that the adoption of either standard will have an adverse effect on its financial position or results of operations.

Note H describes the status of certain investments not currently included in rate base and other deferred costs which the Company expects to recover in the future. If at any time the Company determines that recovery of these items is not probable, such unrecoverable amounts would be recognized as a charge to earnings.

The electric utility industry is subject to inflationary pressures similar to those experienced by other industries. Duquesne's utility operations are subject to regulation by the PUC and the Federal Energy Regulatory Commission. This regulation is designed to provide for the recovery of operating costs and the opportunity to earn a fair return on funds invested in the utility business. However, the regulatory process imposes a time lag during which increases in operating expenses or construction costs may not be recovered except to the extent that they are forecast in rate decisions, included in the energy cost rate or offset by increases in sales revenues until new rates can be implemented through a rate proceeding with the PUC. As discussed in Note H, subject to certain conditions, the Company is not permitted to obtain additional base rate relief over and above the phased-in increases approved in the 1987 Rate Case until 1993.

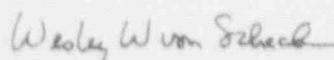
Outlook

The Company currently expects that funds generated from operations will continue to be sufficient to meet its operating expenses, pay dividends and finance a large portion of its capital needs. The Company's need for funds and the availability of those generated from operations will be affected by the level of economic activity in the Company's service area, legislation, rate related proceedings, environmental matters and other matters experienced by it and the electric utility industry generally.

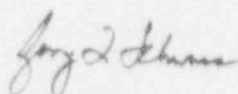
COMPANY REPORT ON FINANCIAL STATEMENTS

The Company is responsible for the financial information and representations contained in the financial statements and other sections of this Annual Report. The Company believes that the consolidated financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances to reflect, in all material respects, the substance of events and transactions that should be included in the statements and that the other information in the Annual Report is consistent with those statements. In preparing the financial statements, the Company makes informed judgments and estimates based on currently available information about the effects of certain events and transactions.

The Company maintains a system of internal accounting control designed to provide reasonable assurance that the Company's assets are safeguarded and that transactions are executed and recorded in accordance with established procedures. There are limits inherent in any system of internal control based on the recognition that the cost of such a system should not exceed the benefits to be derived. The system of internal accounting control is supported by written policies and guidelines and is supplemented by a staff of internal auditors. The Company believes that the internal accounting control system provides reasonable assurance that its assets are safeguarded and the financial information is reliable.



Wesley W. von Schack
Chairman of the Board,
President and Chief
Executive Officer



Gary L. Schwass
Vice President
and Treasurer

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Deloitte & Touche
Certified Public Accountants
Two Oliver Plaza
Pittsburgh, Pennsylvania 15222

To the Directors and Stockholders of DQE:
We have audited the consolidated balance sheet of DQE and its subsidiaries as of December 31, 1990 and 1989 and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of DQE and its subsidiaries as of December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.



Deloitte & Touche
January 29, 1991

AUDIT COMMITTEE LETTER

The Audit Committee, composed entirely of non-employee directors, meets regularly with the independent public accountants and the internal auditors to discuss results of their audit work, their evaluation of the adequacy of the internal accounting controls and the quality of financial reporting.

In fulfilling its responsibilities in 1990, the Audit Committee recommended to the Board of Directors, subject to shareholder approval, the selection of the Company's independent public accountants. The Audit Committee reviewed the overall scope and details of the independent public accountants' and internal auditors' respective audit plans, discussed the inde-

pendent public accountants' management letter recommendations, and reviewed and approved the independent public accountants' general audit fees and non-audit services.

The committee meetings are designed to facilitate open communications with the internal auditors and the independent public accountants. To ensure auditor independence, both the independent public accountants and internal auditors have full and free access to the Audit Committee.

The Audit Committee of the Board of Directors

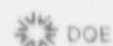
STATEMENT OF CONSOLIDATED INCOME



(Thousands of Dollars, Except Per Share Amounts)	Year Ended December 31		
	1990	1989	1988
OPERATING REVENUES:			
Customers:			
Current	\$1,074,956	\$ 974,444	\$ 883,725
Deferred (Note H)	10,784	96,287	117,544
Other utilities	48,543	49,949	61,964
<i>Total Operating Revenues</i>	1,134,283	1,120,680	1,063,233
OPERATING EXPENSES:			
Fuel	213,324	210,299	224,900
Purchased power	9,577	6,856	5,688
Other operation	269,221	272,823	268,762
Maintenance	97,756	83,305	73,180
Depreciation and amortization	122,251	119,376	111,023
Taxes other than income taxes	81,255	92,919	80,833
Income taxes (Note F)	70,877	64,539	54,505
<i>Total Operating Expenses</i>	864,261	850,117	818,891
OPERATING INCOME	270,022	270,563	244,342
OTHER INCOME AND (DEDUCTIONS):			
Allowance for equity funds used during construction	1,375	69	1,323
Carrying charges on deferred revenues	22,950	18,155	1,697
Carrying charges on assets not in rate base (Note H)	—	—	23,622
Rate refunds (including interest expense) (Note H)	(432)	(8,581)	(1,180)
Effects of application of SFAS 90 (Note B)	5,334	5,973	6,586
Income taxes (Note F)	(13,918)	(10,880)	(7,277)
Other - net	(5,497)	2,712	24,275
<i>Total Other Income and (Deductions)</i>	9,812	7,448	49,046
INCOME BEFORE INTEREST AND OTHER CHARGES	279,834	278,011	293,388
INTEREST AND OTHER CHARGES:			
Interest on long-term debt	139,889	144,633	152,693
Other interest	5,787	6,386	4,977
Allowance for borrowed funds used during construction	(1,559)	(2,803)	(1,704)
Preferred and preference stock dividends of Duquesne Light Company (Note A)	14,045	16,793	18,856
<i>Total Interest and Other Charges</i>	158,162	165,009	174,822
NET INCOME	\$ 121,672	\$ 113,002	\$ 118,566
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (000)	54,432	55,790	63,748
EARNINGS PER SHARE OF COMMON STOCK	\$2.24	\$2.03	\$1.86
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$1.38	\$1.30	\$1.22

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

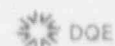


<i>(Thousands of Dollars)</i>	<i>As of December 31,</i>	
	1990	1989
ASSETS		
Property, Plant and Equipment:		
Electric plant in service	\$3,661,190	\$3,575,638
Construction work in progress	68,630	60,069
Property held under capital leases (Note E)	235,791	222,124
Property held for future use (Note H)	216,246	215,635
<i>Total</i>	4,181,857	4,073,466
Less accumulated depreciation and amortization	(1,135,476)	(1,018,427)
<i>Property, Plant and Equipment - Net</i>	3,046,381	3,055,039
Other Property and Investments (at cost)	18,310	15,809
Current Assets:		
Cash and temporary cash investments (at cost which approximates market)	38,576	97,159
Accounts receivable (Note C):		
Customers (less allowance for uncollectible accounts of \$16,805 and \$11,244, respectively)	50,390	23,306
Other	11,957	13,673
Materials and supplies (generally at average cost):		
Coal	37,938	28,100
Operating and construction	60,102	52,910
Other current assets	10,847	8,094
<i>Total Current Assets</i>	209,810	223,242
Deferred Debits:		
Extraordinary property loss (Note B)	84,407	97,121
Unamortized loss on reacquired debt (Note J)	55,426	55,176
Income taxes on sale of Beaver Valley 2 (Note E)	76,101	79,095
Deferred costs of units not in rate base (Note H)	51,149	51,149
Phase-in plan deferrals (Note H)	267,883	234,149
Other deferred debits	109,839	109,750
<i>Total Deferred Debits</i>	644,805	626,500
<i>Total Assets</i>	\$3,919,306	\$3,920,590

See Notes to Consolidated Financial Statements.

