

411 Seventh Avenue  
16<sup>th</sup> Floor  
Pittsburgh, PA 15219

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gjack@duqlight.com

**Gary A. Jack**  
Assistant General Counsel

February 25, 2010

**VIA OVERNIGHT MAIL**

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building, 2<sup>nd</sup> Floor  
400 North Street  
Harrisburg, PA 17120

**Re: Securities Certificate and Affiliated Interest Agreement  
of Duquesne Light Company in Respect to the  
Issuance of Financial Instruments Not to Exceed  
\$300 Million**  
**Docket No.**

Dear Secretary McNulty:

Enclosed by electronic filing is a request by Duquesne Light Company for approval and issuance of a Securities Certificate to issue debt in an amount not to exceed \$300 million and to be able to borrow from its parent, Duquesne Light Holdings.

Please do not hesitate to contact me if you have any questions.

Sincerely yours,

  
Gary A. Jack

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Securities Certificate and :  
Affiliated Interest Agreement of :  
DUQUESNE LIGHT COMPANY :  
in respect to the issuance of : Securities Certificate  
Financial Instruments, not to :  
exceed \$300,000,000 in : No.  
aggregate amount. :  
: :  
: :  
: :

**PETITION FOR A SECURITIES CERTIFICATE**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

1. Name and address of the public utility filing this securities certificate:  
  
Duquesne Light Company  
411 Seventh Avenue  
Pittsburgh, PA 15219-1905
  
2. Name and address of public utility's attorney:  
  
Gary Jack, Esquire  
Assistant General Counsel  
Duquesne Light Company  
411 Seventh Avenue, 16<sup>th</sup> Floor  
Pittsburgh, PA 15219  
(412) 393-1541  
(412) 393-1418 (Fax)  
gjack@duqlight.com
  
3. Duquesne Light Company ("Duquesne") is a duly incorporated Pennsylvania public utility engaged in the distribution of electric service to the public, primarily within Allegheny and Beaver Counties, Pennsylvania, in an area of approximately 800 square miles.

4. Duquesne Light Holdings, Inc. ("DLH") is the parent company of Duquesne. Its principle subsidiary is Duquesne Light Company.

5. On January 15th, 2009 the Pennsylvania Public Utility Commission registered a Securities Certificate for Duquesne (S-2008-2076790) allowing it to issue debt in the form of First Mortgage Bonds ("FMBs") and remarketed Pollution Control Revenue Refunding Bonds ("PCRRBs") in an aggregate principal amount not to exceed \$300,000,000 through December 31, 2012.

6. Duquesne desires for the Commission to issue a new Securities Certificate to permit the terms contained within the existing Securities Certificate and to allow the following:

1) Intercompany loans from time to time on a long-term and commercially reasonable basis to Duquesne Light Company from its parent, Duquesne Light Holdings;

2) Recertifying the principal for authorized debt amount to be \$300,000,000 of new debt since the actual available and authorized amount is only \$200,000,000 due to a private debt issuance in early 2009 of \$100,000,000; and

3) Extend the term of authorization from December 31, 2012 to December 31, 2014.

7. The Securities Certificate would provide Duquesne with the ability to borrow, on a long term basis from time to time through and including December 31, 2014, up to an aggregate principal amount of \$300,000,000 in the form of First Mortgage Bonds, Pollution Control Bonds, and long term borrowings from its parent, Duquesne Light Holdings. By this Securities Certificate filing, Duquesne requests

approval under Section 2102 of the Public Utility Code (“Code”), 66 Pa. C. S. §2102 and Section 1901(b) of the Public Utility Code 66 Pa., C.S. § 1901(B) as well to execute the borrowing arrangement with its parent.

8. The purpose for the needed financing is for construction, pension contributions required by federal law, levelizing the Company’s capital structure, and general corporate purposes. As shown in Exhibit A, as of September 30, 2009, Duquesne maintained a debt to total capitalization ratio of approximately 29%. Further debt issuances would move Duquesne towards a more levelized and optimal capital structure and benefit ratepayers by decreasing the proportion of capital related to equity, which is consistently the most expensive form of financing. Duquesne anticipates significant contributions to its pension fund beginning early next year in order to meet federal funding requirements under the Pension Protection Act of 2006. In order to provide necessary funding for such construction, pension plan obligations, and the optimization of the capital structure, as well as to finance and pay other obligations of Duquesne in its normal course of business, Duquesne desires to have the ability to borrow up to \$300,000,000.

