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April 12, 2017

VIA HAND DELIVERY

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

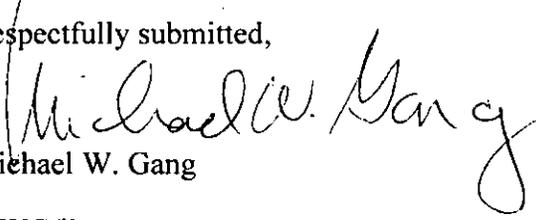
**Re: Application of Duquesne Light Company for Approval to Convert from a Business Corporation to a Limited Liability Company
Docket No. A-2017-**

Dear Secretary Chiavetta:

Enclosed for filing is the Application of Duquesne Light Company for Approval to Convert to a Limited Liability Company. Also enclosed is a check in the amount of \$350 for the filing fee.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,


Michael W. Gang

MWG/jl
Enclosures

cc: Certificate of Service
Darren Gill
Erin Laudenslager

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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 E-MAIL & FIRST CLASS MAIL

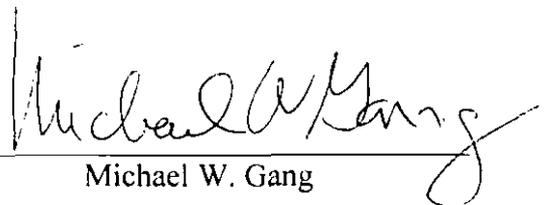
Sharon Webb, Esquire
Office of Small Business Advocate
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Harrisburg, PA 17101

Aron J. Beatty, Esquire
Darryl Lawrence, Esquire
Office of Consumer Advocate
555 Walnut Street
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Richard A. Kanaskie, Esquire
Director and Chief Prosecutor
Pennsylvania Public Utility Commission
Bureau of Investigation & Enforcement
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Date: April 12, 2017


Michael W. Gang

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Duquesne Light Company for :
Approval to Convert from a Business : Docket No. A-2017-
Corporation to a Limited Liability Company :

**APPLICATION OF DUQUESNE LIGHT COMPANY
FOR APPROVAL TO CONVERT TO A LIMITED LIABILITY COMPANY**

I. INTRODUCTION

1. By this Application, Duquesne Light Company ("Duquesne Light"), by and through its legal counsel, requests all approvals under the Pennsylvania Public Utility Code to convert from a Business Corporation to a Limited Liability Company ("LLC") pursuant to the Pennsylvania Entity Transactions Law ("ETL"), 15 Pa.C.S. §§ 311, *et seq.*

2. The complete name and address of the Applicant is as follows:

Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219

3. The attorneys for Applicant are:

Michael W. Gang (ID # 25670)
Anthony D. Kanagy (ID # 85522)
Post & Schell, P.C.
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Shelby Linton-Keddie (ID # 206425)
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E-mail: slinton-keddie@duqlight.com

II. THE APPLICANT

4. Duquesne Light is a Pennsylvania business corporation formed on November 25, 1912.

5. Duquesne Light is a public utility as defined in Section 102 of the Public Utility Code, 66 Pa.C.S. § 102. Duquesne Light provides electric service to approximately 590,000 customers in the City of Pittsburgh and Allegheny and Beaver Counties of Pennsylvania.

III. THE CONVERSION

6. Duquesne Light proposes to convert from a Pennsylvania business corporation to a Pennsylvania LLC. Subchapter E of the ETL authorizes such a conversion by adopting a Plan of Conversion and filing a Statement of Conversion with the Department of State. Section 353(a) and Section 355(a) of the ETL, 15 Pa.C.S. §§ 353(a) and 355(a). The conversion will not result in any change in the name of the Company.

7. Section 356(a)(2) of the ETL provides as follows concerning the effect of the conversion:

“All property of the converting association continues to be vested in the converting association without revision or impairment, and the conversion shall not constitute a transfer of any of that property.” 66 Pa.C.S. § 356(a)(2)

8. The conversion of Duquesne Light to an LLC will have no effect on the management of Duquesne Light, its finances or its ownership. Duquesne Light will continue to

be wholly owned by Duquesne Light Holdings, Inc. ("DLH"). Duquesne Light will continue to issue debt directly to the public and will continue to obtain standalone ratings at the utility.