<i>(Thousands of Dollars)</i>	<i>As of December 31,</i>	
	1990	1989
CAPITALIZATION AND LIABILITIES		
Capitalization (Note I)		
Common stock (authorized-125,000,000 shares, issued-73,119,436 shares)	\$ 73,119	\$ 73,119
Capital surplus	928,411	928,043
Retained earnings	381,159	334,459
Less treasury stock (at cost)(19,360,301 and 17,779,816 shares, respectively)	(303,548)	(269,431)
<i>Total Common Stockholders' Equity</i>	1,079,141	1,066,190
Non-redeemable preferred and preference stock	151,346	154,030
Redeemable preferred and preference stock	37,747	65,961
First mortgage bonds	1,103,636	1,142,793
Other long-term debt	401,912	403,488
Unamortized debt discount and premium - net	(4,253)	(5,952)
<i>Total Capitalization</i>	2,769,529	2,826,510
Obligations Under Capital Leases (Note E)	108,388	119,792
Current Liabilities:		
Long-term debt and lease obligations due within one year (Notes E and J)	48,303	48,527
Accounts payable	129,473	104,710
Accrued income taxes	36,001	9,618
Deferred income taxes and other accrued taxes	39,489	37,830
Accrued interest	34,598	38,758
Dividends declared	25,984	26,966
Sinking fund and purchase requirements (Note J)	16,489	19,170
Rate refunds due within one year (Note H)	—	19,121
<i>Total Current Liabilities</i>	330,337	304,700
Other Noncurrent Liabilities:		
Investment tax credits unamortized	147,527	154,116
Accumulated deferred income taxes	492,468	463,926
Other deferred credits	71,057	51,546
<i>Total Other Noncurrent Liabilities</i>	711,052	669,588
Commitments and Contingencies (Notes B through K)		
<i>Total Capitalization and Liabilities</i>	\$3,919,306	\$3,920,590

STATEMENT OF CONSOLIDATED CASH FLOWS



<i>(Thousands of Dollars)</i>	<i>Year Ended December 31</i>		
	1990	1989	1988
Cash Flows From Operating Activities:			
Net income	\$121,672	\$113,002	\$118,566
Principal non-cash charges (credits) to net income:			
Depreciation and amortization	171,519	150,389	154,042
Deferred income taxes - net	28,542	63,216	48,974
Investment tax credits - net	(6,589)	(6,922)	(4,414)
Allowance for equity funds used during construction	(1,375)	(69)	(1,323)
Effects of application of SFAS 90	(5,334)	(5,973)	(6,586)
Phase-in plan deferred revenues and related carrying charges	(33,734)	(14,442)	(119,707)
Rate refunds (including accrued interest)	432	8,581	—
Carrying charges on assets not in rate base	—	—	(23,622)
Changes in working capital other than cash:			
Accounts receivable (Note C)	(25,368)	118,154	(8,003)
Materials and supplies	(17,030)	(8,714)	12,448
Other current assets	(2,753)	(1,153)	27,395
Accounts payable	24,568	(7,996)	3,629
Other current liabilities	20,864	(3,413)	1,522
Other - net	24,637	25,311	11,555
Net Cash Provided From Operating Activities	300,051	329,971	214,476
Cash Flows Used By Investing Activities:			
Construction expenditures	(109,718)	(88,169)	(93,253)
Other - net	(3,404)	(3,519)	(4,039)
Net Cash Used By Investing Activities	(113,122)	(91,688)	(97,292)
Cash Flows Used In Financing Activities:			
Sale of bonds	199,450	13,500	71,000
Dividends on common stock	(74,972)	(72,397)	(77,571)
Reductions of long-term obligations:			
Preferred and preference stock	(31,974)	(24,826)	(16,089)
Long-term debt	(241,788)	(19,328)	(219,839)
Other obligations	(43,517)	(29,358)	(40,536)
Rate refund payments	(17,321)	(10,873)	(3,192)
Repurchase of common stock	(34,170)	(45,707)	(189,096)
Premium on reacquired debt	(3,349)	(173)	(18,387)
Other - net	2,129	2,481	1,945
Net Cash Used In Financing Activities	(245,512)	(186,681)	(491,765)
Net increase (decrease) in cash and temporary cash investments	(58,583)	51,602	(374,581)
Cash and temporary cash investments at beginning of year	97,159	45,557	420,138
Cash and temporary cash investments at end of year	\$ 38,576	\$ 97,159	\$ 45,557
Supplemental Cash Flows Information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	\$153,754	\$166,702	\$132,913
Income taxes	\$ 41,593	\$ 28,157	\$ 16,021
Non-cash investing and financing activities:			
Capital lease obligations recorded	\$ 31,921	\$ 31,542	\$ 14,811

See Notes to Consolidated Financial Statements

<i>(Thousands of Dollars)</i>	1990	1989	1988
Balance, January 1	\$334,459	\$293,854	\$252,859
Net Income For The Year	121,672	113,002	118,566
Total	456,131	406,856	371,425
Cash dividends declared - Common stock	74,972	72,397	77,671
Balance, December 31	\$381,159	\$334,459	\$293,854

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SUMMARY OF ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of DQE and its subsidiaries. All material intercompany balances and transactions have been eliminated in the preparation of the consolidated financial statements.

Property, Plant and Equipment

Properties are stated at the original cost of construction, including related payroll taxes, pensions and other fringe benefits, administrative and general costs and an allowance for funds used during construction (AFC). AFC, which represents the estimated combined debt and equity cost of funds used to finance construction, varies according to changes in the level of construction work in progress (CWIP) and in the cost of capital. AFC is credited to income, and while cash is not realized currently from this allowance, it is realized over the service life of the plant through increased revenues resulting from higher rate base and higher depreciation expense. The AFC rates applied to CWIP were 9.9%, 10.1% and 12.0% in 1990, 1989 and 1988, respectively.

Additions and replacements of property units are charged to plant accounts. Maintenance, repairs and replacement of minor items of property are charged to expense as incurred. The cost of property retired plus removal costs, after deducting any salvage value, is charged to the accumulated provision for depreciation. Substantially all of Duquesne's properties are subject to a first mortgage lien.

Depreciation

Depreciation of electric plant is provided on a straight-line basis over the estimated useful lives of property. Depreciation and amortization of other property are calculated on various bases, such as the amount of nuclear fuel burned.

As permitted by the Pennsylvania Public Utility Commission (PUC), Duquesne recovers through rates its share of the estimated future decommissioning costs for its operating interest in three nuclear units. Duquesne's share of such costs are estimated at \$80 million for Beaver Valley 1, \$23 million for Beaver Valley 2 and \$38 million for Perry 1. Amounts collected from customers through rates are deposited in segregated accounts which can be used only for future decommissioning costs.

Revenues

Customer meters are read and billed monthly. Revenues are recorded in the accounting periods in which they are billed. Deferred revenues representing the phased-in portion of the rate increase have been recorded in operating revenues. See Note H.

Income Taxes

Deferred income taxes result from timing differences in the recognition of revenue and expense for financial and tax reporting purposes and are provided at the statutory rate in effect at the time the difference originates. In instances where flow-through accounting is reflected in revenue levels, the deferred tax effects of certain timing differences are not provided. They are recognized for book purposes, and in rates, in the year they affect taxes payable. As of December 31, 1990 the cumulative net amount of timing differences for which deferred income taxes have not been provided was approximately \$250 million.

Duquesne allocates income taxes between operating expenses and other income. Investment tax credits related to utility property generally were deferred when used and reflected as reductions to tax expense over the lives of the related assets.

In December 1987 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes", which changes the method of accounting for income taxes. The Company must adopt the Statement by January 1, 1992. When the new standard is adopted, significant adjustments to balances of accumulated deferred income taxes will have to be made to record additional deferred income tax liabilities. Significant adjustments also will be recorded for the net reduction in previously recorded deferred income taxes resulting from income tax rate changes and for the recognition of deferred income tax effects related to unamortized investment tax credits. The Company has estimated that these adjustments could total as much as \$575 million. It is expected that the additional deferred income tax assets and liabilities will be offset primarily by regulatory assets and liabilities representing the expected future revenue requirement impact of these adjustments.