9. This requested Securities Certificate would provide Duquesne the ability to make long term borrowings from its parent under the specific terms shown in Exhibit B attached hereto and made a part of this request. The individual draws by Duquesne could be at any point in time, but would never exceed \$300 million outstanding principle at any point in time. The draws would be at least for one year in term but no longer than 10 years. Payments of principle by Duquesne to its parent could be made at any time. Duquesne represents that the terms on Exhibit B are commercially reasonable and

reflect today's prevailing market conditions. Duquesne represents that this also would provide no preference or undue advantage to the parent or any other company in the Duquesne family and that it would not provide any such preference or undue advantage. Upon Commission approval a Promissory Note would be executed between Duquesne and its parent in the form attached as Exhibit C.

10. As of the date of this request, S-2008-2076790, registered by the Commission on January 15, 2009 and referenced above, represents the most recent permission to issue bonds. Pursuant to that authority, only \$100,000,000 of debt has been issued pursuant to that Certificate. On March 3, 2009, Duquesne Light issued \$100,000,000 of new debt (First Mortgage Bonds) in a private placement. As of December 31, 2009, First Mortgage Bonds in the amount of \$300,000,000 were outstanding, and Pollution Control Revenue Refunding Bonds in the amount of \$142,175,000 were outstanding.

11. Security Information

(a) Exact title of security:

Each title of each series of FMBs will be determined at the time of the establishment of such series. Available PCRRBs are provided in Exhibit D. Proposed Promissory Note provided in Exhibit C.

(b) Aggregate amount to be issued:

Up to \$300,000,000 of FMBs, PCRRBs, and/or affiliate borrowings.

(c) In the case of FMBs and PCRBs:

(i) Nominal date(s) of issuance:

To be determined based on overall market conditions.

- (ii) Date(s) of maturity:  
Varying; up to 30 years in length.
- (iii) Interest rate and payment dates:  
To be determined.
- (iv) Extent to which taxes on securities are assumed by the issuer:  
None.
- (v) Callability provisions:  
Pursuant to existing Indenture provisions and the specifics of particular PCRRB being remarketed.
- (vi) Conversion provisions:  
None
- (vii) Maintenance, depreciation and sinking fund provisions:  
None
- (viii) Name and address of Trustee for FMBs and whether affiliated:  
  
The Trustee for the FMBs is The Bank of New York Mellon (successor by acquisition from J.P. Morgan Chase Bank, which was successor by merger to the Chase Manhattan Bank, successor in Trust to Mellon Bank, N.A.), 525 William Penn Place, 7<sup>th</sup> Floor, Pittsburgh, PA 15259. The Bank of New York Mellon is not an “affiliated interest” of Duquesne

as that term is defined in Section 2101 of the Public Utility code, 66 Pa. C.S. § 2101.

12. The following exhibits are attached and made part of this Securities Certificate:

EXHIBIT A Balance sheets of Duquesne Light Company as of September 30, 2009 and December 31, 2008, and statements of operations and cash flows for the nine months ended September 30, 2009 both on a comparative basis with the nine months ended September 30, 2008.

EXHIBIT B Intercompany Loan – Summary of Terms

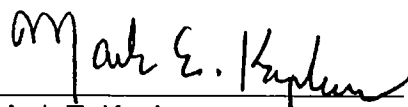
EXHIBIT C Intercompany Loan – Promissory Note

**Wherefore**, Duquesne Light Company requests a new Securities Certificate and approval of an Affiliated Interest Agreement pursuant to 66 Pa Code Section 1901 and 66 Pa Code Section 2102 to borrow up to \$300 million through the issuance of long term debt, including by intercompany debt from the parent, Duquesne Light Holdings, to the utility, Duquesne Light Company, in the amount of \$300,000,000 of authorization to borrow long term to grant such authority to issue until December 31, 2014; to grant authority to enter into any act incidental or related to the issuances; and to grant such other relief as may be required or appropriate.

Dated this 25<sup>th</sup> day of February, 2010.

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DUQUESNE LIGHT COMPANY

By:   
Mark E. Kaplan  
Senior Vice President and  
Chief Financial Officer

By Counsel:

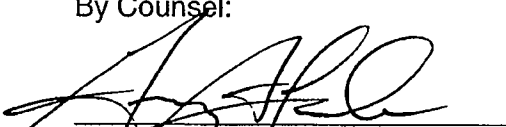
  
\_\_\_\_\_  
Gary A. Jack  
Duquesne Light  
411 Seventh Ave  
Pittsburgh, PA 15219  
412-393-1541  
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Exhibit A

Duquesne Light Company  
Condensed Consolidated Balance Sheets  
(Millions of Dollars)

