



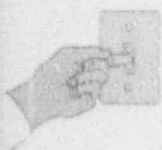
DQE

1991 ANNUAL REPORT TO SHAREHOLDERS

ENERGY

VISION

VALUE



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ABOUT DQE

DQE is an energy services holding company headquartered in Pittsburgh, Pennsylvania. Our mission is to supply low cost, safe, and reliable electricity and to pursue opportunities related to our core business that benefit our customers, shareholders, and communities. In conducting our business, we will be recognized for excellence, quality, integrity, and value.

Duquesne Light Company is the principal subsidiary of DQE. It is engaged in the production, transmission, distribution, and sale of electric energy. Its service territory is approximately 800 square miles in Southwestern Pennsylvania, including the city of

Pittsburgh, and has a population of about 1.5 million. In addition to serving more than 576,000 customers in Allegheny and Beaver counties, the company also sells electricity to other utilities.

DQE's non-utility subsidiaries include Duquesne Enterprises and Montauk. Duquesne Enterprises owns Allegheny Development Corporation and Property Ventures, Ltd. These companies are involved in initiatives relating to the core business, including providing all the energy services for the new Greater Pittsburgh International Airport and investing in real estate. Montauk is DQE's finance and investment subsidiary.

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ABOUT THE COVER

The sun is rising on an age of increased electrification in the United States, driven by the inherent efficiency of this key energy source and the cleanliness of its many end-uses. DQE has the energy, vision, and value to meet growing demand for electricity in both Southwestern Pennsylvania and in new markets.

Illustrator Guy Billone has been a regular contributor to The Atlantic Monthly since 1962. A multi- and international award winner, his work has been published in Time, Life, and Fortune, and has been featured in numerous corporate publications.

CHAIRMAN'S MESSAGE

Wesley W. von Schack discusses DQE's 1991 milestones and takes a look at the future of the electric utility industry.

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By delivering quality energy and maintaining a strong environmental and community focus, we are adding value for our customers and our shareholders.

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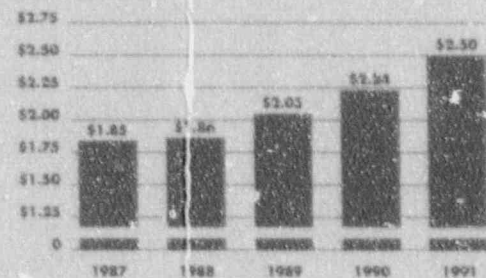
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FINANCIAL AND OPERATING HIGHLIGHTS

	1991	1990	1989	Percent Change	
				91 vs. 90	90 vs. 89
Operating Revenues (In millions)	\$1,199.5	\$1,130.9	\$1,118.6	6.1%	1.1%
Interest on Long-Term Debt (In millions)	\$131.5	\$139.9	\$144.6	-6.0%	-3.3%
Preferred Dividends (In millions)	\$10.8	\$14.0	\$16.8	-22.9%	-16.7%
Net Income (In millions)	\$133.6	\$121.7	\$113.0	9.8%	7.7%
Earnings Per Share	\$2.50	\$2.24	\$2.03	11.6%	10.3%
Return on Average Common Equity	12.2%	11.3%	10.6%	8.0%	6.6%
Shares Outstanding at Year-End (In thousands)	52,905	53,759	55,340	-1.6%	-2.9%
Annualized Dividends	\$1.52	\$1.44	\$1.36	5.6%	5.9%
Book Value Per Share	\$21.00	\$20.07	\$19.27	4.6%	4.2%
Capital Expenditures (In millions)	\$125.4	\$108.2	\$85.4	15.9%	26.7%
Stock Price at Year-End	\$30.625	\$24.875	\$23.875	21.1%	4.2%
Net Operating Cash Flow (In millions)	\$380.6	\$299.8	\$233.1	27.0%	28.6%
Retail Sales (MWH)	11,861	11,694	11,509	1.4%	1.1%
Peak Load (MW)	2,402	2,379	2,381	1.0%	-0.1%

EARNINGS PER SHARE

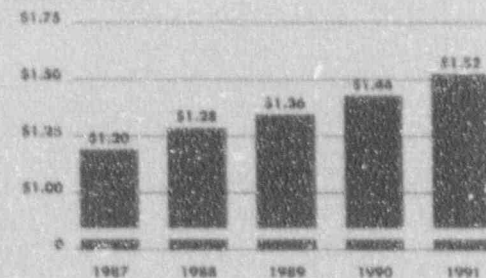
(Dollars Per Share)



Earnings per share have increased for the fifth straight year.

END OF YEAR DIVIDEND RATE

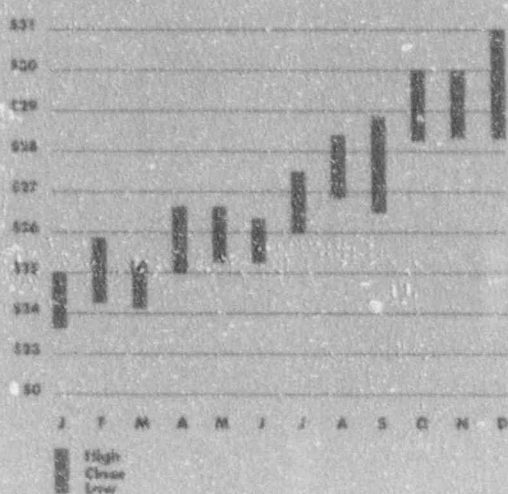
(Dollars Per Share)



Our annualized dividend has grown an average of 6% per year since 1987.

525 COMMON STOCK PERFORMANCE 1991

(Dollars Per Share)



This stock price increased 23% in 1991.

At this time last year, I expressed concern about the state of the economy. Indeed, the economy in Western Pennsylvania was weak in 1991, although effects of the recession were less pronounced here than nationally. The 1991 jobless rate in our region averaged 5.9%, compared to a 6.7% national average.



WESLEY W. VON SCHACK
Chairman of the Board and Chief Executive Officer

EARNINGS PER SHARE INCREASE 11.6%

I am pleased to report that in 1991, a combination of effective cost control and record summer temperatures resulted in an 11.6% increase in earnings per share, up 26 cents from 1990 to \$2.50.

Total retail sales in 1991 were 1.4% higher than the previous year. Residential sales grew 6.7%, commercial sales grew 4.1%, and industrial sales were down 7.7%.

We had a solid, rewarding year financially and operationally. Managing costs has been and will be a top priority because future earnings growth depends, in large part, on our ability to control costs. Thanks to our dedicated people, customer satisfaction is at a very high level and operating results generally exceeded industry averages.

ENERGY AND VALUE

The future for electricity is positive. Electricity as a percentage of national energy consumption is

growing, and is projected to reach 41% by 2010, up from 24% in 1970, according to the U.S. Department of Energy. National electric capacity must expand by 30%—an additional 200,000 megawatts—by 2010 to meet this expected demand.

We expect an average 1^{1/2}%

annual increase in Duquesne Light retail sales for the next decade. Our system has more than ample capacity to meet the expected growth. The permanent loss in the mid-1980s of 60% of our industrial load sharply reduced the amount of capacity needed to meet peak customer demand. This puts us in a favorable position to compete in the bulk power market. We can sell cost competitive electricity to other utilities on a firm and long term basis that meets new, more demanding environmental standards. Our available capacity represents future shareholder and customer value.

PURSUING OUR VISION

Our proposed sale of 500 megawatts of capacity to General Public Utilities (GPU) and joint construction of a bulk power transmission line from Pittsburgh to Harrisburg typify what the future of our industry is all about. In previous letters, I've discussed the enormous changes taking place in

the electric utility industry—from the need to be a low cost producer to improving access to the nation's transmission grid, a prerequisite for increased competition.

*"Our available capacity
represents future shareholder
and customer value."*

Obtaining expeditious approval of new transmission lines and expanding access to existing lines are key elements of the National Energy Strategy now under active review by Congress. Federal and state regulators also are increasingly demonstrating, through their decisions, a recognition that expanding transmission capacity and access is essential to maximizing the competitive efficiency of electricity production in this country.

TRANSMISSION BOTTLENECK

These issues are very timely because one of the biggest bottlenecks in the national transmission grid is in Pennsylvania. In April 1990, we pointed out the significant economic benefits of the GU-DQE project to the customers of Duquesne Light and GPU subsidiaries. We also described the tremendous benefits to the Western Pennsylvania economy resulting from the creation of thousands of jobs. Of course, these benefits may not be realized without timely approval by the Pennsylvania Public Utility Commission (PUC).

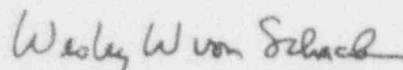
While energy experts recognize the regional

and national importance of constructing this transmission line, some citizens and local governmental officials along the route have been opposed to it. We had anticipated PUC approval in 1991, and are disappointed that the project is not progressing more quickly. However, we have encouraged full and open public participation in the line siting process to ensure that the best route is selected. This has taken longer than expected, but we believe hearings will be completed and a final decision made in 1992.

Sooner or later, transmission bottlenecks like the serious one in Pennsylvania will be corrected by a National Energy Strategy that permits building new lines on an expeditious basis and increases access and reliability on existing lines.

We believe that governmental officials eventually will make the right public policy decisions because the nation's integrated electric system and economic security cannot tolerate transmission roadblocks, technical or institutional.

On behalf of the Board of Directors, I want to express our appreciation for your continued support and confidence.



WESLEY W. VON SCHACK

*Chairman of the Board and Chief Executive Officer
February 7, 1992*

The forces of change are at work in the electric utility industry. Understanding change, and acting to influence it favorably, require sound strategic planning. A group of senior executives and Chairman Wesley W. von Schack meet regularly to ensure that DQE is well positioned to benefit from change. Following is the group's perspective on issues related to the National Energy Strategy (NES).

Q. Congress has been urged to give high priority



David D. Marshall, John E. Sisker, Thomas L. Greene

to passage of NES legislation. How important is this legislation to the nation?

A. A coherent NES is critical to the nation. Otherwise, the U.S. is severely restricted in its ability to meet increasing demand for energy, to reduce its dependence on foreign energy suppliers, and to implement additional energy efficiencies that will help American industry to be even more competitive in the global marketplace. Congress will debate NES legislation in the current session, and passage in 1992 is possible.

Several key NES objectives relate directly to the future of the electric utility industry and DQE: increased competition and market based pricing in power generation, expanded transmission capacity and access, reform of nuclear plant licensing, and demand side management initiatives. DQE is

well positioned to accommodate changes resulting from potential NES legislation and to make these changes part of our strategy for future growth.

Q. What role does construction of new transmission capacity play in achieving NES goals?

A. Adequate electricity transmission capacity is a vital element in achieving other NES goals. Without additional transmission lines to move power from its source of generation to where it is needed, neither the NES goal of increasing competition nor its goal of full and efficient use of domestic energy resources can be met.

The situation in Western Pennsylvania illustrates this point well. The region has abundant coal reserves, as well as other potential electric fuel sources. However, the lack of adequate electricity transmission to the Northeast prevents the full use of these energy fuels and stymies development of new power generation.

"On most days the [East Central and Midwest regional] transmission system is loaded to its safe operating limit..."

National Association of Regulatory Utility Commissioners, July 1990

Q. One important area relating to the proposed General Public Utilities-DQE Transmission Project is transmission siting. What is the key issue in siting new transmission lines?

A. Timely review and approval of projects in a way that reflects today's business realities—

without sacrificing public participation and environmental protection. Balanced public policy decisions are the only way to rise above the all too common "Not In My Back Yard" reaction.

"Competition in generation means changes in the way transmission works."

Morris L. Alder, Chairman, Federal Energy Regulatory Commission, August 1991

Following thorough review of environmental matters, analysis of economic impacts, and provision for full public participation in the process, regulatory response should reflect the time sensitivity of today's competitive business environment.

We believe the NES should concentrate on expeditious siting of new transmission lines in addition to reallocating use of existing transmission capacity.

Q. Will other energy providers have access to the GPU-DQE transmission line?

A. We are filing a plan with the Federal Energy Regulatory Commission to provide non-discriminatory access to the proposed new power line to any energy provider that needs firm, long term



Frederick S. Peters, Chairman, American Super-D, Bill Williams, Director

transmission capacity. We believe additional transmission capacity will encourage the development of



John F. Cunniff, Chairman, Senatus, Gary R. Braunberger

new energy producing businesses, creating jobs, wages, tax revenues, and other economic benefits that can add vitality to the regional economy.

"A long term, permanent and equitable solution [to transmission problems] must address the need to expand the transmission 'pie'..."

James D. Watkins, Secretary, U.S. Department of Energy, August 1991

Q. How do demand side management (DSM) programs relate to the NES?

A. DSM helps utilities make the most cost efficient use of their generating capacity by reducing peak demand and redistributing load. Such programs support the NES goal of full and efficient use of energy resources and postpone the need for constructing costly new generating capacity. However, regulators must ensure that utilities have sufficient financial incentives to offset revenues lost through conservation measures. In December 1990, Duquesne Light became the first utility to file a DSM proposal with the Pennsylvania Public Utility Commission.



Demand for electricity continues to increase. Individuals and businesses are finding increased value in an energy form that can improve both the quality of their lives and the efficiency of their enterprises.