IV. LEGAL STANDARD FOR APPROVAL

9. The Commission has previously ruled on the approval requirements associated with a conversion. In *Joint Application of Frontier Communications et al*, Order of October 16, 2003, at Docket No. A-310400F004, the Commission approved the conversion of the Frontier Utilities from Pennsylvania business corporations to Pennsylvania LLCs. Although it was necessary, prior to the adoption of the ETL, to merge each of the Frontier Utilities into new Pennsylvania LLCs under then current Pennsylvania law, the Commission concluded as follows:

“In the past we have interpreted a utility’s change in its type of business entity to constitute the entry into public service by the new entity and the abandonment of service by the former entity, and we have assigned a new utility code to the successor utility. With the instant changes by the Frontier Utilities, we find that a more streamlined approach to granting the authority necessary pursuant to Chapter 11 of the Code is in order. If a new business entity will indeed be the successor to a utility in good standing, succeeding to all rights and responsibilities of the incumbent utility, and if all the resources – technical, managerial and financial – of the incumbent utility will be at the disposal of the new business entity, then we can grant the appropriate authority forthwith, and the existing utility code will apply to the successor utility. It will not be necessary for the successor utility to demonstrate fitness to provide service, as for all practical purposes the entities are one and the same. Moreover, since there will be no change in control of the utility services nor any change in the resources available to the incumbent and successor utilities, it will not be necessary to demonstrate an affirmative public benefit or the promise thereof pursuant to *City of York* as is normally required for acquisitions and changes in control of a utility.”

10. Similarly, in the Application of Quest Communications Corporation for Approval of the Conversion to an LLC (“Quest”) 2008 Pa. PUC Lexis 998, the conversion was accomplished without a merger under Delaware law in a manner now permitted in Pennsylvania by the ETL.

“As was the case when the five Frontier Communications ILECs changed from business corporations to limited liability companies, the Commission will take a streamlined approach and not require formal entry into public service by the current business corporation to a limited liability company. Since management control of the Applicant will not be changing, and the newly created entity will continue to provide the same services pursuant to the same tariffs, the Commission will not require the existing utility code to change, but will continue its use by the successor utility.”

11. While the Commission approved both the Frontier and Quest applications as “necessary or proper for the service, accommodation and convenience of the public,” the Commission did not require the applicants either to meet the standards for approval of a transfer of property under Section 1102(a)(3) of the Public Utility Code or issue a certificate of public convenience.

12. For reasons explained previously, Duquesne Light believes that the conversion of the Company to an LLC is not a transfer of property and that the conversion may be accomplished as a tax free transaction under the Internal Revenue Code.

V. EFFECTS OF THE CONVERSION

13. By Secretarial Letter dated December 18, 2014, at Docket No. A-2014-2440466, the Commission approved a proposed reorganization of DLH’s communication subsidiaries (“the Communications Restructuring”). Under the proposed reorganization, DQE Communications

Network Services, LLC (“Network Services”), which holds a certificate of public convenience,¹ would be merged into its parent DQE Communications LLC (“Communications”). It was intended that Communications’ direct parent, DQE Systems, Inc. (“Systems”) would then be merged with its parent DLH, resulting in Communications becoming a direct subsidiary of DLH.

14. The merger of Network Services and Communications has been completed. However, the plan to merge Systems into DLH to make Communications a direct subsidiary of DLH has not been completed, because the planned merger could result in unintended tax costs to the communications business and result in reduced funds available to expand the business.