Deferred Fuel Costs

Duquesne recovers from customers, fuel and other energy costs not otherwise recovered through base rates, through an annual energy cost rate (ECR). The ECR is based on projected costs and is recalculated each year. It includes an adjustment for any previous over or undercollections from customers. Duquesne defers the difference between actual energy costs and the amounts currently recovered from customers through the ECR, and it records the difference as a payable to or receivable from customers.

Nuclear Fuel Costs

Duquesne finances its acquisition of nuclear fuel through a capital lease arrangement. The cost of nuclear fuel is charged to fuel expense based on the quantity of electric energy generated by the reactors. The U.S. Department of Energy (DOE) is responsible for the ultimate storage and disposition of spent nuclear fuel. Duquesne pays DOE a fee for future disposal service, which it recovers through rates.

Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid investments which mature in three months or less to be cash equivalents.

Reclassifications

The 1989 and 1988 financial statements have been reclassified to conform with accounting presentations adopted during 1990.

**B.
EXTRAORDINARY
PROPERTY LOSS**

In 1984 the Central Area Power Coordination Group (CAPCO) companies agreed to minimize construction work and cash expenditures on Perry 2 pending consideration of several alternatives, including resumption of construction or cancellation of the Unit. Duquesne believes that any decision to resume construction of the Unit must be approved by all of the CAPCO companies. Based on present conditions, Duquesne will not approve resuming construction. In 1987 Duquesne received approval from the PUC to amortize and recover its \$155 million investment in Perry 2 over a ten-year period which began July 1, 1987, on the basis that Duquesne had abandoned its interest in the Unit in March 1986. Duquesne is not earning a return on the unrecovered cost of the Unit, which was \$99.5 million at December 31, 1990.

In 1988 the Company changed its method of accounting for abandonments to conform with Statement of Financial Accounting Standards No. 90 (SFAS 90). SFAS 90 required that a loss be recorded for the disallowance of a return on investment, regardless of the fact that regulators have provided for recovery of the full investment. The loss that was recorded for the disallowance of a return was measured by the difference between the recoverable investment and the present value of the amounts to be recovered from customers. As this difference decreases over the period of recovery of the original investment, the loss is reversed through accretion, which is recognized as income.

**C.
SALE OF
RECEIVABLES**

In 1989 Duquesne entered into an arrangement with an unaffiliated corporation whereby Duquesne is entitled to sell and the corporation is required to purchase, on an ongoing basis, up to \$90 million of its accounts receivable. At December 31, 1990 Duquesne had sold \$50 million of customer receivables and \$18.1 million of other receivables. At December 31, 1989 Duquesne had sold \$77 million of customer receivables and \$13 million of other receivables. The sales agreement includes a limited recourse obligation under which Duquesne could be required to repurchase certain of the receivables. The maximum amount for which Duquesne is contingently liable was \$13.8 million at December 31, 1990.

D.
SHORT-TERM
BORROWING AND
REVOLVING
CREDIT
ARRANGEMENTS

Duquesne has an extendable revolving credit agreement with a group of banks totaling \$225 million with the initial expiration date being November 30, 1992. Depending on the option selected by Duquesne at the time of each borrowing, interest rates can be based on prime, federal funds, Eurodollar or CD rates. Duquesne pays a commitment fee of 1/8% per year based on the unborrowed amount of the commitment.

The maximum short-term bank and commercial paper borrowings outstanding during 1990 were \$53 million, the average daily short-term borrowings outstanding were \$14.3 million and the weighted average daily interest rate was 8.34%. In 1989 the maximum short-term bank and commercial paper borrowings outstanding were \$104.9 million, the average daily short-term borrowings outstanding were \$15.6 million and the weighted average rate applicable to such borrowings was 10%. There were no short-term borrowings in 1988.

E.
LEASES

<i>(Thousands of Dollars)</i>	<i>December 31,</i>	
	1990	1989
Capital Leases:		
Nuclear fuel	\$192,657	\$186,204
Electric plant	43,134	35,920
<i>Total</i>	235,791	222,124
Less accumulated amortization	80,000	54,708
<i>Property held under capital leases - net</i>	\$155,791	\$167,419

The Company leases nuclear fuel, a portion of a nuclear generating plant, office buildings, computer equipment and other property and equipment.

On October 2, 1987 Duquesne sold its 13.74% interest in Beaver Valley 2, exclusive of transmission and common facilities. The total sales price was \$537.9 million, which was the appraised value of Duquesne's interest in the property. Simultaneous with the sale, Duquesne leased back its interest in the Unit for a term of 29-1/2 years. The leases provide for semiannual payments and are accounted for as operating leases. Duquesne remains responsible under the terms of the leases for all operation, maintenance and decommissioning costs of the Unit.

Leased nuclear fuel is amortized as the fuel is burned. The amortization of leased electric plant is based on the rental payments made. Such payments for capital and operating leases are charged to operating expenses on the Statement of Consolidated Income. The following summarizes those rental payments on the Statement of Consolidated Income for the three years ended December 31, 1990.

<i>(Thousands of Dollars)</i>	<i>Year Ended December 31,</i>		
	1990	1989	1988
Operating leases	\$ 65,989	\$ 65,292	\$ 65,413
Amortization of capital leases	43,368	29,287	36,752
Interest on capital leases	10,334	8,555	8,841
<i>Total rental payments</i>	\$119,691	\$103,134	\$111,006

Future minimum lease payments for capital leases are related principally to building leases and the estimated usage of nuclear fuel financed through leasing arrangements. Minimum payments for operating leases are related principally to Beaver Valley 2 and the corporate headquarters. Future minimum lease payments at December 31, 1990 were as follows:

<i>Year Ending December 31,</i> <i>(Thousands of Dollars)</i>	Operating Leases	Capital Leases
1991	\$ 65,510	\$ 50,326
1992	64,636	44,010
1993	63,366	27,140
1994	61,071	21,238
1995	61,010	11,057
1996 and thereafter	1,362,605	38,732
<i>Total minimum lease payments</i>	\$1,678,198	192,503
Less amount representing interest		36,712
Present value of net minimum lease payments		\$155,791

F.
INCOME TAXES

<i>(Thousands of Dollars)</i>		1990	1989	1988
Included in operating expenses:				
Currently payable:	Federal	\$40,392	\$ 5,639	\$ (3,954)
	State	9,813	(1,144)	(89)
Deferred - net:	Federal	31,430	62,269	61,661
	State	(4,920)	2,535	2,667
Investment tax credits deferred - net		(5,838)	(4,760)	(4,970)
<i>Total included in operating expenses</i>		70,877	64,539	54,505
Included in other income and deductions:				
Currently payable:	Federal	11,039	8,998	3,400
	State	3,016	2,459	929
Deferred:	Federal	331	(5)	2,742
	State	(9)	(113)	626
Investment tax credits		(459)	(459)	(420)
<i>Total included in other income and deductions</i>		13,518	10,880	7,277
<i>Total income tax expense</i>		\$84,795	\$75,419	\$61,782

Total income taxes differ from the amount computed by applying the statutory federal income tax rate to income before income taxes and Duquesne Light Company preferred and preference dividends. The reasons for this difference in each year were as follows:

Computed federal income tax at statutory rate	\$74,974	\$69,773	\$67,729
Increase (decrease) in taxes resulting from:			
Allowance for funds used during construction	(998)	(976)	(1,029)
Carrying charges on assets not in rate base	—	—	(8,032)
Excess of book over tax depreciation	8,547	7,329	4,201
State income taxes, net of federal income tax benefit	5,214	2,466	2,196
Amortization of deferred investment tax credits	(6,435)	(5,982)	(6,921)
Other - net	3,493	2,809	3,638
<i>Total income tax expense</i>	\$84,795	\$75,419	\$61,782
Sources of income taxes deferred and the related tax effects were:			
Excess of accelerated over straight-line depreciation	\$24,230	\$28,740	\$28,336
Deferred revenues recorded for book but not for tax purposes	12,774	43,298	45,367
Unbilled revenues recorded for tax but not for book purposes	(3,772)	(5,157)	(3,395)
Deducted on tax return and deferred on books:			
Nuclear plants maintenance outage costs	(2,620)	3,891	224
Property taxes	(1,347)	—	(4,104)
Expenses on books but not deducted for tax purposes:			
Loss on early retirement of bonds	(1,167)	(1,340)	6,976
Provision for bad debts	(2,722)	(4,290)	(1,426)
Fuel costs	(180)	(1,477)	675
Rate refunds (including interest)	5,994	2,895	1,998
Loss on abandonment of Perry 2	(2,794)	(2,041)	(1,912)
Other - net	(1,564)	167	(5,043)
<i>Total income taxes deferred - net</i>	\$26,832	\$64,686	\$67,696

The Company's federal income tax returns are settled through 1983 and the returns for 1984 and 1985 have been examined. The returns for 1986 and 1987 are currently being reviewed and the 1988 and 1989 returns are subject to review. The Internal Revenue Service has proposed significant deficiencies in its examination of the Company's 1986 and 1987 tax returns, including the disallowance of a Perry Unit No. 2 abandonment loss and related deductions claimed on the 1986 return. The Company will appeal these disallowances. The Company has recorded the tax benefit of the Perry Unit No. 2 deduction in a deferred tax accrual and has been passing on such benefit to customers. The Company is reviewing the impact of the proposed deficiencies but believes that the settlement of federal and state taxes will not have a material adverse effect on the Company's financial position or results of operations.

G. EMPLOYEE BENEFITS

Duquesne has trustee-administered pension plans to provide pensions for all full-time employees. Upon retirement, employees receive a monthly pension based on length of service and compensation. The Company's policy is to expense and fund the pension cost determined using the unit credit actuarial cost method, provided that this amount is at least equal to the minimum funding requirements required by the Employee Retirement Income Security Act (ERISA) and does not exceed the maximum tax deductible amount for the year. Pension costs charged to expense or construction for 1990, 1989 and 1988 were \$12.6 million, \$11.7 million and \$12.5 million, respectively. Costs related to a plan for former United Mine Workers employees were \$0.2 million, \$1.2 million and \$1.7 million for 1990, 1989 and 1988, respectively.

The following sets forth the funded status of the retirement plans and amounts recognized on the Consolidated Balance Sheet at December 31, 1990 and 1989.

<i>(Thousands of Dollars)</i>	1990	1989
Actuarial present value of benefits rendered to date		
Vested benefits	\$241,193	\$226,532
Nonvested benefits	19,915	19,009
Accumulated benefit obligations based on compensation to date	261,108	245,541
Additional benefits based on estimated future salary levels	56,434	58,308
Projected benefit obligation	317,542	303,849
Fair market value of plan assets	319,594	322,065
Projected benefit obligation under plan assets	\$ 2,052	\$ 18,216
Unrecognized net gain	\$ 56,573	\$ 66,156
Unrecognized prior service cost	(23,959)	(18,888)
Unrecognized net transition liability	(24,725)	(26,538)
Net pension liability per balance sheet	(5,837)	(2,514)
<i>Total</i>	\$ 2,052	\$ 18,216

Assumed rate of return on plan assets	8.00%	7.75%
Discount rate used to determine projected benefit obligation	8.00%	7.75%
Assumed change in compensation levels	5.75%	5.75%

Plan assets consist primarily of common stocks, United States obligations and corporate debt securities. Net pension cost for 1990, 1989 and 1988 was computed as follows:

(Thousands of Dollars)	1990	1989	1988
Service cost benefits earned during the year	\$ 9,710	\$ 8,458	\$ 8,212
Interest on projected benefit obligation	23,101	21,700	20,782
Return on plan assets	(3,897)	(58,653)	(22,827)
Net amortization of deferrals	(16,289)	40,168	6,323
Net pension cost	\$12,625	\$11,673	\$12,490

The FASB has issued Statement of Financial Accounting Standards No. 106, *Employer's Accounting for Postretirement Benefits Other Than Pensions*. This Statement will require accrual of postretirement benefits (such as health care benefits) during the years an employee provides services. The costs of these benefits are currently expensed and recovered through rates on a pay-as-you-go basis. The impact of this new standard has not been fully determined; however, it is not expected to adversely impact results of operations. The Company is required to adopt this Statement in 1993.

H. RATE MATTERS

1987 Rate Case

On March 23, 1988 the PUC adopted an order which increased annual revenues by approximately \$232 million. The order reflects the PUC's allowance of a 12.87% return on equity and an overall rate of return of 10.94%. Although the new rates became effective in March 1988, the PUC ordered the increase to be phased in over a period of six years. The deficiencies in revenues resulting from those scheduled rate increases are deferred and will be recovered by the end of the sixth year. The phase-in plan was designed to include a return equal to the after-tax AFC rate on any revenue deferred for later recovery. Deferred revenues and related carrying charges of \$267.9 million were recorded through December 31, 1990.

Several parties to the rate case, including Duquesne, had filed appeals primarily relating to a Perry I economic excess capacity penalty. In July 1989 the PUC approved a Comprehensive Settlement Agreement (Agreement) among Duquesne, the Pennsylvania Office of Consumer Advocate, the City of Pittsburgh and a number of commercial customers in Pittsburgh which had intervened in the 1987 Rate Case and other rate proceedings (Joint Petitioners). Under the terms of the Agreement Duquesne's base rate revenues were temporarily reduced by \$25.4 million over a 12-month period which ended August 31, 1990. The Agreement also settled and disposed of all proceedings pending between the Joint Petitioners before the PUC, the Pennsylvania Commonwealth Court and the Pennsylvania Supreme Court, including the 1987 Rate Case, proceedings relating to the cancelled CAPCO units' amortization and an option order refund.

Under the terms of the Agreement, Duquesne is not permitted to obtain additional base rate relief (over and above the phased-in increases approved in the 1987 Rate Case) until January 1, 1993, unless any federal, state or local legislative body, judicial authority or administrative agency, including the PUC, (a) orders or enacts changes in any statutes, regulations, regulatory policies or interpretations thereof affecting Duquesne's base rates or (b) imposes new programs or procedures directly resulting in costs, savings, or changes in rate treatment, revenues or expenses, not provided for or at issue in the Agreement. However, Duquesne can file for and, subject to PUC approval, obtain additional base rate relief effective January 1, 1992 or any time thereafter if the annual rate of inflation, as measured by the GNP Implicit Price Deflator, exceeds an annual percentage of 7% during any 12-month rolling period prior to the filing. The Agreement has no effect on any claim which Duquesne or any other party may make in any future rate proceeding with respect to certain operating and other costs of Perry 1 and Beaver Valley 2 which were deferred in the 1987 Rate Case.

Deferred Costs of Units Not in Rate Base

On July 16, 1987 the PUC approved Duquesne's petition to defer for possible recovery in a future rate proceeding, initial operating and other costs of Perry 1 and Beaver Valley 2. The costs deferred were incurred from November 1987 when the Units were placed in commercial operation until the March 1988 decision of the PUC in the 1987 Rate Case. In the 1987 Rate Case the PUC deferred ruling on the recoverability of these costs. These costs, net of deferred fuel savings related to the two Units, totaled \$51 million at December 31, 1990. No current return is being earned on the deferred costs.

Deferred Coal Costs

Beginning in 1981, the PUC directed Duquesne to defer recovery of the cost of coal delivered to the Bruce Mansfield Plant (Mansfield coal) in excess of generally prevailing market prices for similar coal; however, amounts deferred may be recovered from customers during periods that the cost of Mansfield coal is less than generally prevailing market prices. The unrecovered cost of Mansfield coal paid by Duquesne was \$5.5 million at December 31, 1990. The Company believes that the deferred coal costs ultimately will be recovered.