Energy is the bedrock of our company and the focus of our business objectives. We have abundant power, produced at efficient, environmentally sound facilities. Our electricity can fuel expected future local growth. With additional transmission facilities, we also can help power growth throughout Pennsylvania and beyond. By restoring clean, efficient, power plants to service, we create jobs, reduce customer costs, and begin to earn a return on assets that currently are idle.

SOLID OPERATIONS RECORD

Duquesne Light, our principal subsidiary, has a strong history of operating efficiently and providing environmental leadership.

Leading the way in 1991 was the nuclear fueled Beaver Valley Power Station Unit 2, with an impressive 99.5% availability, compared to the nuclear industry average of 72%. Now in its fifth year of operation, Unit 2 recently

set a new station continuous operations record of 369 days.

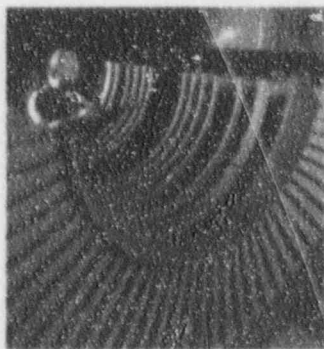
Unit 1's 55.8% availability reflects a longer than normal refueling outage and several smaller unplanned outages. As a whole, Beaver Valley Power Station received "superior" performance ratings in five of seven categories of the most recent Systematic Assessment of Licensee Performance report by the Nuclear Regulatory Commission.

Our coal fired Elrama and Cheswick power stations also performed well in 1991. Elrama achieved an availability of 85.2%, compared to the industry average of 84.4%, and was a primary source of power for the Duquesne system during scheduled outages at Beaver Valley Unit 1 and Cheswick.

Through effective planning, scheduling, and use of resources, Cheswick's outage was completed ahead of schedule. Improvements completed during the outage included an overhaul of the

turbine generator and replacement of the station's boiler controls and data acquisition system with a state of the art digital computer.

Our people are a driving force behind the success of our power stations. On site training programs



Our people are working to bring the fully accredited Duquesne Power Station back on line in 1993 to meet the growing demand for electric energy with safety and no air-pollution.

are helping them learn new skills and enhance their professional development. Employee involvement teams are creating new ideas that add to our solid operations performance. They have addressed a wide variety of operational and maintenance issues, from more efficient work practices to improved safety conditions, to cost reductions.

HIGH ENVIRONMENTAL STANDARDS

We have a long history of environmental commitment. In the early 1970s, we were the first utility in the country to equip an operating power station with a full scale scrubber system for sulfur dioxide removal. Because of our ongoing commitment, all of the power plants in our service territory already meet the 1995 sulfur dioxide control requirements of the new Clean Air Act Amendments. Eighty percent of our total system is in compliance. We are working with



We help maintain and restore our beautiful natural resources. A natural wildlife refuge lies just a few thousand yards downstream from our Beaver Valley Power Station.

the co-owners of several plants in which we have a minority interest to develop ways to bring those facilities into compliance. Options being discussed include

increased use of low sulfur coal and purchase of emission credits through the innovative market based emission allowance trading provisions of the Clean Air Act.

OUR POWER IS IN DEMAND

Increasing sales to other utilities and the proposed sale of 500 megawatts of power to General Public Utilities (GPU) are prime examples of the emergence of new markets for our energy. The GPU agreement, now under review by the Pennsylvania Public Utility Commission (PUC), also includes the purchase of a 50% interest in our coal fired Phillips Power Station.

Preparations were undertaken in 1991 to reactivate the Phillips and Brunot Island power stations, which were idled beginning in 1986. Because of our significant investment in environmental control equipment for Phillips in the early 1970s, the station already meets Clean Air Act sulfur dioxide emission standards for the year 2000. Brunot Island is a peaking station employing combustion turbines and heat recovery steam generators that burn very low sulfur oil. It does not face the same air pollution control challenges that our coal burning power stations face. However, to reduce emissions even further, we plan to convert the plant's steam generators to natural gas and its three combustion turbines

We have more than enough capacity to meet expected local growth. Our energy line can help meet increasing demand in other areas if needed additions to the nation's transmission network are made.



to a dual fired system that can burn natural gas as well as low sulfur oil.

While both plants are scheduled to return to service in 1994, major reactivation work depends on timely PUC approval of the transmission line proposal.

STEADY GROWTH SEEN LOCALLY

In addition to growing national demand for electricity, we project steady growth in our traditional service territory of about 1³/₄% annually over the next decade.

Opening of the new Greater Pittsburgh International Airport in October 1992 is expected to be a catalyst for continued commercial growth in the region. A study by the Southwestern Pennsylvania Regional Planning Commission projects that the new airport will create thousands of jobs and billions of dollars of investment. It will make all of Southwestern Pennsylvania even more competitive in the national and international marketplace.

We are investing more than \$70 million in facilities to support airport related growth. We have constructed two new substations, upgraded five existing substations, and are constructing more than 40 miles of new power lines to serve the airport and new homes and businesses in the area.

Allegheny Development Corporation, another DQE company, will provide all of the electricity and chilled and hot water for the new airport. Construction of ADC's airport facility was completed ahead of schedule in December 1991. It houses seven 1,200 ton chillers and four 40 million BTU boilers. By mid-1992, the ADC facility will begin full production, enabling Allegheny County to complete testing of the automatic temperature controls, underground people movers, automated baggage handling, and other systems that will make the airport one of the world's most passenger friendly and efficient.



Three million 100-ton gallons of water will circulate each day and chilled water in the new Allegheny Development Corporation's central energy facility.

Our ample supply of energy is fueling our vision of the future.

The permanent loss of steel and heavy manufacturing load in the mid-1980s reduced our system load factor from 70% to 59%. And while we project steady growth in the Pittsburgh region, retail sales for the year 2000 are expected only barely to surpass our all time sales high set in 1981.

As a result, we will be able to meet local growth and also look to new opportunities to sell bulk power to utilities in other parts of the country with shortages of generating capacity. Further shaving of peak retail customer demand through introduction of demand side management programs, now under review by the PUC, can free up even more capacity and energy.

CHARTING OUR COURSE

Use of electricity in America is growing dramatically. While total energy consumption has grown only 10% since 1973, use of electricity increased 58%, according to the U.S. Department of Energy. An estimated 200,000 megawatts of new capacity will be needed to serve nationwide demand through the year 2010. This equals approxi-

mately 30% of the country's current supply.

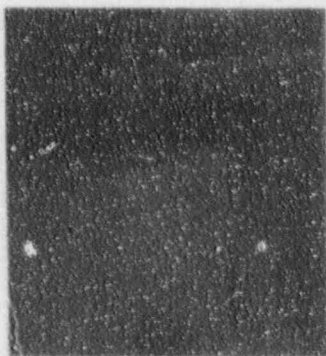
The federal government is considering a number of initiatives to expand competition in providing this generation. Non-traditional energy sources, such as independent power producers and non-utility electricity generators, are being encouraged to play an increasingly important role.

Expanded transmission access is the key component of efforts to increase competition and to balance energy supply and demand economically across the country. The national electrical grid is composed of more than a dozen interconnected regional power pools. Each pool is composed of electric utilities that coordinate planning and maintenance in order to meet their combined power load requirements reliably and economically.

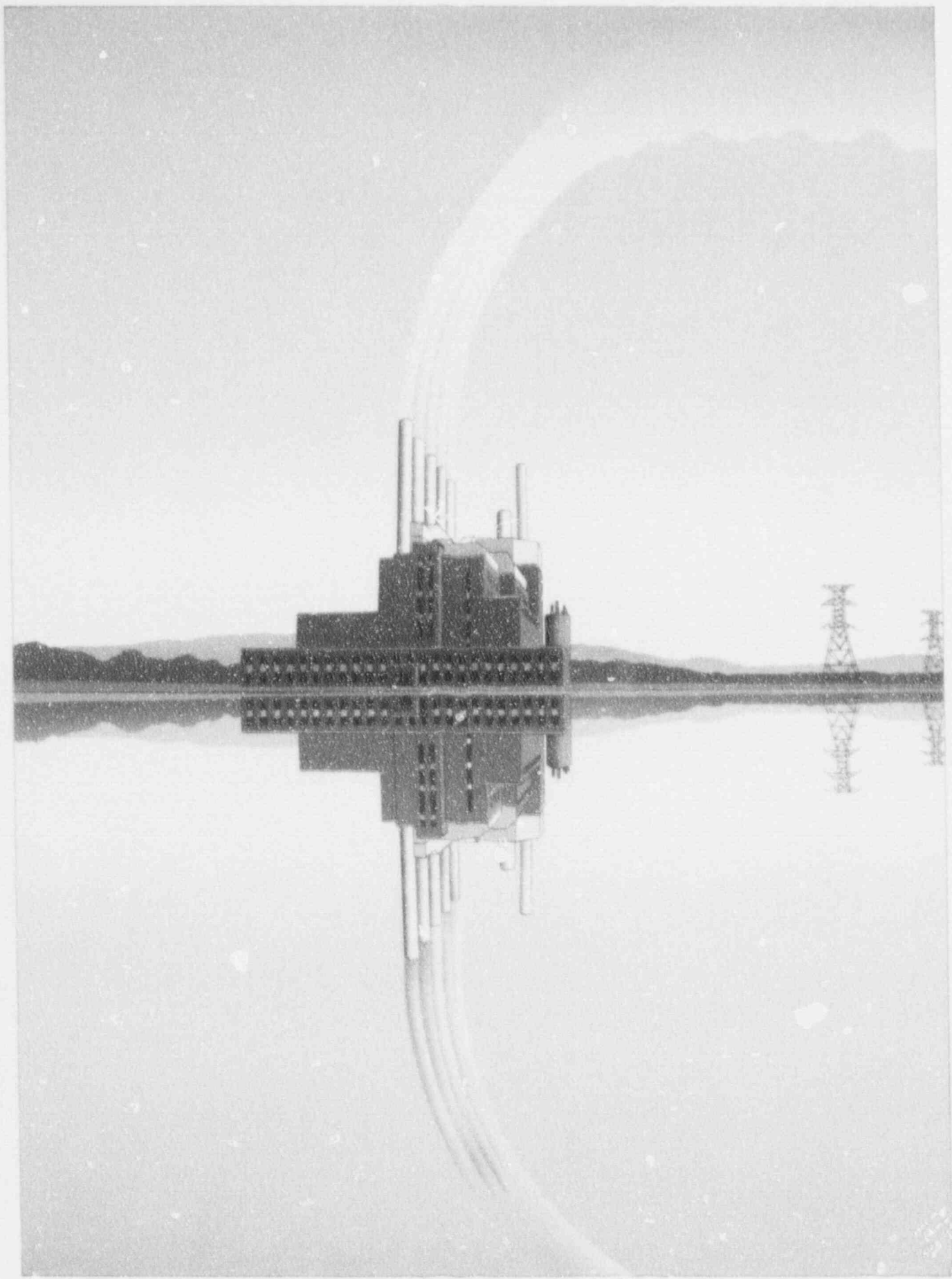
While our country has the world's most efficient generation and distribution system, improvements are needed in the national transmission grid. One of the biggest bottlenecks is in Pennsylvania. West to east transmission lines already are loaded to their reliable capacity.

STRATEGY FOR GROWTH

We believe this expanding, increasingly competitive energy marketplace offers us new



Additional transmission lines and increased transmission access are needed to balance national energy supply and demand.



opportunities to pursue bulk power initiatives.

Phillips Power Station illustrates that vision. This 300 megawatt power station has met the sulfur dioxide standards of the new Clean Air Act since the mid-1970s. However, it currently stands idle. Restart of the plant is a significant element of the GPU-DQE Transmission Project, which will create, according to a study by the Pennsylvania Economy League, more than 11,000 construction jobs over a five year period and more than 1,500 permanent jobs in power production, coal mining and support activities. Proceeds from the transaction will provide a return to our shareholders, and a direct benefit to Duquesne Light customers by reducing future electricity charges by more than \$300 million. GPU customers will save approximately 15% of the cost of building a new coal fired plant to provide the needed electricity.

FINDING CUSTOMER SOLUTIONS

While bulk power initiatives and improving access to the national transmission grid will be a major focus, our people also are working to provide solutions for Pittsburgh area customers who are seeking ways to make their operations more efficient through the use of electricity.

The single most significant advantage driving future sales is that electricity is essential to our

society. It can improve the efficiency of a wide variety of functions, and do so at a high level of environmental cleanliness.

We are linking customers with electric end-uses that can improve both company operations and individual lifestyles. There are many potential customer solutions: heat pumps, whole house surge protectors, microwave waste disinfection, process control equipment and cool storage systems, to name a few. We are narrowing our marketing focus to cost effectively target customers who can benefit most from these types of electrotechnologies. Many of these target areas involve non-traditional electric markets. Sales in such markets provide more efficient use of our generating capacity.

We also will continue to consider investments in energy related businesses that could bring added value to our customers and our shareholders. Our modest investment in International Power Machines (IPM), a manufacturer of products and systems designed to provide uninterruptible electrical power, is a good example of our strategy to match our financial strength with companies whose

Washington: After winter has passing, despite a major power outage in January 1996, its part thanks to successful power source provided by a new DQE partner, International Power Machine.



services, technology, and products can help increase customer satisfaction.

