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File #: 2267/137345

June 17, 2013

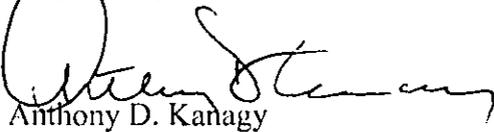
Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Duquesne Light Company's Request for Approval to Revise Its Intercompany Loan  
Affiliated Interest Agreement to Increase the Maximum Borrowing Amount From  
\$300 Million to \$500 Million  
Docket Nos. G-2013-\_\_\_\_\_ and S-2013-2353620**

Dear Secretary Chiavetta:

Enclosed please find Duquesne Light Company's Request to Revise Its Intercompany Loan  
Affiliated Interest Agreement. Copies will be provided as indicated in the Certificate of Service.

Respectfully submitted,

  
Anthony D. Kanagy

ADK/skr  
Enclosure

cc: Certificate of Service  
David Huff

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Duquesne Light Company's Request for :  
Approval to Revise Its Intercompany Loan :     Docket No. G-2013-  
*Affiliated Interest Agreement to Increase* :                                     S-2013-2353620  
the Maximum Borrowing Amount From :  
\$300 Million to \$500 Million :

**DUQUESNE LIGHT COMPANY'S REQUEST TO REVISE ITS  
INTERCOMPANY LOAN AFFILIATED INTEREST AGREEMENT**

Pursuant to Chapter 21 of the Public Utility Code, 66 Pa. C.S. Ch. 21, Duquesne Light Company ("Duquesne Light" or the "Company") hereby requests Pennsylvania Public Utility Commission ("Commission") approval to revise the Company's intercompany loan affiliated interest agreement to increase the borrowing limit between the Company (as Borrower) and Duquesne Light Holdings, Inc. (as Lender) from \$300 million to \$500 million and clarification that approval to acquire new intercompany debt extends through December 31, 2015. Duquesne Light notes that the Commission recently registered a securities certificate authorizing the Company to issue new debt in an aggregate principal amount not to exceed \$450 million through December 31, 2015 ("Securities Certificate").<sup>1</sup> Duquesne Light is not requesting any revisions to the amount of new debt that was authorized to be issued under the *April 18 Order*. Duquesne Light is only seeking approval to increase the intercompany borrowing limit under its affiliated interest agreement that was approved by the Commission at Docket No. G-2010-2162823 and clarification that the Company may borrow additional intercompany debt under its affiliated interest agreement through December 31, 2015 to be consistent with the term authorized by the Commission in the *April 18 Order*. In support of this request, Duquesne Light states as follows:

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<sup>1</sup> *Securities Certificate of Duquesne Light Company for The Issuance of Long-Term Debt In An Aggregate Principal Amount Not to Exceed \$450 Million*, Docket No. S-2013-2353620, Order entered April 18, 2013 ("*April 18 Order*").

1. Duquesne Light provides electric distribution and transmission services to approximately 588,000 customers in Allegheny and Beaver Counties, Pennsylvania subject to the Commission's regulatory jurisdiction. Duquesne Light is a "public utility" and "electric distribution company" as defined under the Public Utility Code, *see* 66 Pa. C.S. §§ 102, 2803, serving customers within its certificated service territory approved by this Commission. Duquesne Light also serves as the default service provider for customers that are not being served by an electric generation supplier.

2. From time to time, Duquesne Light issues long-term debt to support its utility operations. All such debt is issued pursuant to the terms and conditions of Commission-approved securities certificates.

3. On March 18, 2013, Duquesne Light filed for registration of a securities certificate for the issuance of new debt in an aggregate principal amount not to exceed \$450 million. The Commission approved this securities certificate by Order entered April 18, 2013 at Docket No. S-2013-2353620.

4. In its March 18, 2013 securities certificate filing, Duquesne Light advised the Commission that it may issue intercompany loans as part of its new debt issuances that were being considered therein. Duquesne Light advised the Commission that the Company was not requesting any modifications to the terms of its affiliated interest agreement approved by the Commission on May 20, 2010 at Docket No. G-2010-2162823. Copies of (i) the Intercompany Loan – Summary of Terms and (ii) Promissory Note, which constitute the Commission-approved affiliated interest agreement, are provided as Appendix A hereto (collectively, the "Affiliate Agreement").

5. Upon further review, the Company requests Commission approval to revise the Affiliate Agreement to increase the maximum amount of long-term intercompany loans from \$300 million up to \$500 million, an increase of up to \$200 million. The Company currently has \$300 million of long-term intercompany debt outstanding. Thus, the \$200 million increase would allow the Company to make additional intercompany borrowings. A revised Intercompany Loan – Summary of Terms is provided as Appendix B hereto.<sup>2</sup> The Company proposes to continue to use the Form Promissory Note provided in Appendix A that has been used in its most recent long-term debt issuances and filed with the Commission.<sup>3</sup>

6. Increasing the intercompany loan limit is in the public interest for several reasons. When the Company issues debt through intercompany loans, this reduces and/or eliminates underwriting and other legal fees that are incurred when the Company borrows from third-parties. Therefore, issuing debt through intercompany loans reduces debt costs for the Company's customers.

7. In addition, the Company is permitted to make prepayments of principal balances without penalty for intercompany debt. This gives the Company additional flexibility for repaying debt. If the Company would request this option from third-parties, the third-party would charge the Company a higher interest rate. This is another cost savings associated with intercompany debt which reduces debt costs that are paid by customers.

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<sup>2</sup> Appendix B has been modified to incorporate additional borrowing conditions that were described in the May 20, 2010 Order in the above referenced proceedings as well as the interest calculation language that the Company uses and has provided to the Commission previously.