	September 30, 2009 (Unaudited)	December 31, 2008
Assets		
Current Assets:		
Cash and cash equivalents	\$ 12.9	\$ 23.7
Restricted cash	1.1	1.2
Receivables	112.3	126.6
Prepaid expenses	10.6	4.8
Other	21.3	30.1
Total Current Assets	<u>158.2</u>	<u>186.4</u>
Long-Term Investments	<u>0.6</u>	<u>0.7</u>
Property, Plant & Equipment:		
Property, plant and equipment	2,749.8	2,643.1
Less: Accumulated depreciation and amortization	<u>(864.4)</u>	<u>(831.9)</u>
Property, Plant and Equipment - Net	<u>1,885.4</u>	<u>1,811.2</u>
Other Non-Current Assets:		
Regulatory assets	495.4	508.1
Other	5.6	5.6
Total Other Non-Current Assets	<u>501.0</u>	<u>513.7</u>
Total Assets	<u>\$ 2,545.2</u>	<u>\$ 2,512.0</u>
Liabilities and Capitalization		
Current Liabilities:		
Accounts payable	\$ 41.9	\$ 43.4
Payable to affiliates	74.6	126.1
Accrued liabilities	66.0	67.6
Total Current Liabilities	<u>182.5</u>	<u>237.1</u>
Non-Current Liabilities:		
Deferred income taxes - net	389.7	394.3
Other	301.6	326.2
Total Non-Current Liabilities	<u>691.3</u>	<u>720.5</u>
Capitalization:		
Long-Term Debt	482.1	387.1
Preferred Stock	108.1	108.1
Common Shareholder's Equity:		
Common stock (authorized - 90,000,000 shares; issued and outstanding - 10 shares)	-	-
Capital surplus	986.3	986.3
Retained earnings	102.1	80.8
Accumulated other comprehensive loss	<u>(7.2)</u>	<u>(7.9)</u>
Total Common Shareholder's Equity	<u>1,081.2</u>	<u>1,059.2</u>
Total Capitalization	<u>1,671.4</u>	<u>1,554.4</u>
Total Liabilities and Capitalization	<u>\$ 2,545.2</u>	<u>\$ 2,512.0</u>

Exhibit A

Duquesne Light Company  
Condensed Consolidated Statements of Income (Unaudited)  
(Millions of Dollars)

	Three Months Ended September 30,	
	2009	2008
Operating Revenues:		
Retail sales of electricity	\$ 219.2	\$ 247.3
Other	5.7	5.9
	<u>224.9</u>	<u>253.2</u>
Total Operating Revenues		
Operating Expenses:		
Purchased power	98.9	125.3
Other operating and maintenance	43.0	44.3
Depreciation and amortization	20.0	20.9
Taxes other than income taxes	14.1	16.3
	<u>176.0</u>	<u>206.8</u>
Total Operating Expenses		
Operating Income	48.9	46.4
Investment and Other Income	0.9	1.1
Interest and Other Charges	(7.4)	(5.7)
	<u>42.4</u>	<u>41.8</u>
Income Before Income Taxes		
Income Tax Expense	17.2	16.9
	<u>25.2</u>	<u>24.9</u>
Net Income		
Dividends on Preferred Stock	1.6	1.6
	<u>\$ 23.6</u>	<u>\$ 23.3</u>
Earnings Available for Common Stock		

Exhibit A

Duquesne Light Company  
Condensed Consolidated Statements of Income (Unaudited)  
(Millions of Dollars)

	Nine Months Ended September 30,	
	2009	2008
Operating Revenues:		
Retail sales of electricity	\$ 647.0	\$ 694.7
Other	17.4	17.0
	<u>664.4</u>	<u>711.7</u>
Total Operating Revenues		
Operating Expenses:		
Purchased power	303.9	331.8
Other operating and maintenance	122.2	131.5
Depreciation and amortization	61.0	63.2
Taxes other than income taxes	41.4	46.1
	<u>528.5</u>	<u>572.6</u>
Total Operating Expenses		
Operating Income	135.9	139.1
Investment and Other Income	2.5	3.9
Interest and Other Charges	(21.3)	(16.8)
	<u>117.1</u>	<u>126.2</u>
Income Before Income Taxes		
Income Tax Expense	49.2	52.6
	<u>67.9</u>	<u>73.6</u>
Net Income from Continuing Operations		
Income from Discontinued Operations	-	0.4
	<u>67.9</u>	<u>74.0</u>
Net Income		
Dividends on Preferred Stock	4.7	4.7
	<u>\$ 63.2</u>	<u>\$ 69.3</u>
Earnings Available for Common Stock		