While most of the nation's capital was plunged into darkness early in the evening of January 6 when large power cables failed, the Washington Metro subway system continued to operate, thanks, in part, to custom designed IPM systems serving tunnel lighting, train controls, and switchgear. Another major customer, the U.S. government, is using five IPM units to support the main computer facility and numerous engineering workstations throughout the new Superconducting Super Collider Laboratory in Texas.

RESEARCH SHAPES OUR VISION

We are involved in a wide variety of research and development projects to build on the inherent competitive advantages of electricity, develop future markets for our product, and improve our operations efficiency. We are maximizing our R&D investments through joint efforts with

other utilities, universities, customers, and suppliers. Among these projects are:

- ▶ competing for funding to develop a test site for a high speed magnetic levitation train
- ▶ working with the state of Pennsylvania to expand use of fly ash in road construction
- ▶ developing a model "smart" office laboratory that will field test a variety of lighting, heating, cooling, and other electrotechnologies in an actual working environment
- ▶ developing clean coal technologies and other solutions to new environmental challenges.

FUTURE SOURCES OF GROWTH

There is no single solution to meeting changing customer energy needs in the 1990s. Independent power producers, companies like IPM, conservation and demand side management programs all are part of the mix. That is why we will continue to analyze our markets, our customers, our competitors, and our suppliers to pinpoint areas where

prudent, strategic investments will provide a store of value for our shareholders by adding to our revenues or enhancing our cost management efforts.



This research and development activity includes evaluation of the commercial viability of non-polluting electric cars.



In today's competitive environment, energy and vision are key components of our business strategy. However, there is a third component—value. To remain a quality energy provider, we must continue to find ways to add value to the services we provide. We are taking steps in many areas to continue to differentiate ourselves from other energy companies.

DELIVERING QUALITY ENERGY

A key component to value is the quality built into the process of delivering services to the customer. We are maintaining excellence and quality through a process of continuous performance improvement, guided by the use of performance measures, competitive benchmarking, and dedication to customer satisfaction.

Our corporate objectives were the starting point for development of our performance measures. For each of these measures, we set rigorous performance standards based on competitive benchmarking. All corporate groups use these measures to evaluate progress toward achieving the objectives, to acknowledge achievement, and to discuss areas where improvement is needed.

Accountability for results is

clearly established, and our people work closely together to implement change promoting performance improvement. Every facet of our company is seen as part of a value chain that is dedicated to customer satisfaction. The essence of this customer focused dedication is contained within our slogan, found on vehicles, stationery, and office signs—Delivering Quality Energy.

Eighty-nine percent of customers surveyed in 1991 rated their overall quality of experience in dealing with your company "excellent" or "good." Customers who have had recent service related contacts with our people are surveyed each month to determine their level of satisfaction regarding overall quality of service, reliability, accessibility, and responsiveness. Results of these measures and lessons learned are integrated into our ongoing customer satisfaction plan.

ENVIRONMENTAL LEADER

Your company's environmental focus provides additional value to our customers. Our impressive record of environmental achievements, our significant investment in pollution control equipment and technology, and our long history of going beyond mere compliance with



*Our longstanding commitment
to the environment is one of many ways we
add value to the services
we provide our customers.*

regulations demonstrate that your company is conscientious and environmentally aware.

Our people are important contributors to our environmental record. A company-wide recycling program last year collected thousands of tons of aluminum cans and waste paper. In addition, company volunteers helped local Boy Scouts plant trees

and erect bird nesting boxes as part of our wildlife habitat enhancement project on Brunot Island.

COMMUNITY PARTNER, BUILDER

We believe our community involvement is another added value for customers and the communities in which we operate. We place a very high priority on partnerships with local schools. Current activities include a high tech magnet school program, mentoring, tutoring, and summer internships. Our people also are active volunteers for a variety of civic, cultural, and non-profit community groups.

Duquesne Light was a major contributor to public-private efforts to help rebuild the local



Delivering Quality Energy is the primary goal of our people.

economy during the 1980s. Our economic development professionals have played a role in the addition or retention of more than 14,000 jobs

The people voluntarily volunteer their time to improve the communities they serve. The recent United Way activity added a lifetime source for low income families.



since 1987. We have been an active participant in the formation of a new local economy based on services, medicine, education and technology, with a quality of life that ranks among the best in the country. The November 4, 1991, FORTUNE magazine cited the region's new diversity, its central location, clean air, and skilled workforce in naming Pittsburgh the third best city for business in the United States.

INCREASING SHAREHOLDER VALUE

In recent years, our industry and your company have experienced much change. To an ever greater extent, customers expect more from us as their needs change. Our people have confronted these rising expectations with enthusiasm and the highest standards of professionalism and performance. By Delivering Quality Energy, providing added value to customers and the community, and preserving the environment, they are adding value to your investment. Across DQE, energy and vision are creating value.

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COMMON STOCK EARNINGS, DIVIDENDS, AND STOCK PRICE TRENDS

	1991	1990	1989	1988	1987	1986	5 Year Compound Growth Rate
Earnings Per Share	\$ 2.50	\$ 2.24	\$ 2.03	\$ 1.86	\$ 1.85	\$ 1.51	10.6%
Year-End Dividend Rate	\$ 1.52	\$ 1.44	\$ 1.36	\$ 1.28	\$ 1.20	\$ 1.20	4.8%
Book Value at Year-End	\$21.00	\$20.07	\$19.27	\$18.51	\$17.37	\$16.47	5.0%
Market Price Per Share							
High	31	25%	23%	18%	14%	19%	9.9%
Low	23%	20%	17%	11%	10%	12%	14.0%
Year-end	30%	24%	23%	18%	11%	12%	20.1%

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

CORPORATE
STRUCTURE

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

Electric utility activities will continue to comprise most of DQE's business. The Company has, however, taken important steps to develop its two non-utility subsidiaries: Duquesne Enterprises (DE) and Montauk. DE is providing the total energy services for the new Greater Pittsburgh International Airport. It is also investing in real estate. Montauk is pursuing a variety of investment management activities.

RESULTS OF
OPERATIONS

OPERATING REVENUES

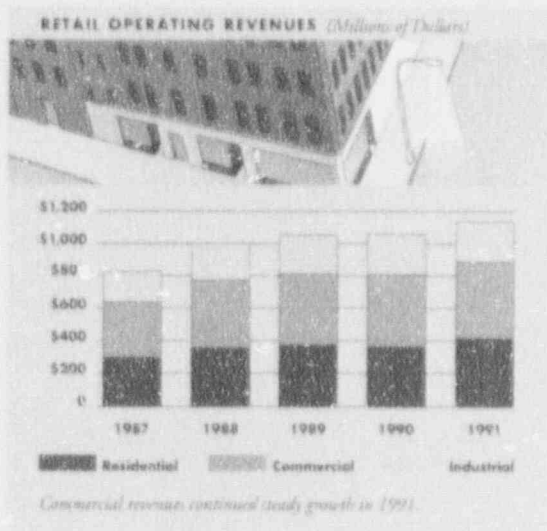
Retail operating revenues are based on rates authorized by the Pennsylvania Public Utility Commission (PUC). These rates are designed to recover operating expenses, the Company's investment in utility plant, plus a return on the investment in utility rate base. Sales to other utilities are at market rates.

The general rate increase revenues and the deferred customer revenues resulted from a \$232 million rate increase granted in early 1988. The PUC required the Company to phase in the increase in over a six-year period. The design of

the phase-in plan provided that rates increase by approximately \$85 million in April of each year from 1988 through 1991, remain constant in 1992 and 1993, and decrease by approximately \$85 million in April 1994. It also provided for recovery of all deferred revenues plus the carrying costs on such deferred revenues. The Company has recognized the entire general rate increase in revenues since it was granted. The part of the increase yet to be collected from customers appears as a deferred asset on the balance sheet. The Company expects this deferred asset to be fully recovered by the end of the phase-in period.

Components of the changes in revenues from the prior year:

<i>(Millions of Dollars)</i>	1991	1990	1989
Rate increase effective March 1988	\$18.6	\$81.0	\$83.7
Recovery of deferred customer revenues and related carrying costs	69.4	9.0	—
Deferred customer revenues	(89.1)	(85.5)	(21.3)
Retail KWH sales	22.7	(0.6)	(1.6)
Energy cost rate revenues	15.1	5.9	(4.2)
State tax adjustment surcharge	11.1	—	—
Other	7.0	5.2	12.8
Revenues from other utilities	13.8	(2.7)	(11.7)
<i>Total</i>	<i>\$68.6</i>	<i>\$12.3</i>	<i>\$57.7</i>



The level of retail kilowatt-hour sales in 1991 increased 1.4 percent compared to 1990. This was due to increased kilowatt-hour sales to residential and commercial customers, partially offset by lower sales to industrial customers. Summer temperatures reached record levels in 1991 resulting in increased use of electricity by these customers. Sales to industrial customers declined, however, due to decreased demand for electricity by the Company's largest industrial customer which had large first quarter production cutbacks. The level of industrial sales had returned to 1990 levels by December of 1991. Retail sales are expected to grow over the next decade at an average annual rate of 1.75 percent.

Retail kilowatt-hour sales in 1990 increased 1.1 percent compared to 1989. Modest growth in commercial and industrial sales during that year were partially offset by the effect of mild weather conditions on residential sales.

Fluctuations in energy cost rate revenues in all years were primarily due to changes in the fuel costs and profits from short-term wholesale sales that are passed through the energy cost rate recovery mechanism (ECR) to customers.

The state tax adjustment revenues represent recovery of increased Pennsylvania state taxes. On August 4, 1991, the state legislature enacted significant tax increases, virtually all of which were retroactive to January 1, 1991. The PUC allowed Duquesne to recover these increases in tax expense through an adjustment applied to customers' bills beginning August 24, 1991.

Other revenues include rental income and billings to the other Central Area Power Coordination Group (CAPCO) companies.

Sales to other utilities reached record levels during 1991 because of available capacity, increased demand by other utilities for energy, and Duquesne's marketing efforts. Decreases in revenues from other utilities in 1990 and 1989 were primarily due to decreases in demand from other utilities. All such sales were made on a short-term basis and the profits from such short-term wholesale sales were passed through the ECR to benefit Duquesne's retail customers.

OPERATION AND MAINTENANCE EXPENSES

Fluctuation in fuel expense each year result primarily from changes in the cost per ton of coal, the mix between coal and nuclear generation and the total kilowatt-hours generated. Fuel expense increased in 1991 primarily because of an increase in fossil generation and increased sales to other utilities.

The increase in other operation expenses in 1991 was attributable primarily to an increase in the allowance for uncollectible accounts caused by the deterioration of the Company's past due customer accounts and increased collection costs. Also, other increases were due to increased generation.

Maintenance expense was lower in 1991 and 1989 as compared to 1990 because of the timing

of scheduled outages at the Company's coal-fired units and a decrease in the amortization of nuclear maintenance costs.

TAXES

Income taxes and taxes other than income taxes increased 21.4 percent in 1991 as the result of legislation which increased Pennsylvania taxes and higher income levels. The increase in income taxes in 1990 was primarily due to increased taxable income. The effective income tax rates for 1991, 1990 and 1989 were 41 percent, 38 percent, and 37 percent, respectively.

OTHER INCOME AND DEDUCTIONS

Other income declined in 1991 due to a regulatory imposed accounting reclassification, the result of which was to reduce 1991 depreciation expense and decrease other income by \$5 million. Other

income increased in 1990 compared to 1989 largely due to higher carrying charges on deferred revenues and a 1989 charge for rate refunds.

INTEREST AND OTHER CHARGES

Interest and other charges decreased in 1991 and 1990 due to the 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 \$145 million in 1991 from \$160 million in 1990 and \$168 million in 1989.

EARNINGS PER SHARE

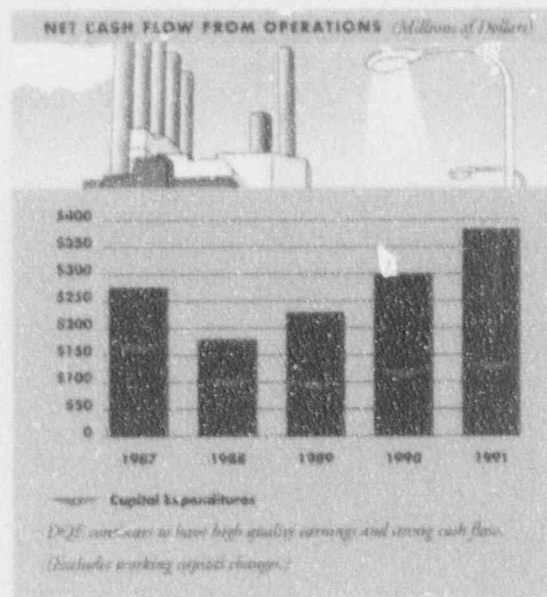
Increases in net income and a reduction in shares outstanding resulted in earnings per share increasing from \$2.03 in 1989 to \$2.24 in 1990 and \$2.50 in 1991.

CAPITAL RESOURCES AND LIQUIDITY

CONSTRUCTION

During 1991, Duquesne incurred construction expenditures of \$125 million, exclusive of allowance for funds used during construction (AFU) and nuclear fuel. The Company incurred these expenditures to improve and expand production, transmission and distribution systems.

The Company estimates that its 1992 construction expenditures will total about \$130 million. The 1993 through 1996 construction expenditures are expected to total \$530 million. These amounts exclude AFU, nuclear fuel, the proposed transaction with General Public Utilities (GPU) (see Long-Term Power Sales on page 22), and expenditures for possible early replacement of steam generators at the Beaver Valley Power Station (see discussion in Note I). The Company currently has no plans for construction of new baseload generating plants.