15. An alternative to the merger of Systems into DLH was made possible by the adoption of the ETL in July 2015, subsequent to the Commission’s approval of the Communications Restructuring in December 2014. The Alternative Restructuring Plan is to convert all of DLH’s subsidiaries, including Duquesne Light, to LLCs. Thereafter, the ownership interests in Communications held by Systems will be distributed up to DLH making Communications a direct subsidiary of DLH and accomplishing the intent of the previously approved restructuring of DLH’s communication businesses without a merger.² No income taxes will be triggered as a result of the Alternative Restructuring Plan because the impacted subsidiaries of DLH will be non-taxable entities upon conversion to LLCs. As a result, conversion of Duquesne Light and other DLH subsidiaries to LLCs will simplify the previously approved reorganization of DLH’s communication subsidiaries and allow the previously approved reorganization to proceed without risking a substantial income tax cost. Diagrams illustrating the steps of the conversion and the distribution of Systems to DLH are attached as

¹ Network Services’ certificate was issued by the Commission by Order entered November 23, 2004, at Docket No. A-311233.

² Accordingly, under the Alternative Restructuring Plan, it is no longer necessary to merge Systems into DLH.

Appendix A. Diagrams illustrating the steps of previously approved Communications Restructuring are attached as Appendix B.

16. The conversion of Duquesne Light to an LLC will not only facilitate the previously approved Communications Restructuring but will avoid future potential federal income tax liability associated with Duquesne Light's ownership of its non-regulated subsidiary, Monongahela Light & Power Company ("ML&P") and its subsidiary, DataCom Information Systems, LLC ("DataCom"). As an LLC, Duquesne Light will transfer these subsidiaries to DLH, avoiding any current or future federal income tax liabilities associated with their operations.³ Following the transfer of ML&P and DataCom to DLH, Duquesne Light will remain an LLC but will make an election with the Internal Revenue Service to continue as a taxable entity included as a company in the consolidated federal income tax return filed by DLH's parent, DQE Holdings, LLC. Duquesne Light will also continue to file separate returns with the Pennsylvania Department of Revenue under the Pennsylvania Corporate Net Income Tax regulations.

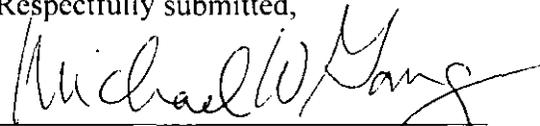
VI. CONCLUSION

The conversion of Duquesne Light Company to an LLC is necessary and proper for the service, accommodation and convenience of the public and to allow Duquesne Light Holdings, Inc. to complete the Alternative Restructuring Plan explained in this Application.

³ This transfer was not part of the approved Communications Restructuring but is made possible by the passage of the ETL and the Alternative Restructuring Plan.

WHEREFORE, Duquesne Light Company respectfully requests that the Pennsylvania Public Utility Commission approve this Application and grant all necessary or appropriate relief authorizing the conversion of Duquesne Light Company to a Pennsylvania Limited Liability Company.

Respectfully submitted,



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Anthony D. Kanagy (ID # 85522)
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Of Counsel:

Post & Schell, P.C.