In October 1989 Duquesne filed a petition with the PUC for revision of a system-wide coal cost standard which is applied to the cost of all coal delivered to Duquesne's wholly and jointly owned power stations other than the Mansfield plant, including coal from Duquesne's wholly owned Warwick mine. A Joint Petition for Settlement (Joint Petition) was approved by the PUC in June 1990 which clarifies certain aspects of the existing system-wide coal cost standard and extends the standard to March 31, 1992 with options for Duquesne to further extend the standard through March 31, 2000. The Joint Petition also permitted Duquesne to utilize approximately \$5.7 million of escrowed funds remaining from the settlement of the United Mine Workers Purchased Coal Clause litigation for capital expenditures associated with the restart of the Warwick mine.

The Warwick mine had been on standby since 1988. On September 4, 1990, the Company entered into agreements with an unaffiliated mining company for the operation of the mine until March 2000 and for the sale of the coal produced during this period of coal produced from the mine. Production began in late 1990. Duquesne's net investment in the mine, which was \$40.2 million at December 31, 1990, is expected to be recovered through the cost of coal during the period of the coal cost standard including extensions.

Property Held for Future Use

In 1986 the PUC approved Duquesne's request to remove from service and place in "cold reserve" most of the Brunot Island and Phillips Power Stations. Duquesne's net investment in the cold-reserved units was \$106 million at December 31, 1990. These stations are expected to be returned to service in connection with the long-term sale of power to General Public Utilities Corporation (GPU).

I.
COMMITMENTS
AND
CONTINGENCIES

Construction

The Company estimates that it will spend approximately \$160 million on construction, exclusive of nuclear fuel and AFC, during 1991. Capital expenditures for 1992 through 1995 are expected to total \$800 million. The Company expects to recover \$150 million of these expenditures in 1994 from the transfer of a 50% interest in the Phillips plant to GPU. These amounts do not include expenditures related to the Clean Air Act amendments.

Guarantees

Duquesne, together with the other CAPCO companies, has guaranteed certain debt and lease obligations in connection with a coal supply contract for the Bruce Mansfield plant. At December 31, 1990 Duquesne's share of these guarantees was \$50.1 million. In general, the prices paid for the coal by the CAPCO companies under the coal supply contract will be sufficient to satisfy the debt and lease obligations. Under the coal supply contract, the minimum future payments to be made by Duquesne which are related solely to these obligations are:

<i>Year Ending December 31,</i>	<i>(Thousands of Dollars)</i>
1991	\$ 8,323
1992	7,940
1993	7,557
1994	7,175
1995	6,793
After 1995	23,441
<i>Total</i>	<i>\$61,229</i>

Duquesne's total payments for coal purchased under the contract were \$25.7 million, \$30 million and \$26.4 million in 1990, 1989 and 1988, respectively.

Nuclear Insurance

The CAPCO companies maintain a nuclear insurance program to the maximum extent available. This program currently provides \$1.2 billion of primary and excess property insurance and \$1.125 billion of decontamination liability, decommissioning liability and excess property insurance for the \$5.8 billion total investments in Beaver Valley 1 and 2. The CAPCO companies have similar property insurance for the \$5.3 billion total investment in Perry 1. If the property damage reserves of one of the insurers are inadequate to cover claims arising from an incident at any nuclear site in the United States covered by that insurer, Duquesne is obligated to pay retrospective premiums of up to \$4 million per year.

The Price-Anderson Amendments to the Atomic Energy Act provide nuclear liability indemnification that limits public liability from a single incident at a nuclear plant to \$7.4 billion. The primary financial protection is provided by purchasing the maximum amount of available insurance of \$200 million. Additional protection of \$7.2 billion would be provided by an assessment of up to \$63 million per incident levied on each of the nuclear units in the United States, subject to a maximum assessment of \$10 million per incident per nuclear unit in any year. Duquesne's current interest in three operating reactors would subject Duquesne to a \$47 million maximum assessment which it would be liable to pay with respect to an incident at a nuclear plant. Duquesne's payment of this assessment would be limited to a maximum of \$7.5 million per incident per year. An additional surcharge of 5% could be levied if the total amount of public claims exceeded the funds provided under the retrospective program. Duquesne's share of the surcharge would be approximately \$2.3 million, subject to any increases for inflation. Congress could impose further revenue raising measures on the nuclear industry if funds prove insufficient to pay claims.

Other

The Company is involved in various other legal proceedings. The Company believes such proceedings in the aggregate will not have a material adverse effect on its financial position or results of operations.

J. CAPITALIZATION

Common Stock

The Company has paid a regular quarterly common stock dividend each year since 1953. Dividends were 30 cents per share for each quarter in 1988. The quarterly dividend was increased to 32 cents per share effective with the dividend paid January 1, 1989, to 34 cents per share effective with the dividend paid January 1, 1990 and was further increased to 36 cents per share effective with the dividend paid January 1, 1991.

In 1987 the Company's shareholders approved a Long-Term Incentive Plan through which the Company may grant management employees options to purchase up to a total of 3 million shares of its common stock during the period 1987-1997 at not less than the market price of the stock. As of December 31, 1990 active grants totaled 707,973, 176,000, 10,000 and 127,284 shares, at exercise prices of \$12.3125, \$15.3125, \$18.125 and \$23.75 per share, respectively. Stock appreciation rights (SARs) have been granted in connection with 835,257 of the options outstanding. During 1990, 1989 and 1988, respectively, 137,485, 164,162 and 6,356 SARs were exercised, 3,506, 7,053 and 0 options were exercised for shares and 23,139, 5,680 and 13,491 options lapsed due to terminations.

Preferred and Preference Stock

The preferred stock is entitled to quarterly cumulative dividends. If four quarterly dividends on any series of preferred stock are in arrears, holders of the stock are entitled to elect a majority of Duquesne's Board of Directors until all dividends have been paid.

The preference stock is entitled to quarterly cumulative dividends, provided that no dividends on any series of preferred stock are unpaid. If six quarterly dividends on any series of preference stock are in arrears, the holders of the preference stock are entitled to elect two of Duquesne's directors until all dividends have been paid.

The outstanding preferred and preference stock generally are callable on not less than 30 days' notice at the prices stated in the table on page forty-two, plus accrued dividends. Certain call prices decline in future years. The preferred and preference stock are subject to various purchase and sinking fund requirements. As of December 31, 1990 the maximum combined aggregate sinking fund and mandatory purchase requirements for preferred and preference stock are \$5.8 million for each of the next five years.

The following summary indicates the changes in the number of shares of common, preferred and preference stock outstanding during 1990, 1989 and 1988.