The Company plans to meet its current obligations and debt maturities through 1996 with funds generated from operations and, to a lesser degree, new financings.

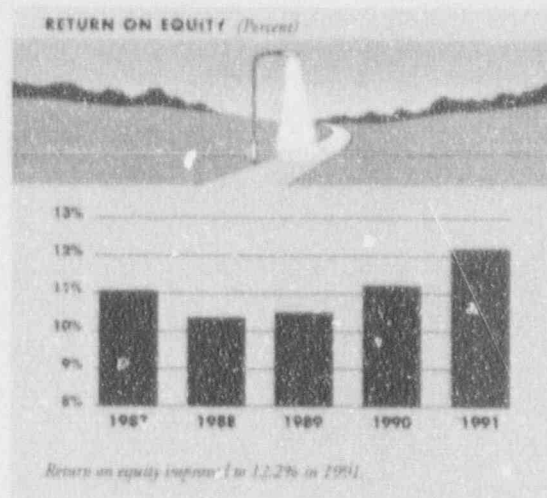
FINANCING

The Company is continuing to reduce its capital costs by refinancing its securities to the extent financially beneficial results can be achieved. During 1991, 466,400 shares of common stock were repurchased for \$12.2 million. An additional 405,000 shares were repurchased for \$11.5 million in connection with the establishment of the Company's leveraged employee stock ownership plan (ESOP) (see discussion in Notes G and K). In addition, \$38.5 million of preferred and preference stock was repurchased, including the \$29.4 million balance of the \$2.315 preference stock issue. In January 1992, the \$16.1 million balance of the \$9.125 preference stock was redeemed. In April 1992, the Company will redeem the balance of its \$8.375 preferred stock. In 1991, the Company issued \$50 million of first mortgage bonds with interest rates averaging 8.25 percent to finance the redemption of the 10.75 percent first mortgage bonds. The Company retired an additional \$9.8 million of long-term debt including amounts needed to meet sinking fund requirements. The Company is authorized to issue up to an additional \$400 million of first mortgage bonds. The proceeds of such issuances will be used primarily to retire higher cost debt and meet current maturities.

In 1990, the Company retired or refinanced \$242 million of long-term debt.

In 1989, Duquesne entered into an agreement with an unaffiliated corporation that entitled Duquesne to sell and the corporation to purchase, on an ongoing basis, up to \$100 million of accounts receivable. At December 31, 1991, Duquesne had sold \$25 million of receivables.

Duquesne currently finances its acquisitions of nuclear fuel through a leasing arrangement under which it may finance up to \$120 million



of nuclear fuel. As of December 31, 1991, the net amount of Duquesne's nuclear fuel financed under this arrangement totaled \$98 million.

Dividends may be paid on the common stock to the extent permitted by law and as declared by the Board of Directors. However, provisions in Duquesne's Restated Articles relating to payments of preferred and preference dividends may affect the payment of common dividends. No dividends or distributions may be made on Duquesne's common stock if the Company has not paid dividends or sinking fund obligations on its preferred or preference stock. Further, the aggregate amount of Duquesne's common stock dividend payments or distributions may not exceed certain percentages of net income if the ratio of common stockholders' equity to total capitalization is less than specified percentages. No part of retained earnings at December 31, 1991 was restricted.

As discussed in Notes G and K, Duquesne established an ESOP to fund a 401(k) match, effective January 1, 1992. Duquesne expects to purchase shares of DQE common stock from DQE or on the open market to satisfy the exchange feature of the Preference Stock, Plan Series A. The Company expects the ESOP to have minimal dilutive impact on earnings per share.

LONG-TERM POWER SALES

In September 1990, the Company agreed to enter into a joint venture 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 sale will require reactivation of the cold-reserved Phillips plant. The Brunot Island (B.I.) combined cycle facilities will also be returned to commercial operation and will be available to support this sale. This partnership arrangement provides that GPU will contribute \$150 million for a 50 percent interest in the Phillips plant. Duquesne will return the plant to commercial operation by 1994. Duquesne submitted a petition to the PUC for approval of the prudence of the transaction and for accounting treatment of the associated costs. In December 1991, the PUC Administrative Law Judge recommended approval of the Company's petition. The ALJ's decision is subject to review by the PUC.

Pursuant to this partnership arrangement, the Company and GPU also will construct and operate a 268 mile, 500 KV transmission line from Pittsburgh to Harrisburg, Pennsylvania, scheduled to be in service in 1996. Duquesne will own a one-third interest in the new line. GPU will own the remaining interest in the line. Duquesne also will have an option, exercisable prior to September 1995, to use up to another one-sixth of the line. The 500 MW sale will be delivered over GPU's share of the new line, leaving Duquesne with 500 MW of new transmissible capacity available for other transactions, regardless of whether Duquesne exercises its option. Duquesne expects to file a plan with the Federal Energy Regulatory Commission (FERC) for market-based pricing and open access for Duquesne's

share of the transmission line. On September 11, 1991, the Company and GPU filed an application with the PUC for siting of the transmission line.

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

ENVIRONMENTAL MATTERS

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and the Superfund Amendments and Reauthorization Act of 1986 established a variety of informational and environmental action programs. The Environmental Protection Agency has informed Duquesne of its involvement or potential involvement in three hazardous waste sites. If Duquesne is ultimately determined to be a responsible party with respect to these sites, it could be liable for clean-up costs. In each case, other solvent potentially responsible parties are involved, which may bear all or part of any liability. In addition, Duquesne believes that available defenses, along with other factors including its overall limited involvement and relatively low estimated remediation costs for one of the sites, will substantially limit any potential liability which it may have for clean-up costs. Accordingly, it is Duquesne's opinion that these 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 new legislation will require Duquesne to reduce sulfur dioxide (SO₂) and nitrogen oxide (NO_x) emissions at its wholly owned Cheswick plant and its jointly owned Eastlake, Sammis and Fort Martin plants by 1995. The Company believes the Phase I

requirements beginning in 1995 can be met by using lower sulfur coal and adding low NOx burners at these four plants and Phillips. Capital costs associated with this Phase I strategy are estimated at \$50 million. To meet Phase II requirements beginning in 2000, Duquesne is exploring a combination of compliance methods. Duquesne will continue to work with the owner/operators of its jointly owned stations to arrive at a cost effective compliance strategy.

ACCOUNTING MATTERS

The Financial Accounting Standards Board has issued statements regarding the accounting for income taxes and postemployment benefits that the Company expects to adopt by 1993.

Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, requires the liability method of accounting for income taxes. Adoption of the Statement is expected to have a one-time favorable income statement impact of about \$10 million. The Company estimates that the deferred tax adjustments will be offset primarily by regulatory assets of about \$650 million and regulatory liabilities of about \$60 million.

Statement of Financial Accounting Standards No. 106, *Employer's Accounting for Postretirement Benefits Other Than Pensions*, requires accrual of postretirement benefits (such as health care benefits) during the years an employee provides service.

Duquesne currently contributes toward the cost of postretirement medical coverage for its retirees through age 65. These costs are reflected in the Company's financial statements, and recovered through rates, on a pay-as-you-go (cash method) accounting basis. This expense is approximately \$1.3 million annually.

Based on estimates, the unfunded transition obligation related to contributing toward the cost

of post-retirement medical coverage for its retirees through age 65 will be between \$27 million and \$70 million. The Company expects to amortize this cost over twenty years. The annual cost under Statement 106, including this amortization, is expected to add between \$3.5 million and \$4.5 million to current expense.

Assuming the PUC will provide for future recovery of these amounts, there would be no effect on Duquesne's earnings. The PUC is expected to provide guidance on this issue prior to 1993.

Note H describes the status of certain investments not included in rate base and other deferred costs that the Company expects to recover. 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.

Duquesne's utility operations are subject to regulation by the PUC and the FERC. 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. The regulatory process imposes a time lag during which increases in operating expenses, capital costs or construction costs may not be recovered.

OUTLOOK

The Company expects that funds generated from operations will continue to be sufficient to meet sinking fund and long-term debt maturities, pay dividends and finance a large part 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.

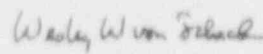
REPORTS OF MANAGEMENT AND
INDEPENDENT ACCOUNTANTS

COMPANY REPORT
ON FINANCIAL
STATEMENTS

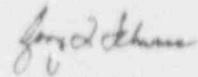
The Company is responsible for the financial information and representations contained in the financial statements and other sections of this Annual Report. The Company believes that the consolidated financial statements have been prepared in conformity with generally accepted accounting principles appropriate 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 accompanying consolidated balance sheets of DQE and its subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1991. 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, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.



Deloitte & Touche
January 28, 1992

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 1991, 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

independent 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

	(Thousands of Dollars, Except Per Share Amounts)	Year Ended December 31,		
		1991	1990	1989
OPERATING REVENUES	Customers:			
	Current	\$1,218,909	\$1,074,956	\$ 974,441
	Deferred (Note H)	(78,344)	10,784	96,287
	Other utilities	58,903	45,153	47,837
	<i>Total Operating Revenues</i>	1,199,468	1,130,893	1,118,568
OPERATING EXPENSES	Fuel	237,855	213,324	210,299
	Purchased power	12,900	6,187	4,744
	Other operation	287,762	267,169	272,779
	Maintenance	83,773	97,756	83,305
	Depreciation and amortization	119,264	122,251	119,376
	Taxes other than income taxes	95,067	81,043	92,898
	Income taxes (Note F)	95,941	76,247	65,678
	<i>Total Operating Expenses</i>	932,562	863,977	849,079
	OPERATING INCOME	266,906	266,916	269,489
OTHER INCOME AND (DEDUCTIONS)	Allowance for equity funds used during construction	.5	1,375	69
	Carrying charges on deferred revenues	21,514	22,950	18,155
	Rate refunds (including interest expense)	(23)	(432)	(8,581)
	Income taxes (Note F)	(5,881)	(1,548)	(9,741)
	Other - net	(8,608)	(2,433)	8,607
	<i>Total Other Income and (Deductions)</i>	8,857	12,912	8,509
	INCOME BEFORE INTEREST AND OTHER CHARGES	275,763	279,828	277,998
INTEREST AND OTHER CHARGES	Interest on long-term debt	131,499	139,889	144,633
	Other interest	2,316	5,781	6,373
	Allowance for borrowed funds used during construction	(2,418)	(1,559)	(2,803)
	Preferred and preference stock dividends of Duquesne Light Company	10,801	14,045	16,793
	<i>Total Interest and Other Charges</i>	142,198	158,156	164,996
	NET INCOME	\$ 133,565	\$ 121,672	\$ 113,002
	AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (000)	53,391	54,432	55,790
	EARNINGS PER SHARE OF COMMON STOCK	\$2.50	\$2.24	\$2.03
	DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$1.46	\$1.38	\$1.30

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

	<i>As of December 31,</i>	
	1991	1990
<i>(Thousands of Dollars)</i>		
ASSETS		
Property, Plant and Equipment:		
Electric plant in service	\$3,740,809	\$3,659,822
Construction work in progress	91,140	64,172
Property held under capital leases (Note E)	220,106	235,791
Property held for future use (Note H)	216,343	216,246
<i>Total</i>	4,268,398	4,176,031
Less accumulated depreciation and amortization	(1,233,283)	(1,135,611)
<i>Property, Plant and Equipment - Net</i>	3,035,115	3,040,562
Other Property and Investments (at cost)	44,297	24,129
Current Assets:		
Cash and temporary cash investments (at cost which approximates market)	25,245	38,576
Receivables (Note C)	116,176	62,347
Materials and supplies (generally at average cost):		
Coal	36,470	37,938
Operating and construction	64,692	60,102
Other current assets	19,852	10,847
<i>Total Current Assets</i>	262,435	209,810
Deferred Debits:		
Extraordinary property loss (Note B)	67,514	84,407
Unamortized loss on reacquired debt (Note K)	55,270	55,426
Income taxes on sale of Beaver Valley Unit 2 (Note E)	73,107	76,101
Deferred costs of units not in rate base (Note H)	51,149	51,149
Phase-in plan deferrals (Note H)	211,053	267,883
Other deferred debits	134,769	109,839
<i>Total Deferred Debits</i>	592,862	644,805
<i>Total Assets</i>	\$3,634,709	\$3,919,306

See Notes to Consolidated Financial Statements.