Date: April 12, 2017

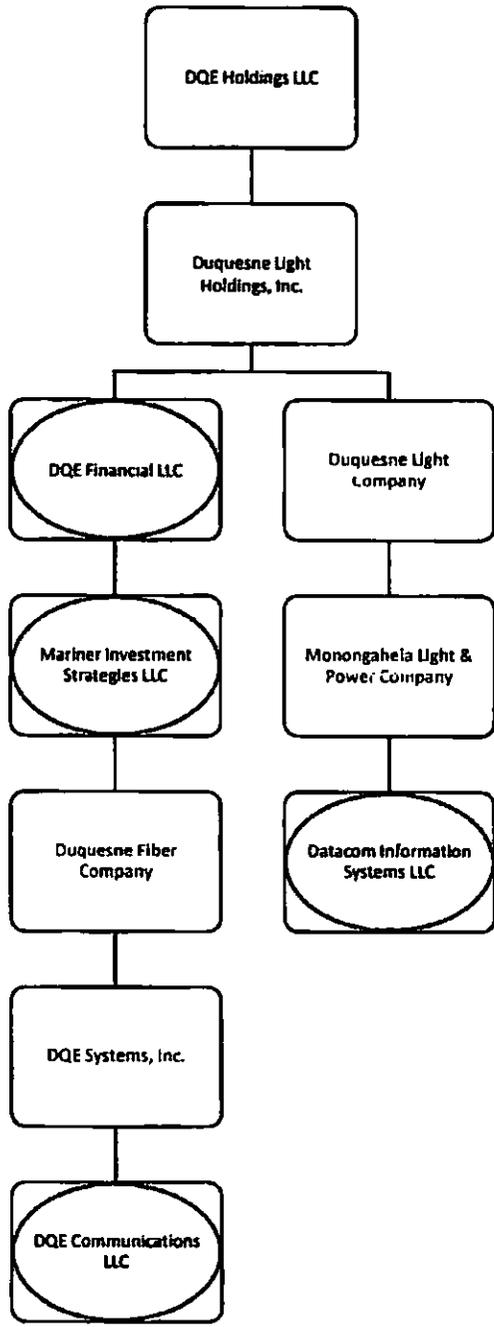
Attorneys for Duquesne Light Company

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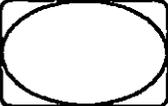
APPENDIX

A

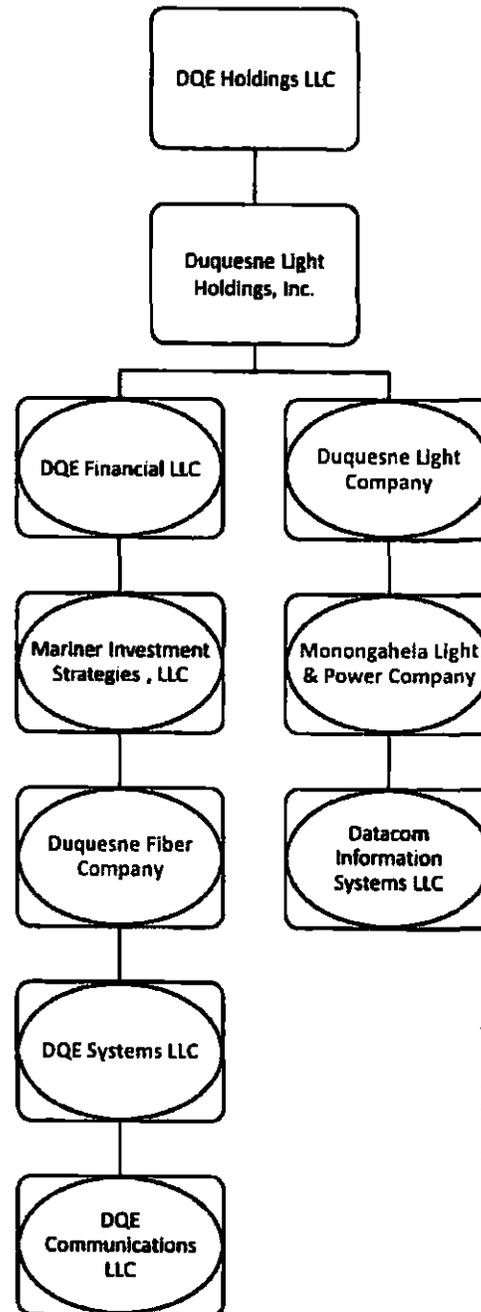
Organizational Chart (Current Structure)



LEGEND KEY:

	Separate legal entity not subject to income tax
	Separate legal and taxable entity

Revised Reorganization Plan (Step 1)



Step 1:

All companies below Duquesne Light Holdings, Inc. are converted to an LLC under the Pennsylvania or Delaware conversion statutes