<sup>3</sup> On December 20, 2010, the Company advised the Commission that it had discovered an error in its Affiliate Agreement relating to language which indicated that loans issued thereunder were callable upon demand. See Letter filed on December 20, 2010 at Docket Nos. S-2010-2161163 and G-2010-2162823. Duquesne Light advised the Commission that it was correcting the Affiliate Agreement by deleting the "upon demand" language. Consistent therewith, Duquesne Light is not including the "upon demand" language in its Affiliate Agreement. The documents attached hereto in Appendix A and B reflect this change.

8. Duquesne Light will fully comply with the long-term intercompany borrowing guidelines set forth in the Commission's *April 18 Order* when issuing additional long-term intercompany debt, including: (1) the interest rate charged on intercompany loans to Duquesne Light will be based on the lowest rate requested from three independent investment banks, and (2) the maximum borrowing rate will be limited at 7.5%. *April 18 Order*, pp. 4-5. These provisions will benefit Duquesne Light's customers by ensuring a low market interest rate and at the same time avoiding certain fees that would be incurred if Duquesne Light obtained debt from a third-party.

9. Duquesne Light notes that it currently has issued approximately \$300 million in long-term intercompany loans. This request to raise the long-term intercompany debt limit by \$200 million would constitute less than half of the total new debt amount of \$450 million authorized by the *April 18 Order*.

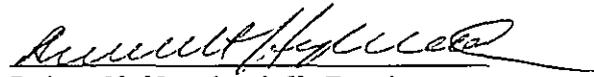
10. Duquesne Light further notes that it is not requesting to revise the terms of the Securities Certificate registered by the Commission on April 18, 2013 at Docket No. S-2013-2353620, including the \$450 million limit on the issuance of new debt or the expiration date of December 31, 2015. In addition, under the affiliated interest agreement approvals sought herein, Duquesne Light requests clarification that the Company may issue new intercompany debt through December 31, 2015 to be consistent with the terms of the Commission-approved Securities Certificate.

11. If it becomes necessary to issue additional debt above the amount approved by the Commission in its *April 18 Order* or when the Company seeks to issue debt after the December 31, 2015 expiration date, Duquesne Light will seek further Commission approval to issue such

debt through a new securities certificate filing and will include a revised or updated Affiliate Agreement with that filing.

WHEREFORE, for the foregoing reasons, Duquesne Light Company requests that the Pennsylvania Public Utility Commission authorize the Company to revise its Affiliate Agreement for intercompany borrowing to increase the current borrowing limit from \$300 million to \$500 million, to issue such debt through December 31, 2015 and grant such other relief as may be required to conduct the transactions described herein.

Respectfully submitted,



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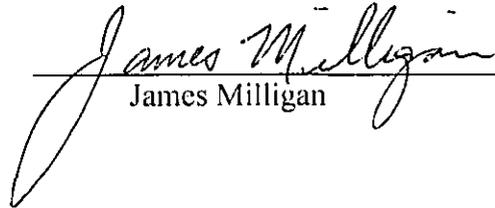
Date: June 17, 2013

Attorneys for Duquesne Light Company

**VERIFICATION**

I, James Milligan, being the Manager of Treasury Operations at Duquesne Light Company, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect that Duquesne Light Company will be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: 6/17/13

  
James Milligan

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**APPENDIX A**

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

Lender: Duquesne Light Holdings, Inc.

Facility Type: Unsecured Intercompany Long Term Borrowing

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: Lowest indicative rate for a similarly structured external borrowing as provided by independent investment banks, not to exceed a maximum of 7.5%

Duquesne Light Company will request indicative rates for a similarly structured external borrowing from at least three independent investment banks and select the lowest in order to develop the 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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APPENDIX A CONTINUED

FORM PROMISSORY NOTE

Amount : \$ \_\_\_\_\_ Million

Date: \_\_\_\_\_

Interest Rate: TBD

Maturity: \_\_\_\_\_

Duquesne Light Company, a company currently existing under the laws of Pennsylvania (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 \$ \_\_\_\_\_ Million Dollars (\$ \_\_\_\_\_) at any one time or, if less, the aggregate principal amount of advances outstanding by or before \_\_\_\_\_, plus interest due thereon.

This Promissory Note is payable no later than \_\_\_\_\_, and Company shall pay interest thereon on a semi-annual basis on the unpaid principal amount of each such loan at the rate of interest \_\_\_\_\_% per annum. Interest payments shall be due and payable every six months for the amount accrued on a daily basis during the past six months. The Company may pay or prepay any or all amounts due under this Note at anytime and from time to time without penalty.

Payment of the principal of and interest on this Note 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.

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.

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

FORM OF NOTE

By: \_\_\_\_\_

Name:

Title:

## APPENDIX B

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

Lender: Duquesne Light Holdings, Inc. (DLH)

Facility Type: Unsecured Intercompany Long Term Borrowing

Amount: Not to exceed \$500 million in the aggregate at any one time

Maturity Date: One year but no longer than ten years.

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

Interest Rate: Lowest indicative rate for a similarly structured external borrowing as provided by independent investment banks, not to exceed a maximum of 7.5%

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

Interest Payment Amount: Applied to outstanding Principal during the 6 months prior to each interest payment date. Computed on the basis of actual days elapsed/360-day year.

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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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

**VIA FIRST CLASS MAIL**

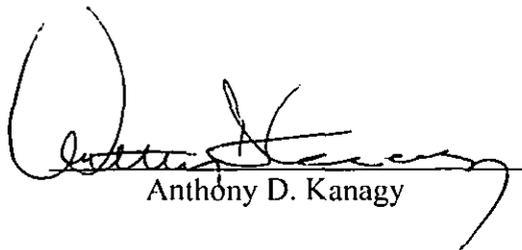
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