CAPITALIZATION AND LIABILITIES	<i>(Thousands of Dollars)</i>	<i>As of December 31,</i>	
		1991	1990
Capitalization (Note K):			
Common stock (authorized – 125,000,000 shares, issued – 73,119,436 shares)		\$ 73,119	\$ 73,119
Capital surplus		928,362	928,411
Retained earnings		436,684	381,159
Less treasury stock (at cost) (20,214,579 and 19,360,301 shares, respectively)		(327,044)	(303,548)
Total common stockholders' equity		1,111,121	1,079,141
Non-redeemable preferred and preference stock		121,906	151,346
Redeemable preferred and preference stock		15,437	37,747
Redeemable preference stock, Plan Series A		30,000	—
Deferred employee stock ownership plan benefit		(30,000)	—
Total preferred and preference stock		137,343	189,093
First mortgage bonds		1,025,299	1,103,636
Other long-term debt		399,275	401,912
Unamortized debt discount and premium – net		(3,848)	(4,253)
Total long-term debt		1,420,726	1,501,295
Total Capitalization		2,669,190	2,769,529
Obligations Under Capital Leases (Note E)		87,861	108,388
Current Liabilities:			
Long-term debt and lease obligations due within one year (Notes E and K)		119,428	48,303
Accounts payable		128,646	129,473
Accrued income taxes		34,346	16,413
Deferred income taxes and other accrued taxes		34,187	25,689
Accrued interest		32,339	34,598
Dividends declared		25,545	25,984
Sinking fund and purchase requirements (Note K)		28,665	16,489
Total Current Liabilities		403,156	296,949
Other Noncurrent Liabilities:			
Investment tax credits unamortized		141,549	147,527
Accumulated deferred income taxes		530,580	512,056
Other deferred credits		102,373	84,857
Total Other Noncurrent Liabilities		774,502	744,440
Commitments and Contingencies (Notes B through L)			
Total Capitalization and Liabilities		\$3,934,709	\$3,919,306

STATE STREET BANK OF MASSACHUSETTS
STATE STREET BANK OF MASSACHUSETTS
STATEMENT OF CONSOLIDATED CASH FLOWS

		<i>Year Ended December 31,</i>		
		1991	1990	1989
<i>(Thousands of Dollars)</i>				
CASH FLOWS FROM OPERATING ACTIVITIES	Net income	\$ 133,565	\$ 121,672	\$ 113,002
	Principal non-cash charges (credits) to net income:			
	Depreciation and amortization	119,264	122,251	119,376
	Capital lease and other amortization	56,437	49,268	31,013
	Deferred income taxes and investment tax credits-net	(18,974)	20,535	59,467
	Allowance for equity funds used during construction	(1,855)	(1,375)	169
	Phase-in plan deferred revenues and related carrying charges	56,830	(33,734)	(114,642)
	Changes in working capital other than cash (Note 1)	(43,056)	281	96,878
	Other - net	35,341	21,153	24,746
	<i>Net Cash Provided from Operating Activities</i>	337,558	300,051	329,971
CASH FLOWS USED BY INVESTING ACTIVITIES	Construction expenditures	(127,776)	(109,718)	(88,169)
	Other - net	(24,346)	(3,404)	(3,519)
		<i>Net Cash Used by Investing Activities</i>	(152,122)	(113,122)
CASH FLOWS USED IN FINANCING ACTIVITIES	Sale of bonds	50,000	199,450	13,500
	Dividends on common stock	(78,040)	(74,972)	(72,397)
	Reductions of long-term obligations:			
	Preferred and preference stock	(38,505)	(31,975)	(24,826)
	Long-term debt	(58,782)	(241,788)	(19,328)
	Other obligations	(42,997)	(43,517)	(29,358)
	Rate refund payments	(1,383)	(17,321)	(10,873)
	Repurchase of common stock	(23,703)	(34,170)	(45,707)
	Premium on reacquired debt	(2,947)	(3,349)	(173)
	Other - net	(2,410)	2,129	2,481
		<i>Net Cash Used In Financing Activities</i>	(198,767)	(245,512)
	Net increase (decrease) in cash and temporary cash investments	(13,331)	(58,583)	51,602
	Cash and temporary cash investments at beginning of year	38,576	97,159	45,557
	Cash and temporary cash investments at end of year	\$ 25,245	\$ 38,576	\$ 97,159

SUPPLEMENTAL CASH FLOW INFORMATION

CASH PAID DURING THE YEAR FOR	Interest (net of amount capitalized)	\$ 136,147	\$ 153,754	\$ 166,702
	Income taxes	\$ 86,201	\$ 41,593	\$ 28,157
NON-CASH INVESTING AND FINANCING ACTIVITIES	Capital lease obligations recorded	\$ 22,028	\$ 31,921	\$ 31,542
	ESOP preference stock issued	\$ 30,000	—	—

See Notes to Consolidated Financial Statements.

STATEMENT OF CONSOLIDATED
COMMON STOCKHOLDERS' EQUITY



	(Thousands of Dollars)	1991	1990	1989	1988
COMMON STOCK	Common stock par value (\$1 per share)	\$ 73,119	\$ 73,119	\$ 73,119	\$ 73,119
CAPITAL SURPLUS	Capital stock expense and other (change)	(49)	368	597	1,315
	Balance at end of year	928,362	928,411	928,043	927,446
RETAINED EARNINGS	Net income	133,565	121,672	113,002	118,566
	Dividends declared	(78,040)	(74,972)	(72,397)	(77,571)
	Balance at end of year	436,684	381,159	334,459	293,854
TREASURY STOCK	Stock repurchased (net)	(23,496)	(34,117)	(45,587)	(189,096)
	Balance at end of year	(327,044)	(303,548)	(269,431)	(223,844)
	Total Common Stockholders' Equity	\$1,111,121	\$1,079,141	\$1,066,190	\$1,070,575

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. This includes the related payroll taxes, pensions and other fringe benefits, and administrative and general costs. It also includes an allowance for funds used during construction (AFC), representing the estimated cost of debt and equity funds used to finance construction. The AFC capitalized varies according to changes in the level of construction work in progress (CWIP) and in the cost of capital. AFC is credited to income. The Company does not realize cash currently from this allowance. It realizes cash over the life of the plant through increased revenues resulting from higher rate base and higher depreciation expense. The AFC rates applied to CWIP were 9.6 percent, 9.9 percent and 10.1 percent in 1991, 1990 and 1989, 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, less 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 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 Unit 1, \$23 million for Beaver Valley Unit 2 and \$38 million for Perry Unit 1. These amounts include cost of removal as well as decontamination costs. Amounts collected from customers through rates are deposited in segregated accounts that can be used only for

future decommissioning costs. Collections and related interest of \$11.3 million are in *Other Property and Investments* in the Consolidated Balance Sheet, with the related liability in *Other Deferred Credits*.

MAINTENANCE

Maintenance costs related to scheduled outages at the Company's nuclear units are deferred as incurred and amortized over the 18-month period between scheduled outages. All other maintenance costs, including the costs of forced outages at the nuclear units, are charged to expense as incurred.

REVENUES

Customer meters are read and billed monthly. Revenues are recorded in the accounting periods in which they are billed. Deferred revenues are associated with the Company's 1987 rate case. 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. Deferred income taxes are provided at the statutory rate in effect at the time the difference originates. The deferred tax effects of certain timing differences, however, are not provided in order to be consistent with ratemaking policies. These differences are recognized for book purposes, and in rates, in the years they affect taxes payable. As of December 31, 1991, the cumulative net amount of timing differences for which deferred income taxes have not been provided was about \$450 million. These items are principally book versus tax basis differences.

Investment tax credits related to utility property generally were deferred when applied to reduce the Company's income tax liability. They are subsequently reflected as reductions to tax expense over the lives of the related assets.

In February 1992, the FASB intends to issue Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, which requires the liability method of accounting for income taxes. The adoption of this statement will not affect the Company's policy stated above for investment tax credits. The Company must adopt the statement by 1993. Adoption of the statement is expected to have a one-time favorable income statement impact of about \$10 million. Duquesne expects that the deferred tax adjustments will be offset primarily by regulatory assets of about \$650 million and regulatory liabilities of about \$60 million.

DEFERRED FUEL COSTS

Duquesne recovers from customers fuel and other energy costs not otherwise recovered through base rates, through an annual 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. The difference is recorded 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. This fee is recovered through rates.

CASH FLOWS

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

RECLASSIFICATIONS

The 1990 and 1989 financial statements have been reclassified to conform with accounting presentations adopted during 1991.

B.
EXTRAORDINARY
PROPERTY LOSS

In 1984, the CAPCO companies agreed to minimize construction work and cash expenditures on Perry Unit 2 pending consideration of several alternatives, including resumption of construction or cancellation of the unit. In 1986, Duquesne abandoned its interest in the unit. In 1987, Duquesne received approval from the PUC to amortize and recover its original \$155 million investment in the unit over a ten-year period which began July 1, 1987. Duquesne is not earning a return on the unrecovered cost of the unit, which was \$79 million at December 31, 1991. The Company accounts for this abandonment in accordance with Statement of Financial Accounting Standards No. 90.

C.
RECEIVABLES

In 1989, Duquesne entered into an arrangement with an unaffiliated corporation by which Duquesne is entitled to sell and the corporation must purchase, on an ongoing basis, up to \$100 million of its accounts receivable. At December 31, 1991, 1990 and 1989, Duquesne had sold \$20.5 million, \$50 million and \$77 million, respectively, of customer receivables and \$4.5 million, \$18.1 million and \$13 million, respectively, 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 \$4.2 million at December 31, 1991.

<i>Amounts in Thousands of Dollars at December 31,</i>	1991	1990	1989
Customer accounts receivable	\$137,706	\$117,234	\$111,083
Other accounts receivable	34,368	30,057	27,140
Less: Receivables sold	(25,000)	(68,139)	(90,000)
Allowance for uncollectible accounts	(30,898)	(16,805)	(11,244)
Total Receivables	\$116,176	\$ 62,347	\$ 36,979

D.
SHORT-TERM
BORROWING AND
REVOLVING CREDIT
ARRANGEMENTS

Duquesne has an extendable revolving credit agreement with a group of banks totaling \$225 million. The initial expiration date of this arrangement is 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 based on the unutilized amount of the commitment.

<i>Amounts in Thousands of Dollars for Year Ended December 31,</i>	1991	1990	1989
Maximum short-term bank and commercial paper borrowings outstanding	\$66,000	\$53,000	\$104,900
Average daily short-term borrowings outstanding	10,999	14,298	15,591
Weighted average daily interest rate	6.36%	8.34%	10%

E.
LEASES

The Company leases nuclear fuel, a portion of a nuclear generating plant, office buildings, computer equipment and other property and equipment. The capitalized leases are summarized below:

<i>Amounts in Thousands of Dollars at December 31,</i>	1991	1990	1989
Nuclear Fuel	\$170,704	\$192,657	\$186,204
Electric plant	77,402	43,134	35,920
<i>Total</i>	220,106	233,791	222,124
Less accumulated amortization	(84,003)	(80,000)	(54,705)
<i>Property Held Under Capital Leases - Net</i>	\$136,103 (1)	\$155,791	\$167,419

(1) Includes \$3,374 of capital lease with associated obligation retired.

In 1987, Duquesne sold its 13.74 percent interest in Beaver Valley Unit 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. Duquesne subsequently leased back its interest in the unit for a term of 29 1/2 years. The leases provide for semi-annual payments and are accounted for as operating leases. Duquesne is responsible under the terms of the lease for all costs of its interest in the unit.

Leased nuclear fuel is amortized as the fuel is burned. The amortization of all other leased property 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 reported in the Statement of Consolidated Income for the three years ended December 31, 1991.

<i>Amounts in Thousands of Dollars for Year Ended December 31,</i>	1991	1990	1989
Operating leases	\$ 65,414	\$ 65,989	\$ 65,292
Amortization of capital leases	39,323	43,368	29,287
Interest on capital leases	10,057	10,334	8,555
<i>Total Rental Payments</i>	\$114,794	\$119,691	\$103,134

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 Unit 2 and the corporate headquarters. Future minimum lease payments at December 31, 1991 were as follows:

<i>Amount in Thousands of Dollars for Year Ending December 31,</i>	Operating Leases	Capital Leases
1992	\$ 66,507	\$ 52,998
1993	65,187	35,134
1994	62,468	31,000
1995	61,236	14,589
1996	61,221	8,395
1997 and thereafter	1,302,161	36,000
<i>Total Minimum Lease Payments</i>	\$1,618,780	178,116
Less amount representing interest		(45,387)
Present value of minimum lease payments for capital leases		\$132,729

F.
INCOME
TAXES

The Company's federal income tax returns are closed through 1985. The returns for 1986 and 1987 are currently being reviewed, and the 1988, 1989 and 1990 returns are subject to review. The Company believes that the final settlement of federal and state taxes will not have a material adverse effect on its financial position or results of operations. Since DQE's formation in 1989, the Company has filed a consolidated federal tax return.

<i>(Thousands of Dollars)</i>		1991	1990	1989
Included in operating expenses:				
Currently payable:	Federal	\$ 84,862	\$ 44,711	\$ 6,553
	State	31,980	10,864	(919)
Deferred - net:	Federal	(4,823)	31,430	62,269
	State	(10,750)	(4,920)	2,535
Investment tax credits deferred - net		(5,328)	(5,838)	(4,760)
<i>Total Included in Operating Expenses</i>		95,941	76,247	65,678
Included in other income and deductions:				
Currently payable:	Federal	2,780	6,720	8,084
	State	1,174	1,965	2,234
Deferred:	Federal	1,943	331	(5)
	State	443	(9)	(113)
Investment tax credits		(459)	(459)	(459)
<i>Total Included in Other Income and Deductions</i>		5,881	8,548	9,741
<i>Total Income Tax Expense</i>		\$101,822	\$ 84,795	\$ 75,419

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	\$ 83,704	\$ 74,974	\$ 69,773
Increase (decrease) in taxes resulting from:			
Excess of book over tax depreciation	5,333	8,547	7,329
State income taxes, net of federal income tax benefit	15,079	5,214	2,466
Amortization of deferred investment tax credits	(5,787)	(6,435)	(5,982)
Other - net	3,493	2,495	1,833
<i>Total Income Tax Expense</i>	\$101,822	\$ 84,795	\$ 75,419
Sources of income taxes deferred and the related tax effects were:			
Excess of accelerated over straight-line depreciation	\$ 20,957	\$ 24,230	\$ 28,740
Deferred revenues recorded (recovered) for book but not for tax purposes	(21,240)	12,774	43,298
Allowance for uncollectible accounts	(5,930)	(2,722)	(4,290)
Other - net	(6,974)	(7,450)	(3,062)
<i>Total Deferred Income Tax Expense (Benefit)</i>	\$ (13,187)	\$ 26,832	\$ 64,686

G.
EMPLOYER BENEFITS

RETIREMENT PLANS

Duquesne has trustee retirement 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 through the use of the unit credit actuarial cost method, if 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 1991, 1990 and 1989 were \$11.2 million, \$12.6 million and \$11.7 million, respectively.