Exhibit A

Duquesne Light Company  
Condensed Consolidated Statements of Cash Flows (Unaudited)  
(Millions of Dollars)

	Nine Months Ended September 30,	
	2009	2008
Cash Flows from Operating Activities:		
Net Income	\$ 67.9	\$ 74.0
Adjustments to reconcile net income to net cash provided from operating activities	50.8	59.7
Changes to working capital other than cash	(11.0)	(7.6)
Net Cash Provided from Operating Activities	<u>107.7</u>	<u>126.1</u>
Cash Flows from Investing Activities:		
Construction expenditures	(134.9)	(94.9)
Other	(1.3)	(0.7)
Net Cash Used in Investing Activities	<u>(136.2)</u>	<u>(95.6)</u>
Cash Flows from Financing Activities:		
Revolving credit facility borrowings, net	(5.0)	35.0
Issuance of long-term debt	100.0	-
Repayment of affiliated borrowings	(30.0)	-
Dividend to parent	(41.9)	(78.0)
Dividends on preferred stock	(4.7)	(4.7)
Other	(0.7)	-
Net Cash Provided from (Used In) Financing Activities	<u>17.7</u>	<u>(47.7)</u>
Net decrease in cash and cash equivalents	(10.8)	(17.2)
Cash and cash equivalents at beginning of period	23.7	25.5
Cash and cash equivalents at end of period	<u>\$ 12.9</u>	<u>\$ 8.3</u>
Supplemental Cash Flow Information:		
Change in capital expenditures included in accounts payable	\$ 4.4	\$ 0.8
Cash paid during the period:		
Interest	\$ 13.5	\$ 11.8
Income taxes	\$ 40.9	\$ 45.0

The 2008 condensed consolidated statement of cash flows has been reclassified to conform with the 2009 presentation.

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**Exhibit B**

**Duquesne Light Company Intercompany Loan -- Summary of Terms**

Lender: Duquesne Light Holdings, Inc.

Facility Type: Unsecured Intercompany Long Term Borrowing

Payment: Upon Demand

Amount: Not to exceed \$300 million at any one time

Interest Payment Date: Bi-annually with initial payment occurring 6 months after the date of the initial drawing

Interest Rate: Average rate for a similarly structured external borrowing as provided by independent investment banks, not to exceed a maximum of 8.5%

Duquesne Light Company will request indicative rates for a similarly structured external borrowing from at least three independent investment banks and select the lowest two in order to develop the average rate described above

Interest Payment Amount: Applied to outstanding Principal during the 6 months prior to each interest payment date

Rate Reset: Not Applicable

Interest Deferral: Not Applicable

Prepayment: Borrower may pay or prepay any or all amounts due under the borrowing at anytime and from time to time without penalty

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**PROMISSORY NOTE**

Amount: Up to \$300 Million

Date: \_\_\_\_\_ 1, 2010

Interest Rate: TBD

Payment: Upon Demand

Duquesne Light Company, a company currently existing under the laws of Delaware (herein called the "Company", which term includes any successor entity), for value received, hereby promises to pay to Duquesne Light Holdings, Inc. (the "Lender"), the principal sum of its draws or loans from Duquesne Light Holdings, in an amount not to exceed \$300 Million Dollars (\$300,000,000.) at any one time or, if less, the aggregate principal amount of advances outstanding on demand, plus interest due thereon.

This Promissory Note is payable ON DEMAND, and Company shall pay interest thereon on a bi-annual basis on the unpaid principal amount of each such loan at the agreed upon Interest Rate. Interest payments shall be due and payable every six months for the amount accrued on a daily basis during the prior six months. Notwithstanding such payment arrangements, all outstanding and unpaid principal and interest shall be due and payable upon Demand.

Payment of the principal of this Note and interest hereon shall be made, at the request and demand of the lender, upon presentation hereof at the office of the Company in Pittsburgh, Pennsylvania or at such other office or agency as may be designated for such purpose by the Company from time to time. Payment of the principal of and interest on this Note, as aforesaid, shall be payable in lawful money of the United States of America to Lender in Pittsburgh, Pennsylvania in same day funds and may be paid or prepaid by the Company at any time and from time to time to reduce its outstanding balance.

The registered holder of this Note may demand payment of the principal hereof, in whole or in part, plus accrued interest by delivering to the Treasurer of the Company at the office of the Company in Pittsburgh, Pennsylvania a notice specifying the portion of such principal amount to be paid and the date of payment and then presenting this Note for payment at such office on the date specified for payment.