<i>(Thousands of Shares)</i>	<i>Year Ended December 31,</i>		
	1990	1989	1988
COMMON STOCK - \$1 PAR VALUE:			
Outstanding - beginning of year	55,340	57,831	70,096
Reissuance - treasury stock	4	10	--
Repurchase - common stock	(1,585)	(2,501)	(12,265)
<i>Outstanding - end of year</i>	53,759	55,340	57,831
PREFERRED AND PREFERENCE STOCK:			
Outstanding - beginning of year	4,655	4,903	5,069
Purchases and redemptions	(355)	(248)	(166)
<i>Outstanding - end of year</i>	4,300	4,655	4,903

<i>(Thousands of Dollars)</i>	<i>Year Ended December 31,</i>		
	1990	1989	1988
CAPITAL SURPLUS:			
Premium on common stock	\$933,326	\$933,326	\$933,326
Capital stock expense	(6,772)	(7,156)	(7,497)
Other	1,857	1,873	1,617
<i>Total capital surplus</i>	\$928,411	\$928,043	\$927,446

Preferred and Preference Stock of Duquesne Light Company:

Series	Call Price Per Share	December 31, 1990		December 31, 1989	
		Shares Outstanding	Amount (Thousands)	Shares Outstanding	Amount (Thousands)
Preferred stock (1):					
4% (3)(7)	\$ 51.50	549,709	\$ 27,486	549,709	\$ 27,486
3.75% (3)(7)	51.00	148,000	7,407	148,000	7,407
4.15% (3)(7)	51.73	132,450	6,643	132,450	6,643
4.20% (3)(7)	51.71	100,000	5,021	100,000	5,021
4.10% (3)(7)	51.75	119,860	6,012	120,000	6,019
\$2.10 (3)(7)	51.84	159,400	8,039	159,400	8,039
\$7.20 (4)(7)	101.00	319,150	31,915	334,150	33,415
\$8.64 (4)(6)	—	—	—	175,209	17,520
\$2.275 (3)(6)	104.36	103,454	10,345	146,087	14,609
Preference stock (2):					
\$2.315 (5)(7)	25.90	1,177,600	29,440	1,200,000	30,000
\$2.10 (5)(7)	25.70	1,175,300	29,383	1,200,000	30,000
\$7.50 (4)(6)	101.00	91,722	9,172	95,420	9,542
\$9.125 (4)(6)	103.84	222,839	22,284	294,196	29,420
Total			193,147		225,121
Purchase and sinking fund requirements			(4,054)		(5,130)
Total preferred and preference stock			\$189,093		\$219,991

(1) Preferred stock, 4,000,000 authorized shares, \$50 par value, cumulative.

(2) Preference stock, 8,000,000 authorized shares, \$1 par value, cumulative.

(3) \$50 per share involuntary liquidation value.

(4) \$100 per share involuntary liquidation value.

(5) \$25 per share involuntary liquidation value.

(6) Redeemable.

(7) Non-redeemable.

Other Long-Term Debt of Duquesne Light Company: Pollution Control Obligations (Thousands of Dollars):

Year Issued	Average Interest Rate	Series	Maturity	Principal Amount Outstanding at December 31	
				1990	1989
1972	5.579%	Allegheny County Series A	2002	\$ 19,600	\$ 20,200
1973	5.718%	Beaver County Series A	2003	10,400	10,700
1973	5.70%	Allegheny County Series B	2003	13,395	13,850
1975	7.50%	Allegheny County Series C	2005	17,000	17,000
1990	(2)	Beaver County Series B	2009	18,000	—
1976	6.90%	Beaver County Series C	2011	15,000	15,000
1983	10.50%	Ohio Development Authority	2013	20,500	20,500
1990	(2)	Allegheny County Series A	2013	50,000	—
1984	11.625%	Beaver County Series B	2014	51,000	51,000
1985	11.125% (1)	Ohio Development Authority	2015	38,610	38,610
1988	(2)	Ohio Development Authority	2018	71,000	71,000
1990	(2)	Beaver County Series A	2020	13,700	—
1989	(2)	Ohio Development Authority	2023	13,500	13,500
1990	(2)	Beaver County Series C	2025	44,250	—
1974	7.97%	Beaver County Series A	—	—	13,700
1975	8.40%	Beaver County Series B	—	—	18,000
1981	12.00%	Allegheny County Series D	—	—	50,000
1985	7.75%	Beaver County - 1985 Series	—	—	44,250
Total				395,955	397,310
Less current maturities and sinking fund requirements				1,635	1,990
Total pollution control obligations				394,320	395,320
5% sinking fund debentures (authorized \$20,000,000) due March 1, 2010				7,592	8,168
Total other long-term debt				\$401,912	\$403,488

(1) Issued in the form of First Mortgage Bonds.

(2) Certain of the Pollution Control Revenue Bonds have variable interest rate periods ranging from one day to 360 days. On 30 days notice prior to any interest reset date, the Company can change the subsequent interest rate period on the bonds to a different interest rate period ranging from one day to the final maturity of the bond. The issue is secured by a second lien on the property, plant and equipment financed.

The pollution control obligations arise from the sale of bonds by public authorities to finance the construction of pollution control facilities at Duquesne's plants or to refund such bonds. Duquesne is obligated to pay the principal of and interest on the bonds. For certain of the pollution control obligations, there is an annual commitment fee for an irrevocable letter of credit. The letter of credit is available, under certain circumstances, for the payment of interest on or redemption of a portion of the bonds.

Medium-term notes in the form of First Mortgage Bonds totaling \$73.5 million were issued in 1990. These notes have interest rates averaging 8.47% and mature on December 1, 1992.

First Mortgage Bonds of Duquesne Light Company (Thousands of Dollars)

Interest Rate	Maturity	Principal Amount Outstanding at December 31,	
		1990	1989
13-3/8%	3-1-91	\$ —	\$ 24,619
10-1/4%	12-1-92	—	74,250
10-3/4%	6-1-95	49,000	49,500
5-1/8%	2-1-96	22,800	72,800
5-1/4%	2-1-97	24,600	24,600
6-3/8%	2-1-98	34,700	34,700
7%	1-1-99	30,000	30,000
7-3/4%	7-1-99	28,947	28,947
8-3/4%	3-1-00	30,000	30,000
7-7/8%	3-1-01	35,000	35,000
7-1/2%	12-1-01	26,461	26,461
7-1/2%	6-1-02	28,470	28,470
7-1/4%	1-1-03	32,670	32,670
7-3/4%	7-1-03	35,000	35,000
8-5/8%	4-1-04	44,100	44,100
9-1/2%	3-1-05	50,000	50,000
9%	6-1-06	80,000	80,000
8-3/8%	4-1-07	97,400	97,400
10-1/8%	2-1-09	94,040	99,000
16-1/4%	5-1-12	372	1,022
11-5/8%	12-1-15	98,276	107,204
9-1/2%	12-1-16	100,000	100,000
9%	2-1-17	100,000	100,000
<i>Total</i>		1,041,836	1,155,743
Medium-Term Notes			
8.33% - 8.5%	12-1-92	73,500	—
Less current sinking fund requirements		11,700	12,950
<i>Total first mortgage bonds</i>		\$1,103,636	\$1,142,793

During 1988, 1989 and 1990 Duquesne reacquired a total of \$324.4 million of its first mortgage bonds. The difference between the purchase prices and the net carrying amounts of the bonds was \$20.9 million and has been included in the balance sheet as "Unamortized loss on reacquired debt". Duquesne amortizes and recovers these losses through rates.

Sinking fund requirements and maturities for the next five years of long-term debt outstanding as of December 31, 1990 were as follows:

<i>Year Ending December 31,</i>	<i>Sinking Fund Requirements</i>	<i>Maturities</i>
1991	\$12,435,000	\$ 900,000
1992	13,642,000	74,500,000
1993	13,115,000	1,000,000
1994	13,715,000	700,000
1995	13,440,000	49,700,000

The sinking fund requirements relate primarily to the first mortgage bonds and may be satisfied by the certification of property additions equal to 166-2/3% of the bonds required to be redeemed. During 1990, \$4.2 million of the annual sinking fund requirement was satisfied by cash and \$8.3 million by certification of property additions.

Total interest costs incurred during 1990, 1989 and 1988 were \$158.5 million, \$172 million and \$174.1 million, respectively, of which \$13.9 million, \$18 million and \$40.6 million, including AFC, were capitalized or deferred. Debt discount or premium and related expenses are amortized over the lives of the applicable issues.

Duquesne was involved in the issuance of \$421.6 million of collateralized lease bonds, of which \$418.8 million remains outstanding, by an unaffiliated corporation for the purpose of financing the lessors' purchases of Beaver Valley 2. Duquesne is also associated with a letter of credit securing the lessors' \$183 million equity interest in the Unit and certain tax benefits. If certain specified events occur, the leases could terminate and the letter of credit and/or the bonds would become direct obligations of Duquesne.