The following sets forth the funded status of the retirement plans and amounts recognized in the Consolidated Balance Sheet at December 31, 1991, 1990 and 1989.

<i>(Thousands of Dollars)</i>	1991	1990	1989
Actuarial present value of benefits rendered to date:			
Vested benefits	\$279,917	\$241,193	\$226,532
Nonvested benefits	14,294	19,915	19,009
Accumulated benefit obligations based on compensation to date	294,211	261,108	245,541
Additional benefits based on estimated future salary levels	64,919	56,434	58,308
Projected benefit obligation	359,130	317,542	303,849
Fair market value of plan assets	392,027	319,594	322,065
Projected benefit obligation under plan assets	\$ 32,897	\$ 2,052	\$ 18,216
Unrecognized net gain	\$ 86,695	\$ 56,573	\$ 66,156
Unrecognized prior service cost	(22,317)	(23,959)	(18,888)
Unrecognized net transition liability	(22,913)	(24,725)	(26,538)
Net pension liability per balance sheet	(8,568)	(5,837)	(2,514)
<i>Total</i>	\$ 32,897	\$ 2,052	\$ 18,216
Assumed rate of return on plan assets	7.50%	8.00%	7.75%
Discount rate used to determine projected benefit obligation	7.50%	8.00%	7.75%
Average assumed change in compensation levels	5.75%	5.75%	5.75%

Plan assets consist primarily of common stocks, United States obligations and corporate debt securities. Net pension cost for 1991, 1990 and 1989 was computed as follows:

<i>(Thousands of Dollars)</i>	1991	1990	1989
Service cost benefits earned during the year	\$ 9,911	\$ 9,710	\$ 8,458
Interest on projected benefit obligation	24,705	22,101	21,700
Return on plan assets	(80,746)	(3,897)	(58,653)
Net amortization of deferrals	57,319	(16,289)	40,168
<i>Net Pension Cost</i>	\$ 11,219	\$ 12,625	\$ 11,673

 RETIREMENT SAVINGS PLAN AND OTHER BENEFIT OPTIONS

Duquesne maintains separate 401(k) retirement plans for its union represented employees and its management employees. As of January 1, 1992, Duquesne implemented a matching feature with respect to its 401(k) Retirement Savings Plan for Management Employees, which provides that the Company will match \$.25 for every \$1.00 that employees contribute to their 401(k) accounts up to a maximum of 6% of their eligible salary. The Company will match up to an additional \$.25 on every \$1.00 if certain incentive targets established by the Company's board of directors are met. The Company is funding its matching contributions with contributions to an Employee Stock Ownership Plan (ESOP) established in December 1991 (see Note K).

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 three million shares of DQE's common stock during the period 1987-1997 at prices equal to the fair market value of such stock on the dates the options were granted.

As of December 31, 1991, active grants totaled 1,277,927 shares, at exercise prices ranging from \$12.31 to \$28.75 per share, which expire at various dates from 1997 to 2001. Stock appreciation rights (SARs) have been granted in connection with 822,427 of the options outstanding. During 1991, 229,207 SARs were exercised, 10,846 options at \$12.3125 were exercised for shares and 47,900 options lapsed. Of the 1,277,927 grants active at December 31, 1991, 540,541 were not exercisable at December 31, 1991.

 OTHER POSTRETIREMENT BENEFITS

The FASB has issued Statement of Financial Accounting Standards No. 106, *Employer's Accounting for Postretirement Benefits Other Than Pensions*, which requires, among other things, accrual of postretirement health care benefits during the years an employee provides service. The Company is required to adopt this statement by 1993.

Duquesne currently pays a portion of its early retirees postretirement medical coverage from the date of early retirement through age 65. These costs are reflected in the Company's financial statements, and recovered through rates, on a pay-as-you-go (cash method) accounting basis. This expense is approximately \$1.3 million annually.

Based on estimates, the unfunded transition obligation related to contributing toward the cost of postretirement medical coverage for the Company's retirees through age 65 will be between \$27 million and \$70 million. The Company expects that it will amortize this cost over twenty years. The annual cost, including this amortization, is expected to add between \$3.5 million and \$11.5 million to current expense.

Assuming the PUC will provide for future recovery of these amounts, similar to the recovery allowed for pension expense, there would be no effect on Duquesne's earnings. If future recovery is assured, the difference between what is currently being recovered through rates (current cash outlays for such benefits) and the amount required to be reflected for financial reporting purposes would be set up as a regulatory asset for future recovery. The PUC is expected to provide guidance on this issue prior to the required adoption of the statement in 1993.

1987 RATE CASE

In March 1988, the PUC adopted an order that increased annual revenues by approximately \$232 million. The order reflected the PUC's allowance of a 12.87 percent return on equity and an overall rate of return of 10.94 percent. Although the new rates became effective at that time, 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 revenues deferred for later recovery. Previously deferred revenues of \$87.4 million have been recovered as of December 31, 1991. Deferred revenues and related carrying charges of \$211.1 million remain to be recovered as of December 31, 1991. Duquesne expects this deferred asset to be fully recovered by the end of the phase-in period. Duquesne currently has no pending base rate case and currently has no plans to file a base rate case.

DEFERRED COSTS OF UNITS NOT IN RATE BASE

In July 1987, the PUC approved Duquesne's petition to defer for possible recovery in a future rate proceeding, initial operating and other costs of Perry Unit 1 and Beaver Valley Unit 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 rate case. In that case, the PUC deferred ruling on the recoverability of these costs. These costs, net of deferred fuel savings related to the two units, totaled \$51.1 million at December 31, 1991. The Company is not earning a current return on the deferred costs. The Company believes that these deferred costs ultimately will be recovered.

DEFERRED COAL COSTS

Beginning in 1981, the PUC directed Duquesne to begin deferring recovery, through the ECR, of the delivered cost of coal in excess of generally prevailing market prices for similar coal. However, the PUC allowed amounts deferred to be recovered from customers during periods when the delivered costs of coal are less than generally prevailing market prices. The PUC established two coal cost standards, one applicable only to the Mansfield plant (Mansfield coal cost standard) and the other applicable to the remainder of Duquesne's system (system-wide coal cost standard), both of which are updated monthly to reflect prevailing market prices of similar coal during the month. The unrecovered (deferred) cost of Mansfield coal paid by Duquesne was \$6.2 million at December 31, 1991. There were no deferred coal costs related to the system-wide coal cost standard at December 31, 1991. The Company believes that the deferred coal costs will be recovered.

A Joint Petition for Settlement was approved by the PUC in June 1990 that clarified certain aspects of the existing system-wide coal cost standard and extended it through March 1992, with an option for the Company to further extend it through March 2000. This joint petition recognizes costs at the Company's Warwick mine and allows for recovery of such costs, including the costs of ultimately closing the mine. In December 1991, Duquesne exercised the first of two options which extended the standard through March 1996.

 WARWICK MINE COSTS

The Warwick mine had been on standby since 1988. In September 1990, the Company entered into agreements with an unaffiliated firm to operate the mine until March 2000 and to sell to the Company coal from the mine during this period. Production began in late 1990, and full production was reached in March 1991. Duquesne's net investment in the mine, which was \$35 million at December 31, 1991, is expected to be recovered through the cost of coal during the period of the system-wide coal cost standard, including extensions. Duquesne is also recovering through the system-wide coal cost standard a provision for the closing of the mine (\$3.8 million at December 31, 1991).

 PROPERTY HELD FOR FUTURE USE

In 1986, the PUC approved Duquesne's request to remove from service and place in "cold reserve" the Phillips and most of the Brunot Island power stations. Duquesne's net investment in the cold-reserved units was \$106.6 million at December 31, 1991. These stations are expected to be returned to service in connection with the long-term sale of power to GPU.

 I.
 COMMITMENTS AND
 CONTINGENCIES

 CONSTRUCTION

The Company estimates that it will spend approximately \$130 million on construction during 1992. Construction expenditures for 1993 through 1996 are expected to total \$530 million. These amounts exclude AFC, nuclear fuel, the proposed transaction with GPU and expenditures for possible early replacement of steam generators at the Beaver Valley Station.

 NUCLEAR INSURANCE

The CAPCO companies maintain a nuclear insurance program to the maximum extent available. This program currently provides \$1.265 billion of primary and excess property insurance and \$1.25 billion of decontamination liability, decommissioning liability and excess property insurance for the \$5.8 billion total investments in Beaver Valley Units 1 and 2. The CAPCO companies have similar property insurance for the \$5.4 billion total investment in Perry Unit 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 \$3.1 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 percent 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.

WESTINGHOUSE LAWSUIT

On April 30, 1991, the CAPCO companies, owners in varying percentages of interest in Beaver Valley Units 1 and 2, filed suit against Westinghouse Electric Corporation in the United States District Court for the Western District of Pennsylvania. The suit alleges that Westinghouse supplied six steam generators for the units which contain serious defects, particularly defects causing tube corrosion and cracking, and seeks monetary and corrective relief. Steam generator maintenance costs have increased due to these defects and will continue to increase in the future. The condition of the steam generators is being closely monitored and, if the corrosion and cracking continue, this will result in their replacement short of their 40-year design life. No site specific estimates of the cost of replacement of the steam generators are yet available; however, the costs of replacing steam generators at nuclear units of other utilities have exceeded \$100 million per unit. While the Company cannot predict the outcome of this litigation, the Company does not believe that such resolution will have a material adverse effect on its financial position or results of operations. Duquesne's percentage interests in Beaver Valley Unit 1 and in Beaver Valley Unit 2 are 47.5 percent and 13.74 percent, respectively. Duquesne is the operator of both units.

GUARANTEES

Duquesne and the other CAPCO companies have guaranteed certain debt and lease obligations in connection with a coal supply contract for the Bruce Mansfield plant. At December 31, 1991, Duquesne's share of these guarantees was \$45.5 million. In January 1992, \$72.8 million of bonds were refunded at lower interest rates. This guarantee was reduced to \$40.6 million in January 1992. In general, the prices paid for the coal by the CAPCO companies under this contract will be sufficient to satisfy the debt and lease obligations. The minimum future payments in millions of dollars to be made by Duquesne that relate solely to these obligations are \$5.8 in 1992, \$7.2 in 1993, \$6.9 in 1994, \$6.6 in 1995, \$6.2 in 1996 and \$21 thereafter. Duquesne's total payments for coal purchased under the contract were \$32.6 million, \$25.7 million and \$30 million in 1991, 1990 and 1989, respectively.

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. CHANGES IN WORKING CAPITAL OTHER THAN CASH

<i>(Thousands of Dollars)</i>	1991	1990	1989
Receivables (Note C)	\$ (53,829)	\$ (25,368)	\$ 118,154
Materials and supplies	(3,122)	(17,030)	(8,714)
Other current assets	(9,005)	(2,753)	(1,153)
Accounts payable	(827)	26,568	(7,996)
Other current liabilities	23,733	20,864	(3,413)
<i>Total</i>	<i>\$ (43,050)</i>	<i>\$ 281</i>	<i>\$ 96,878</i>

K.
CAPITALIZATION

COMMON STOCK

The Company has paid a regular quarterly common stock dividend each year since 1953. Dividends were 32 cents per share for each quarter in 1989. The quarterly dividend was increased to 34 cents per share effective with the dividend paid January 1, 1990; to 36 cents per share effective with the dividend paid January 1, 1991; and to 38 cents per share effective with the dividend paid January 1, 1992.

The following summary indicates the changes in the number of shares of common stock outstanding during 1991, 1990 and 1989:

	<i>Thousands of Shares for Year Ended December 31.</i>			
	1991	1990	1989	
COMMON STOCK - \$1 PAR VALUE				
Outstanding - beginning of year	53,759	55,340	57,831	
Reissuance from treasury stock	17	4	10	
Repurchase of common stock	(871)	(1,585)	(2,501)	
<i>Outstanding - End of Year</i>	<i>52,905</i>	<i>53,759</i>	<i>55,340</i>	

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 40, plus accrued dividends. Certain call prices decline in 1992 and beyond. The preferred and preference stock are subject to various purchase and sinking fund requirements. As of December 31, 1991, the maximum combined aggregate sinking fund and mandatory purchase requirement for preferred and preference stock is \$2.5 million in 1992 and \$1.3 million for each of the following four years.