This Note is exchangeable for a like aggregate principal amount of Notes of like tenor upon surrender of this Note to be exchanged at the office of the Company in Pittsburgh, Pennsylvania. No service charge shall be made for any such exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The principal amount to be repaid by the Company may, at the Company's option, be offset by the amount of any obligations which are then owed by Lender to the Company. This Note shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

Exhibit C

No recourse shall be had for the payment of the principal of or interest on this Note, or any part hereof, for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby against, and no personal liability whatsoever shall attach to, or be incurred by, any officer or director of such Company as such, past, present or future of the Company, whether by virtue of any constitutional provisions, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, it being expressly agreed and understood that this Note is solely a Company obligation and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution and the issuance of this Note.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

DUQUESNE LIGHT COMPANY

By: \_\_\_\_\_  
Mark E Kaplan, Senior, VP

## Duquesne Light Company Long-term Debt

Instrument Type	CUSIP	Amount	Term	Maturity	Optional Redemption	Rate	Authority
6.7% Series O First Mortgage Bond	266228CR4	\$200,000,000	10	4/15/2012	Make Whole	6.70%	N/A
6.57% Series R First Mortgage Bond	266228 C*4	\$100,000,000	5	2/15/2014	Make Whole	6.57%	N/A
4.5% PCRB BCIDA Series 1999D	074876GD9	\$44,250,000	30	11/1/2029	Callable at Par	4.50%	BCIDA
4.35% PCRB ACIDA Series 1999A	017292UJ0	\$50,000,000	14	12/1/2013	Extraordinary	4.35%	ACIDA
4.05% PCRB ACIDA Series 1999B	017292UK7	\$47,925,000	12	9/1/2011	Extraordinary	4.05%	ACIDA
PCRB BCIDA Series 1999A	074876F12	\$25,000,000	TBD	2/1/2031	Par Mode	TBD	BCIDA (A)
PCRB BCIDA Series 1999B	074876F15	\$10,700,000	TBD	8/1/2020	Par Mode	TBD	BCIDA (A)
PCRB BCIDA Series 1999C	074876F17	\$15,000,000	TBD	8/1/2033	Par Mode	TBD	BCIDA (A)
PCRB BCIDA Series 1999E	074876F11	\$75,500,000	TBD	3/1/2051	Par Mode	TBD	BCIDA (A)
PCRB O/WDA Series 1999A	577660R10	\$49,500,000	TBD	3/1/2031	Par Mode	TBD	O/WDA (A)
PCRB O/WDA Series 1999B	577660R12	\$15,500,000	TBD	3/1/2051	Par Mode	TBD	O/WDA (A)
PCRB O/WDA Series 1999C	577660R11	\$9,955,000	TBD	3/1/2031	Par Mode	TBD	O/WDA (A)
PCRB OAGDA Series 1999A	677525R11	\$10,500,000	TBD	3/1/2031	Par Mode	TBD	OAGDA (A)
PCRB OAGDA Series 1999B	677525R10	\$20,500,000	TBD	10/1/2027	Par Mode	TBD	OAGDA (A)
PCRB OAGDA Series 1999C	677525R16	\$4,655,000	TBD	3/1/2031	Par Mode	TBD	OAGDA (A)

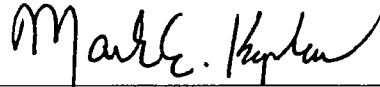
(A) Bond currently owned by Duquesne Light Company.

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**AFFIDAVIT**

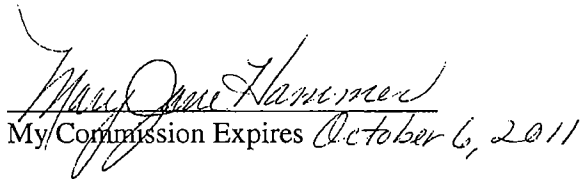
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I, Mark E. Kaplan, being duly sworn (affirmed) according to law, depose and say that I am authorized to make this affidavit on behalf of Duquesne Light Company, being the holder of the office of Senior Vice President and Chief Financial Officer with that Company, and that the facts above set forth are true and correct to the best of my knowledge, information and belief, and the Company expects to be able to prove the same at any hearing hereof.



Mark E. Kaplan

Sworn and subscribed before me this 12th day of February, 2010.

  
My Commission Expires October 6, 2011

COMMONWEALTH OF PENNSYLVANIA  
Notarial Seal  
Mary Jane Hammer, Notary Public  
City Of Pittsburgh, Allegheny County  
My Commission Expires Oct. 6, 2011  
Member, Pennsylvania Association of Notaries