K. GENERATING UNITS

In addition to its wholly owned generating units, Duquesne, together with other electric utilities, has an ownership or leasehold interest in certain jointly owned units. Duquesne is required to pay its share of the construction and operating costs of the units. The operating revenues of the units are included in the income statement.

**GENERATING
UNITS**

Amounts included on the Consolidated Balance Sheet at December 31, 1990 as property, plant and equipment include the following (thousands of dollars):

Generating Units (Duquesne's Interest)						
Unit	Percentage Interest	Megawatts	Utility Plant in Service	Accumulated Depreciation	Construction Work in Progress	Fuel Source
Cheswick	100.0	570	\$ 175,499	\$ 64,198	\$ 2,195	Coal
Elrama (1)	100.0	487	188,366	96,315	2,864	Coal
Fl. Martin 1	50.0	276	65,864	24,916	889	Coal
Eastlake 5	31.2	186	69,104	21,595	675	Coal
Sammis 7	31.2	187	85,550	25,678	787	Coal
Bruce Mansfield 1 (1)	29.3	228	115,822	46,756	199	Coal
Bruce Mansfield 2 (1)		62	31,959	12,348	127	Coal
Bruce Mansfield 3 (1)		110	86,356	29,073	524	Coal
Beaver Valley 1	47.5	385	398,582	125,828	2,370	Nuclear
Beaver Valley 2 (3)	13.74	114	13,038	901	1,508	Nuclear
Beaver Valley Common Facilities			206,284	29,241	1,570	
Perry 1	13.74	164	750,871	75,707	4,987	Nuclear
Total		2,769	2,187,295	552,556	18,695	
Cold-reserved units:						
Brunot Island (2)	100.0	306	86,344	33,872	385	Fuel Oil
Philips (1) (2)	100.0	300	144,176	67,191	80	Coal
Total Generating Units		3,375	\$2,417,815	\$653,619	\$19,160	

(1) Unit is equipped with flue gas desulfurization equipment.

(2) The entire Philips station and part of the Brunot Island station are in cold reserve. See Note H.

(3) On October 2, 1987 Duquesne sold its 13.74% interest in Beaver Valley 2, exclusive of transmission and common facilities. Amounts shown represent facilities not sold and subsequent leasehold improvements.

**L.
QUARTERLY
FINANCIAL
INFORMATION
(UNAUDITED)**

The following is a summary of selected quarterly financial data (thousands of dollars, except per share amounts). The quarterly data reflect seasonal variations common in the utility industry.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1990				
Operating Revenues	\$285,030	\$271,575	\$304,839	\$272,839
Operating Income	70,505	60,213	78,619	60,685
Net Income	33,337	21,715	38,195	28,425
Earnings Per Share	.60	.40	.71	.53
Stock price:				
High	23-7/8	23-1/4	22-5/8	25-1/4
Low	20-3/8	20-7/8	20-3/4	22-1/2
1989				
Operating Revenues	\$ 270,028	\$ 273,079	\$ 301,055	\$ 276,518
Operating Income	66,697	64,816	80,964	58,086
Net Income (1)	27,722	19,756	36,326	29,198
Earnings Per Share	.49	.36	.66	.52
Stock price:				
High	18-5/8	20-7/8	23-1/2	23-7/8
Low	17-3/8	17-1/2	20-5/8	21-3/8

(1) Quarterly net income prior to the July 7, 1989 restructuring has been restated to reflect the preferred and preference stock dividends of Duquesne as interest and other charges in computing net income.

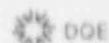
SELECTED FINANCIAL DATA



<i>(Thousands of Dollars)</i>	1990	1989	1988	1987	1986	1985
INCOME STATEMENT:						
Operating Revenues:						
Residential revenues	\$ 375,608	\$ 346,142	\$ 318,552	\$299,562	\$297,520	\$286,260
Commercial revenues	450,278	403,506	362,912	345,585	347,364	335,012
Industrial revenues	201,197	181,781	171,779	165,550	178,425	225,692
Other revenues	47,873	43,015	31,382	25,289	27,435	25,447
Current revenues from customers	1,074,956	974,444	883,725	835,986	850,744	872,411
Deferred customer revenues	10,784	96,287	117,544	—	—	—
Revenues from other utilities	48,543	49,949	61,964	52,018	45,519	46,049
Total Operating Revenues	1,134,283	1,120,680	1,063,233	888,004	896,263	918,460
Operating Expenses:						
Fuel and purchased power	222,901	217,155	230,588	243,633	237,438	253,306
Other operating expenses	366,977	356,128	341,942	256,163	244,274	219,650
Depreciation and amortization	122,251	119,376	111,023	82,172	74,325	81,066
Taxes other than income taxes	81,255	92,919	80,833	67,442	70,987	72,614
Income taxes	70,877	64,539	54,505	52,859	79,724	100,992
Total Operating Expenses	864,261	850,117	818,891	702,269	706,748	727,628
Operating Income	270,022	270,563	244,342	185,735	189,515	190,832
Other Income and Deductions:						
Equity AFC	1,375	69	1,323	71,234	81,943	72,782
Other	8,437	7,379	47,723	33,791	(12,948)	39,353
Total Other Income and Deductions	9,812	7,448	49,046	105,025	68,995	112,135
Income Before Interest & Other Charges	279,834	278,011	293,388	290,760	258,510	302,967
Interest and Other Charges:						
Interest on long and short-term debt	145,676	151,019	157,670	168,343	156,275	153,241
Borrowed AFC	(1,559)	(2,803)	(1,704)	(32,343)	(28,641)	(26,231)
Preferred and preference dividends	14,045	16,793	18,856	19,788	20,547	21,250
Total Interest and Other Charges	158,162	165,009	174,822	155,788	148,181	148,260
Net Income	\$ 121,672	\$ 113,002	\$ 118,566	\$134,972	\$110,329	\$154,707
Times Interest Charges Earned						
Before Income Taxes	2.51	2.31	2.25	1.84	1.75	2.62

<i>(Thousands of Dollars)</i>	1990	1989	1988	1987	1986	1985
BALANCE SHEET ITEMS:						
Property, plant & equipment - net	\$3,046,381	\$3,055,039	\$3,065,922	\$3,098,897	\$3,490,599	\$3,420,133
Total assets	\$3,919,306	\$3,920,590	\$3,881,424	\$4,151,615	\$3,997,076	\$3,854,468
Capitalization:						
Common stockholders' equity	\$1,079,141	\$1,066,190	\$1,070,575	\$1,217,361	\$1,204,433	\$1,169,831
Non-redeemable preferred and preference stock	151,346	154,030	154,073	156,137	156,137	156,137
Redeemable preferred and preference stock	37,747	65,961	90,783	104,768	110,653	119,653
Long-term debt	1,501,295	1,540,329	1,550,231	1,690,600	1,613,787	1,549,468
Total capitalization	\$2,769,529	\$2,826,510	\$2,865,622	\$3,168,866	\$3,085,010	\$2,995,089
Capitalization Ratios:						
Common stockholders' equity	39.0%	37.7%	37.4%	38.4%	39.0%	39.1%
Preferred and preference stock	6.3	7.8	8.5	8.2	8.7	9.2
Long-term debt	54.2	54.5	54.1	53.4	52.3	51.7
Total capitalization	100.0	100.0	100.0	100.0	100.0	100.0

SELECTED OPERATING DATA



	1990	1989	1988	1987	1986	1985
SALES OF ELECTRICITY:						
Average annual residential kilowatt-hour use	5,953	6,060	6,168	6,019	5,821	5,621
Electric energy sales billed (millions of kWh):						
Residential	3,078	3,119	3,136	3,065	2,957	2,848
Commercial	5,236	5,145	5,058	4,899	4,724	4,537
Industrial	3,296	3,221	3,302	2,918	2,734	3,522
Other	84	84	91	98	99	101
<i>Total sales to customers</i>	11,694	11,569	11,604	10,980	10,514	11,008
Sales to other utilities	1,943	2,170	2,797	2,486	2,136	1,981
<i>Total sales</i>	13,637	13,739	14,401	13,466	12,650	12,989