In December 1991, the Company established an ESOP to provide matching contributions under its 401(k) Retirement Savings Plan for Management Employees (see Note G). Duquesne issued and sold 845,070 shares of Preference Stock, Plan Series A, to the trustee of the ESOP. Duquesne received a note from the trustee valued at \$30 million as consideration for the stock. The preference stock has an annual dividend rate of \$2.80 per share and each share of the preference stock is exchangeable into one share of DQE common stock. At December 31, 1991, \$30 million of preference stock issued in connection with the establishment of the ESOP has been offset for financial statement purposes by the recognition of a deferred compensation benefit. Dividends on the preference stock and cash contributions from Duquesne will be used to repay the ESOP note. In future

PREFERRED AND
PREFERENCE STOCK
OF DUQUESNE
LIGHT COMPANY

years, as shares of preference stock are allocated to the accounts of participants in the ESOP, the Company will recognize compensation expense, and the amount of the deferred compensation benefit will be amortized.

	(In Thousands, Except Per Share Amounts)		Outstanding on December 31,				
	Call Price Per Share	1991		1990		1989	
		Shares	Amount	Shares	Amount	Shares	Amount
Preferred Stock Series: (1)							
3.75% (3)(7)	\$ 51.00	148	\$ 7,407	148	\$ 7,407	148	\$ 7,407
4.00% (3)(7)	51.50	550	27,486	550	27,486	550	27,486
4.10% (3)(7)	51.75	120	6,012	120	6,012	120	6,019
4.15% (3)(7)	51.73	132	6,643	132	6,643	132	6,643
4.20% (3)(7)	51.71	100	5,021	100	5,021	100	5,021
\$2.10 (3)(7)	51.84	159	8,039	159	8,039	159	8,039
\$7.20 (4)(7)	101.00	319	31,915	319	31,915	334	33,415
\$8.375 (4)(6)(8)	104.02	80	7,945	104	10,545	146	14,609
\$8.64 (4)(6)	—	—	—	—	—	176	17,520
Total Preferred Stock		1,608	100,468	1,632	102,868	1,865	126,159
Preference Stock Series: (2)							
\$2.315 (5)(7)	—	—	—	1,177	29,440	1,200	30,000
\$2.100 (5)(7)	25.70	1,175	29,383	1,175	29,383	1,200	30,000
\$7.500 (4)(6)	101.00	87	8,692	92	9,172	96	9,542
\$9.125 (4)(6)(9)	103.36	161	16,160	223	22,284	294	29,420
Preference Stock, Plan Series A (6)(10)	38.30	845	30,000	—	—	—	—
Total Preference Stock		2,268	84,175	2,667	90,279	2,790	98,962
Purchase and sinking fund requirements			(17,300)		(4,054)		(5,130)
Deferred ESOP benefit			(30,000)		—		—
Total Preferred and Preference Stock		3,876	\$137,343	4,299	\$189,093	4,655*	\$211,991

(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 non-cumulative liquidation value.

(6) Redeemable.

(7) Non-redeemable.

(8) Remains due of series to be redeemed April 1, 1992.

(9) Remainder of series redeemed January 1, 1992.

(10) \$35.50 per share involuntary liquidation value.

FIRST MORTGAGE BONDS AND OTHER LONG-TERM DEBT

First mortgage bonds totaling \$50 million and \$73.5 million were issued in 1991 and 1990, respectively, through the Company's medium-term note program. These bonds have interest rates averaging 8.25 percent and 8.47 percent, respectively.

Since 1985, the Company has reacquired \$575.5 million of its high cost debt. The difference between the purchase prices and the net carrying amounts of these bonds has been included in the Consolidated Balance Sheet as *Unamortized loss on reacquired debt*. Duquesne amortizes and recovers these losses through rates. The current balance of *Unamortized loss on reacquired debt* is \$55.3 million.

FIRST MORTGAGE
BONDS OF
DUQUESNE LIGHT
COMPANY

<i>(Thousands of Dollars)</i>		<i>Principal Amount Outstanding at December 31,</i>	
<i>Interest Rate</i>	<i>Maturity</i>	<i>1991</i>	<i>1990</i>
8.25%	12-1-92	\$ 73,500	\$ 73,500
8.47%	6-1-95	50,000	—
10 3/4 %	6-1-95	—	49,900
5 3/4 %	2-1-96	22,800	22,800
5 3/4 %	2-1-97	24,600	24,600
6 3/4 %	2-1-98	34,700	34,700
7 %	1-1-99	30,000	30,000
7 1/2 %	7-1-99	28,947	28,947
8 1/2 %	3-1-00	30,000	30,000
7 3/4 %	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 1/2 %	1-1-03	32,670	32,670
7 3/4 %	1-1-03	35,000	35,000
8 3/4 %	4-1-04	44,100	44,100
9 1/2 %	3-1-05	49,500	50,000
9 %	6-1-06	80,000	80,000
8 3/4 %	4-1-07	97,400	97,400
10 1/2 %	2-1-09	93,040	94,040
10 3/4 %	5-1-12	—	372
11 3/4 %	12-1-15	94,161	98,276
9 3/4 %	12-1-16	99,000	100,000
9 %	2-1-17	100,000	100,000
Less current maturities and sinking fund requirements		(84,050)	(11,700)
<i>Total First Mortgage Bonds</i>		<i>\$1,025,299</i>	<i>\$1,103,636</i>

At December 31, 1991 and 1990, the Company was in compliance with all of its debt covenants.

Sinking fund requirements and maturities of long-term debt outstanding for the next five years are as follows (in millions): as of December 31, 1991; \$11.9 and \$74.6, respectively, in 1992; \$12.1 and \$1.1 in 1993; \$12.7 and \$.8 in 1994; \$12.4 and \$50.8 in 1995; and \$13.2 and \$.1 in 1996.

The sinking fund requirements relate primarily to the first mortgage bonds and may be satisfied by cash or the certification of property additions equal to 166 2/3 percent of the bonds required to be redeemed. During 1991, \$4.1 million of the annual sinking fund requirement was satisfied by cash and \$7.2 million by certification of property additions.

Total interest costs incurred during 1991, 1990 and 1989 were \$143.1 million, \$158.5 million and \$172 million, respectively, of which \$9.3 million, \$13.9 million and \$18 million, including AFC, were capitalized or deferred. Debt discount or premium and related issuance 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 \$417.5 million remains outstanding, by an unaffiliated corporation for the purpose of financing the

OTHER LONG-TERM
DEBT OF DUQUESNE
LIGHT COMPANY

lessors' purchases of Beaver Valley Unit 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.

				<i>(Thousands of Dollars)</i>	
POLLUTION CONTROL OBLIGATIONS:				<i>Principal Amount Outstanding at December 31.</i>	
Issued	Average Interest Rate	Series	Maturity	1994	1990
1972	5.579 %	Allegheny County Series A	2002	\$19,000	\$ 19,600
1990	(2)	Allegheny County Series A	2013	50,000	50,000
1973	5.76 %	Allegheny County Series B	2003	13,050	13,395
1975	7.50 %	Allegheny County Series C	2005	17,000	17,000
1973	5.718 %	Beaver County Series A	2003	10,100	10,400
1990	(2)	Beaver County Series A	2020	13,700	13,700
1990	(2)	Beaver County Series B	2009	18,000	18,000
1984	11.625 %	Beaver County Series B	2014	51,000	51,000
1976	6.90 %	Beaver County Series C	2011	15,000	15,000
1990	(2)	Beaver County Series C	2025	44,250	44,250
1983	10.50 %	Ohio Development Authority	2013	20,500	20,500
1985	11.125 % (1)	Ohio Development Authority	2015	38,610	38,510
1988	(2)	Ohio Development Authority	2018	71,000	71,000
1989	6.65 % (3)	Ohio Development Authority	2023	13,500	13,500
Less current maturities and sinking fund requirements				(1,815)	(1,635)
Total pollution control obligations				392,895	394,320
5% sinking fund obligations (due March 1, 2010)				6,042	7,592
Miscellaneous				338	—
Total Other Long-term Debt				\$399,275	\$401,912

(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-day notice prior to any interest payment 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 rate is secured by a second lien on the property, plant and equipment financed.

(3) Fixed rate through first five years, then after becoming variable rate as in footnote 2.

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.

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 expenses of the units are included in the Statement of Consolidated Income.

L.
GENERATING UNITS

Amounts included in the Consolidated Balance Sheet at December 31, 1991 as property, plant and equipment include the following (thousands of dollars):

GENERATING UNITS: DUQUESNE'S INTEREST	Unit	Percentage		Utility Plant in Service	Accumulated Depreciation	Construction		Fuel Source
		Interest	Megawatts			Work in Progress		
	Cheswick	100.0	570	\$ 177,752	\$ 68,682	\$ 5,786		Coal
	Elrama (1)	100.0	487	193,313	102,020	1,485		Coal
	Ft. Martin 1	50.0	276	65,496	26,757	1,723		Coal
	Eastlake 5	31.2	186	65,860	23,723	1,885		Coal
	Sammis 7	31.2	187	84,941	26,362	394		Coal
	B-size Mansfield 1 (1)	29.3	225	115,877	50,125	790		Coal
	Bruce Mansfield 2 (1)	8.0	62	31,921	13,091	322		Coal
	Bruce Mansfield 3 (1)	13.7	110	37,348	31,715	89		Coal
	Beaver Valley 1	47.5	385	399,634	131,565	3,623		Nuclear
	Beaver Valley 2 (2)	13.74	114	15,683	1,620	175		Nuclear
	Beaver Valley Common Facilities			208,643	34,387	1,738		
	Perry 1	13.74	164	758,797	99,728	3,347		Nuclear
	Total		2,769	2,207,965	609,775	21,357		
	Cold-reserved units:							
	Brunot Island	100.0	306	86,158	34,099	1,112		Fuel Oil
	Phillips (1)	100.0	300	148,375	67,114	28		Coal
	Total Generating Units		3,375	\$2,438,478	\$710,988	\$22,497		

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

(2) On October 2, 1987 Duquesne sold its 13.74% interest in Beaver Valley Unit 2, exclusive of transmission, at common facilities. Amount shown represents facilities now sold and subsequent leasehold improvements.

M.
QUARTERLY
FINANCIAL
INFORMATION
(UNAUDITED)

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

1991	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating Revenues	\$ 289,096	\$ 288,886	\$ 332,039	\$ 289,447
Operating Income (1)	65,877	65,675	75,447	59,907
Net Income	32,862	29,431	42,916	28,362
Earnings Per Share	.61	.55	.80	.54
Stock price: High	25 3/4	26 3/4	28 7/8	31
Low	23 3/4	25	26	28 1/2
1990				
Operating Revenues (1)	\$ 283,534	\$ 271,307	\$ 304,685	\$ 271,367
Operating Income (1)	69,341	59,862	77,136	60,577
Net Income	33,337	21,715	38,195	28,425
Earnings Per Share	.60	.40	.71	.53
Stock price: High	23 1/4	24 3/4	22 3/4	25 1/4
Low	20 3/4	20 3/4	20 3/4	22 1/4

(1) Related to conform with accounting presentation adopted during 1991.

SELECTED FINANCIAL DATA

<i>(Amounts in Thousands of Dollars)</i>	1991	1990	1989	1988	1987	1986
SELECTED INCOME STATEMENT ITEMS						
Operating Revenues:						
Current revenues from customers	\$1,218,909	\$1,074,956	\$ 974,444	\$ 883,725	\$ 835,986	\$ 850,744
Deferred customer revenues	(78,344)	10,784	96,287	117,544	—	—
Revenues from other utilities	58,903	45,153	47,837	59,548	50,214	44,177
Total Operating Revenues	1,199,468	1,130,893	1,118,568	1,060,817	886,200	894,921
Operating Expenses:						
Fuel and purchased power	250,755	219,511	215,043	228,172	241,829	236,096
Other operation & maintenance expenses	371,535	364,925	356,084	341,942	256,163	244,274
Depreciation and amortization	119,264	122,251	119,376	111,023	82,172	74,325
Income and other taxes	191,008	157,290	158,576	135,338	120,301	150,711
Operating Income	266,906	266,916	269,489	244,342	185,735	189,515
Other Income, excluding AFC	7,002	11,537	8,440	47,723	33,791	(12,948)
Total AFC (debt and equity)	4,273	2,934	2,872	3,027	103,577	110,584
Less Interest and Other Charges	144,616	159,715	167,799	176,526	188,131	176,822
Net Income	\$ 133,565	\$ 121,672	\$ 113,002	\$ 118,566	\$ 134,972	\$ 110,329
Earnings Per Share	\$2.50	\$2.24	\$2.03	\$1.86	\$1.85	\$1.51

SELECTED BALANCE SHEET ITEMS						
Property, plant & equipment -- net	\$3,035,115	\$3,040,562	\$3,055,039	\$3,065,922	\$3,098,897	\$3,490,599
Total assets	\$3,932,709	\$3,919,306	\$3,920,590	\$3,881,424	\$4,151,615	\$3,997,076
Capitalization:						
Common stockholders' equity	\$1,211,121	\$1,079,141	\$1,066,190	\$1,070,575	\$1,217,361	\$1,204,433
Preferred and preference stock	137,343	189,093	219,991	244,816	260,905	266,790
Long-term debt	1,420,726	1,501,295	1,540,329	1,550,231	1,690,600	1,613,787
Total Capitalization	\$2,669,190	\$2,769,529	\$2,826,510	\$2,865,622	\$3,168,866	\$3,085,010
CAPITALIZATION RATIO:						
Common stockholders' equity	41.6%	39.0%	37.7%	37.4%	38.4%	35.0%
Preferred and preference stock	5.2%	6.8%	7.8%	8.5%	8.2%	8.7%
Long-term debt	53.2%	54.2%	54.5%	54.1%	53.4%	52.3%
Total Capitalization	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Times Interest Earned (pre-tax)	2.84	2.51	2.31	2.25	1.84	1.75

SELECTED COMMON STOCK INFORMATION						
Shares Outstanding (In thousands):						
Year-end	52,535	53,759	55,340	57,631	70,096	73,119
Average	53,391	54,432	55,790	63,748	72,845	72,930
Dividends declared (In thousands):						
Dividend payout rate	57.6%	60.7%	63.1%	64.5%	64.9%	107.9%
Price earnings ratio at year-end (1)	12.3	11.1	11.8	10.1	6.4	8.1
Dividend yield at year-end (1)	5.0%	5.8%	5.7%	6.8%	10.2%	9.8%
Return on average common equity	12.2%	11.3%	10.6%	10.4%	11.1%	9.3%

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

	1991	1990	1989	1988	1987	1986
SALES OF ELECTRICITY:						
Average annual residential kilowatt-hour use	6,331	5,953	6,060	6,168	6,019	5,821
Electric energy sales billed (millions of Kwh):						
Residential	3,285	3,078	3,119	3,156	3,065	2,957
Commercial	5,450	5,236	5,145	5,055	4,899	4,724
Industrial	3,042	3,296	3,221	3,302	2,918	2,734
Miscellaneous	84	84	84	91	98	99
<i>Total Sales to Customers</i>	11,861	11,694	11,569	11,604	10,980	10,514
Sales to other utilities	2,979	1,830	2,100	2,716	2,426	2,091
<i>Total Sales</i>	14,840	13,524	13,669	14,320	13,406	12,605
ENERGY SUPPLY AND PRODUCTION DATA:						
Energy supply (millions of Kwh):						
Net generation - system plants (net of Company use and losses)	14,220	13,266	13,455	14,144	13,208	12,456
Purchased and net inadvertent power	620	258	214	176	198	149
<i>Net Energy Supply</i>	14,840	13,524	13,669	14,320	13,406	12,605
Generating capability (thousands of kilowatts)						
Peak load (thousands of kilowatts)	2,835	2,835	2,835	2,836	2,852	2,908
Cost of fuel per million BTU	153.70¢	149.62¢	143.87¢	145.74¢	150.99¢	165.34¢
BTU per kilowatt-hour generated	10,414	10,444	10,411	10,304	10,449	10,624
Average production cost per kilowatt-hour	2.80¢	2.61¢	2.73¢	2.58¢	2.33¢	2.55¢
NUMBER OF CUSTOMERS - END OF YEAR:						
Residential	520,016	518,322	516,801	515,760	510,823	509,054
Commercial	52,617	52,330	51,950	51,456	50,904	50,346
Industrial	2,004	2,026	2,023	2,017	1,978	1,970
Other	1,891	1,847	1,818	1,828	1,831	1,826
<i>Total Customers</i>	576,528	574,525	572,592	569,061	565,536	563,196

*Seated, front row, left to right:
Robert Mehrabian and Doreen E.
Boyc. Standing, left to right:
Thomas J. Murrin, Daniel Berg,
Eric W. Springer, Sigo Falk,
John M. Arthur, Robert B. Pease,
William H. Knoell, Robert P.
Bozzoni, G. Christian Lantzech
and Wesley W. von Schack.*



**BOARD OF
DIRECTORS**
(All term 3 years)

JOHN M. ARTHUR

Elected 1967 (5, 6), 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).

DANIEL BERG

Elected 1983 (1, 6), term expires 1994. Institute Professor, Rensselaer Polytechnic Institute (RPI). Directorships include Hy-Tech Machine, Inc. (manufacturer of specialty parts) and Joachim Machinery Co., Inc. (distributor of machine tools).

DOREEN E. BOYC

Elected 1975 (2, 5), 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. BOZZONI

Elected 1990 (1, 2), term expires 1994. President and Chief Executive Officer of Allegheny Ludlum Corporation (specialty metals production). Directorships include Allegheny Ludlum Corporation; Chairman, Pittsburgh Branch of the Federal Reserve Bank of Cleveland.

SIGO FALK

Elected 1979 (2, 3, 4), term expires 1993. Personal investments. Trustee of Clatham College.

WILLIAM H. KNOELL

Elected 1980 (3, 4, 6), term expires 1994. 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 and Gas Corporation. Life trustee of Carnegie Mellon University.

G. CHRISTIAN LANTZSCH

Elected 1973 (2, 3), 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).

ROBERT MEHRABIAN

Elected 1991 (1, 5), term expires 1992. President, Carnegie Mellon University; Dean, College of Engineering, University of California at Santa Barbara, 1983-90. Directorship: Superconductor Technologies, Inc. (manufacturer of electronic devices based on high temperature ceramic superconductors).

THOMAS J. MURRIN

Elected 1991 (3, 6), term expires 1994. Dean, Duquesne University school of Business and Administration; former Deputy Secretary of the U.S. Department of Commerce; former President, Westinghouse Electric Corporation Energy and Advanced Technology Group. Directorship: Motorola, Inc. (manufacturer of electrical equipment and components).

ROBERT B. PEASE

Elected 1989 (1, 5), term expires 1993. Senior Vice President, National Development Corporation (real estate); Executive Director, Allegheny Conference on Community Development, 1968-91. Directorships include Blue Cross of Western Pennsylvania and the Port Authority of Allegheny County.

ERIC W. SPRINGER

Elected 1977 (1, 6), term expires 1993. Partner of Horry, Springer and Marten, P.C. (attorneys-at-law). Directorships include the Urban League of Pittsburgh and Presbyterian University Hospital.

WESLEY W. VON SCHACK

Elected 1986 (3, 4, 5, 6), term expires 1993. Chairman, President and Chief Executive Officer of DQE and Duquesne Light. Directorships include Mellon Bank Corporation, RMI Titanium Co. (producer of titanium metal products), 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. Finance 4. Nominating

Duquesne Light Committees:

5. Employment and Community Relations 6. Nuclear Rec. &

OFFICERS

DQE

WESLEY W. VON SCHACK
Chairman of the Board, President and Chief Executive Officer

DAVID D. MARSHALL
Vice President

GARY L. SCHWASS
Vice President and Treasurer

FREDERICK S. POTTER
Vice President

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. CAROY
Executive Vice President, Operations
Retired February 1, 1992.

DAVID D. MARSHALL
Executive Vice President
Effective February 1, 1992.

ROGER D. BECK
Vice President, Marketing and Customer Service

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 L. SCHWASS
Vice President, Finance and Chief Financial Officer

JOHN D. SIGBER
Vice President, Nuclear

EDWYJA 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

WILLIAM F. FIELDS
Assistant Treasurer

JOAN S. SENCHYSHYN
Assistant Secretary

**DUQUESNE
ENTERPRISES**

DAVID D. MARSHALL
President, Duquesne Enterprise

FREDERICK S. POTTER
Vice President, Duquesne Enterprise

ANTHONY J. VILLIOTTI
Treasurer and Controller, Duquesne Enterprise

H. DONALD MORINE
*President, Allegheny Development Corporation
and Property Ventures, Ltd.*

JOHN L. WEINHOLD
Vice President, Property Ventures, Ltd.

MONTAUK

GARY L. SCHWASS
President, Montauk

JAMES D. MITCHELL
Vice President and Treasurer, Montauk

GLOSSARY OF TERMS

Following are explanations of certain financial and operating terms used in our report, some of which are unique to our business.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

An amount recorded on the books of a utility during the period of construction of plant or facilities to represent the cost of both debt and equity used to finance the construction.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

A charge to earnings to recognize that all receivables will not be fully paid. This amount is determined based on such factors as actual loss experience and impacts of potential losses.

CAPITAL LEASE

A lease that transfers substantially all of the benefits and risks incidental to the ownership of property, and thus is accounted for as the acquisition of an asset and the incurrence of an obligation by the lessee.

CENTRAL AREA POWER COORDINATION GROUP (CAPCO)

Duquesne Light, Ohio Edison Company, Pennsylvania Power Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company. The companies joined together in 1967 to jointly develop power generation and transmission facilities.

CONSTRUCTION WORK IN PROGRESS (CWIP)

This amount represents utility plant in process of construction but not yet placed in service and is shown as a component of property, plant and equipment.

DEFERRED TAXES

Income taxes resulting from the recognition of certain items of revenue and expense in the tax return in a different period than they are recorded on the books of the company.

FASB STATEMENT NO. 90

An accounting standard, issued in 1986, which specifies the accounting for plant abandonments and disallowances of certain cost recovery of recently completed plants. This Statement required that a loss be recorded for the disallowance of a return on Duquesne Light's investment in abandoned plant, regardless of the fact

that the PUC 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.

FASB STATEMENT NO. 106

An accounting standard, issued in 1990, which will require companies to change from the current practice of accounting for postretirement benefits on a "pay-as-you-go" basis to accruing the expected cost of providing these benefits to employees.

FASB STATEMENT NO. 109

An accounting standard, issued in 1987 as Statement No. 96 and revised in February 1992 as Statement No. 109, which requires the liability method of accounting for income taxes.

FEDERAL ENERGY REGULATORY COMMISSION (FERC)

An independent five-member commission within the Department of Energy which has responsibility for setting rates and charges for the wholesale transportation and sale of natural gas and electricity, and the licensing of hydroelectric power projects, among other things.

ENERGY COST RATE (ECR)

A provision in a utility tariff which provides for rate changes to customers due to increases or decreases in fuel costs incurred by the utility. Duquesne Light recovers the cost of fuel consumed at its generating plants, as well as the cost of purchased power, and passes the profits of short-term power sales to other utilities through the ECR to its customers.

OPERATING LEASE

These leases do not transfer the benefits or risks of ownership.

PENNSYLVANIA PUBLIC UTILITY COMMISSION (PUC)

The Pennsylvania governmental body which regulates all utilities (electric, gas, telephone, water, etc.) is made up of five members (one a chairman) appointed by the governor.

SHAREHOLDER REFERENCE GUIDE

CORPORATE OFFICES

DQE
One Oxford Centre
301 Grant Street
Pittsburgh, PA 15279

COMMON STOCK

Trading Symbol: DQE
Stock Exchanges Listed and Traded:
New York, Philadelphia, Midwest
Number of Common Shareholders of Record
at Year End: 87,093

ANNUAL MEETING

Shareholders are cordially invited to attend our Annual Meeting of Shareholders at 10 a.m. (local time), April 28, 1992, at the Carnegie Music Hall in the Oakland section of Pittsburgh.

DIVIDENDS

The Board of Directors historically has declared quarterly dividends payable on or about the first day of January, April, July and October. The record dates for 1992 are expected to be March 11, June 10, September 9 and December 9.

DIRECT DEPOSIT OF DIVIDENDS

Your DQE quarterly dividend payments can be deposited automatically into a personal checking or savings account. Through this free service, your dividend income is available for use on the payment date. Standing in bank lines is eliminated, as well as the fear of misplacing or losing your check. Call us toll free for more information.

TAX STATUS OF COMMON STOCK DIVIDENDS

The company estimates that all of the common stock dividends paid in 1991 are taxable as dividend income. This estimate is subject to audit by the Internal Revenue Service.

FORM 10-K

If you hold or are a beneficial owner of our stock as of February 21, 1992, the record date for the 1992 Annual Meeting, we will send you, free upon request, a copy of DQE's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for 1991. All requests must be made in writing to:

Secretary
DQE
One Oxford Centre (17-6)
301 Grant Street
Pittsburgh, PA 15279

SHAREHOLDER SERVICES/ASSISTANCE

Shareholder inquiries relating to dividends, missing stock certificates, dividend reinvestment, direct deposit, change of address notification, and other account information should include your account number and be directed to:

Shareholder Relations Department
DQE
Box 68
Pittsburgh, PA 15230-0068

Shareholders also can call between 7:30 a.m. and 4:30 p.m., Eastern time, Monday through Friday. Please have your account number handy.

Pittsburgh area: 393-6167
Toll free Pennsylvania: 1-800-367-6400
Toll free outside Pennsylvania (within the continental United States): 1-800-247-0400
FAX: 412-393-6087

Questions relating to re-registering stock, including shares held in the Dividend Reinvestment and Stock Purchase Plan, can be answered by our Shareholder Relations Department. To actually transfer stock certificates, contact our transfer agent:

Mellon Securities Transfer Services
Attention: Betty Rosenthal
85 Challenger Road
Overpeck Centre
Ridgefield Park, NJ 07660
201-296-4052

DUPLICATE MAILINGS


If you hold multiple accounts, you may be receiving duplicate mailings of annual and quarterly reports. Help us eliminate this unnecessary expense by calling one of our toll free numbers. Elimination of these duplicate mailings will not affect separate delivery of dividend checks and proxy materials to each account.

FINANCIAL COMMUNITY INQUIRIES

Analysts, investment managers, and brokers should direct their inquiries to 412-393-4133. Written inquiries should be sent to:

Investor Relations Department
DQE
One Oxford Centre (28-1)
301 Grant Street
Pittsburgh, PA 15279
FAX: 412-393-6448

DQE and its affiliated companies are Equal Opportunity Employers.

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