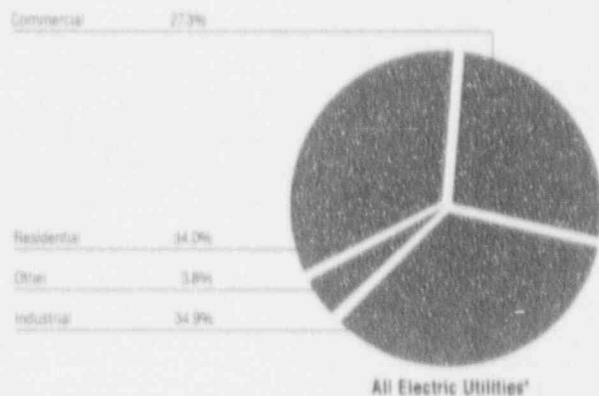
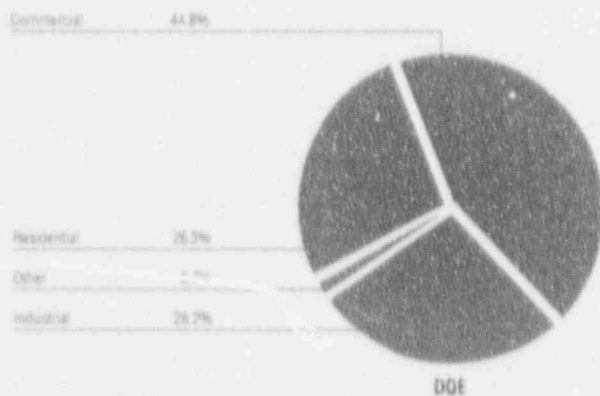
ENERGY SUPPLY AND PRODUCTION DATA:

Energy supply (millions of kWh)						
Net generation - system plants	13,986	14,310	14,976	14,025	13,264	13,590
Purchased and net inadvertent power	371	284	257	258	194	184
<i>Total energy supply</i>	14,357	14,600	15,233	14,283	13,458	13,774
Losses and Company use	(720)	(861)	(832)	(817)	(808)	(785)
<i>Net energy supply</i>	13,637	13,739	14,401	13,466	12,650	12,989
Generating capability (thousands of kilowatts)						
	2,835	2,835	2,836	2,852	2,908	3,148
Peak load (thousands of kilowatts)	2,379	2,381	2,372	2,280	2,132	2,127
Cost of fuel per million BTU	149.615¢	143.867¢	145.738¢	150.991¢	165.340¢	168.450¢
BTU per kilowatt-hour generated	10,444	10,411	10,304	10,449	10,624	10,633
Average production cost per kilowatt-hour	2.611¢	2.732¢	2.578¢	2.328¢	2.545¢	2.462¢

NUMBER OF CUSTOMERS - END OF YEAR:

Residential	518,322	516,801	513,760	510,823	509,054	507,824
Commercial	52,330	51,950	51,456	50,904	50,346	49,927
Industrial	2,026	2,023	2,017	1,978	1,970	1,981
Other	1,847	1,818	1,828	1,831	1,826	1,817
<i>Total customers</i>	574,525	572,592	569,061	565,536	563,196	561,549

Energy Sales by Class of Customer 1990



The Company's reliance on industrial customer sales is significantly less than the industry average, reflecting the diversity of the local economy.

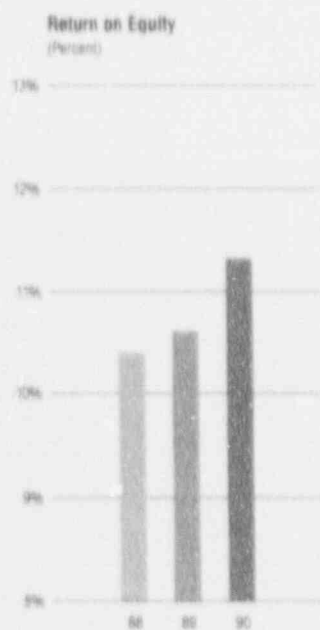
*1990 mid-year. Source: Edison Electric Institute

SELECTED COMMON STOCK DATA

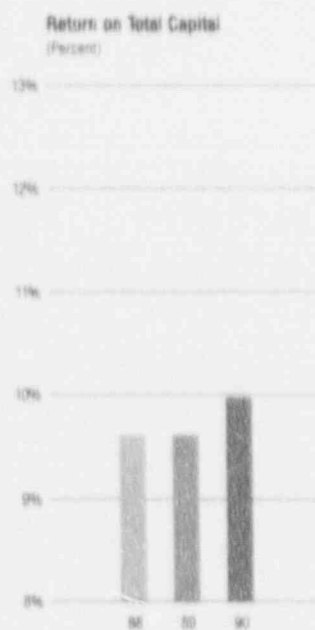


	1990	1989	1988	1987	1986	1985
Shares outstanding (000):						
Year-end	53,759	55,340	57,831	70,096	73,119	71,488
Average	54,432	55,790	63,748	72,845	72,930	68,543
Earnings per share	\$2.24	\$2.03	\$1.86	\$1.85	\$1.51	\$2.23
Return on average common equity	11.3%	10.6%	10.4%	11.1%	9.3%	13.9%
Dividends paid per share	\$1.36	\$1.28	\$1.20	\$1.20	\$1.63	\$2.06
Dividend payout rate	60.7%	63.1%	64.5%	64.9%	107.9%	91.2%
Book value per share at year-end	\$20.07	\$19.27	\$18.51	\$17.37	\$16.47	\$16.36
Market price per share:						
High	25-1/4	23-7/8	18-7/8	14-3/8	19-3/8	17-1/2
Low	20-3/8	17-3/8	11-3/4	10-5/8	12-1/4	14-1/4
Year-end	24-7/8	23-7/8	18-3/4	11-3/4	12-1/4	16-1/4
Market/book at year-end	1.24	1.24	1.01	.68	.74	.99
Price earnings ratio at year-end (1)	11.1	11.8	10.1	6.4	8.1	7.2
Dividend yield at year-end (1)	5.8%	5.7%	6.8%	10.2%	9.8%	12.7%

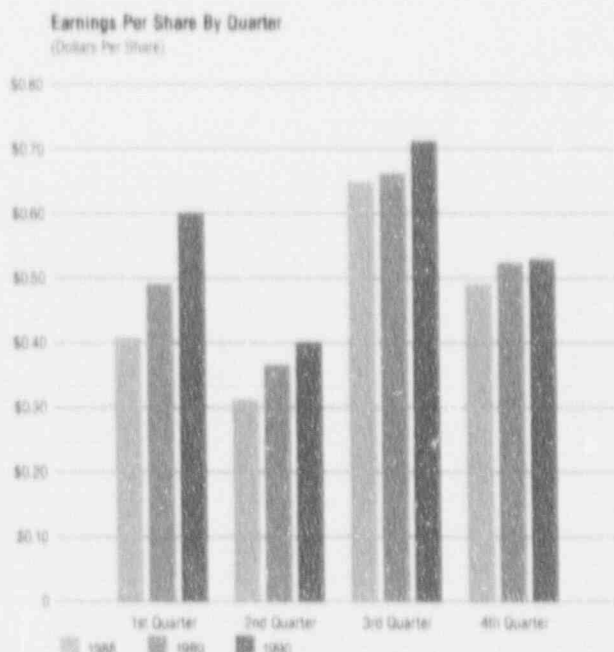
(1) Based on year-end market price per share.



DQE's return on common equity has continued to improve since 1988.



The Company's total return on capital has improved, while the cost of long-term debt has declined.



DQE has shown consistent growth in both annual and quarterly earnings per share.

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DQE

One Oxford Centre
Pittsburgh, PA 15279