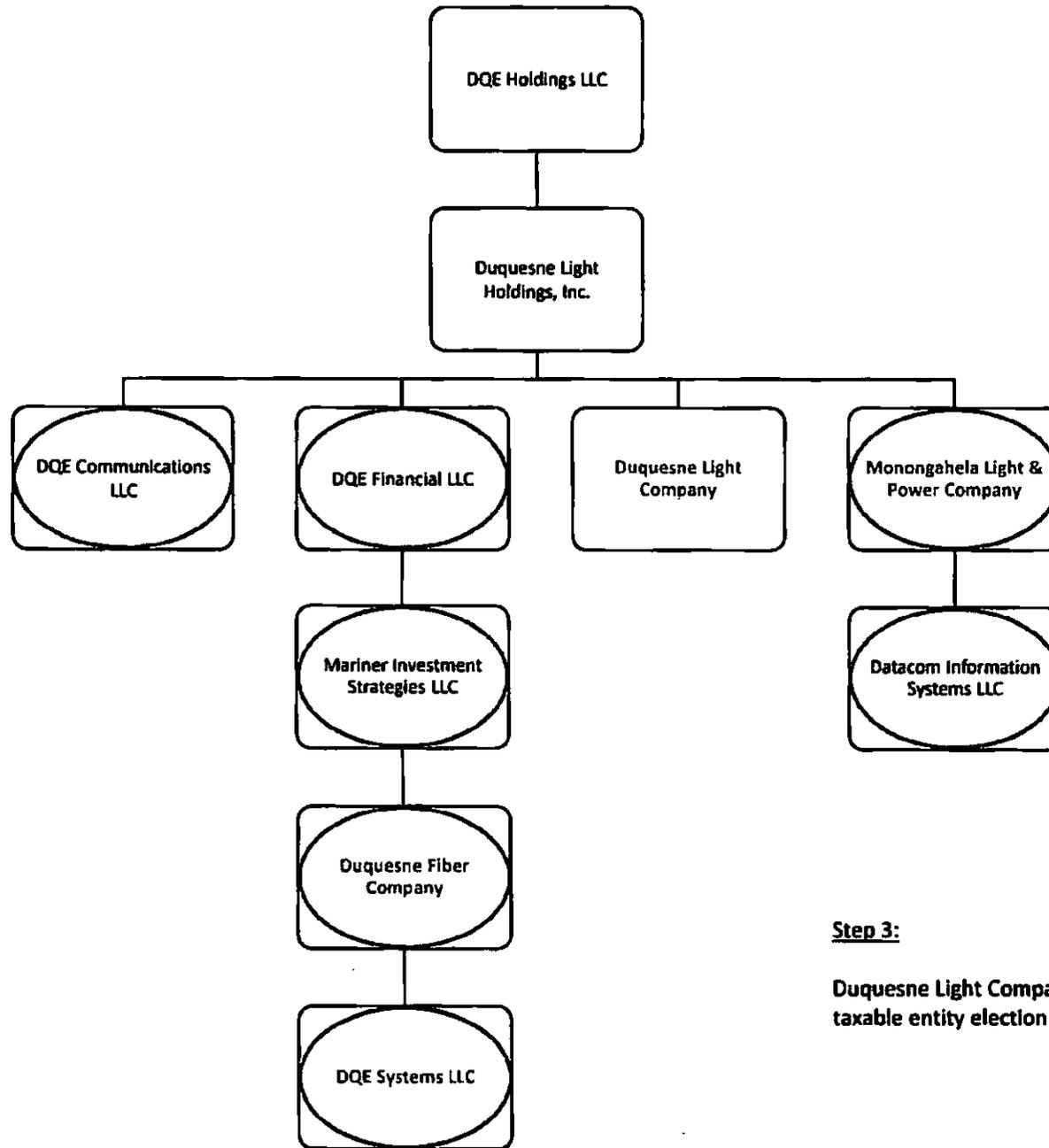
Revised Reorganization Plan (Step 2)



Step 2:

DQE Communications LLC and Monongahela Light & Power Company will be distributed up to Duquesne Light Holdings, Inc. and become direct subsidiaries of the parent corporation

**Revised Reorganization Plan (Step 3)
FINAL STRUCTURE**



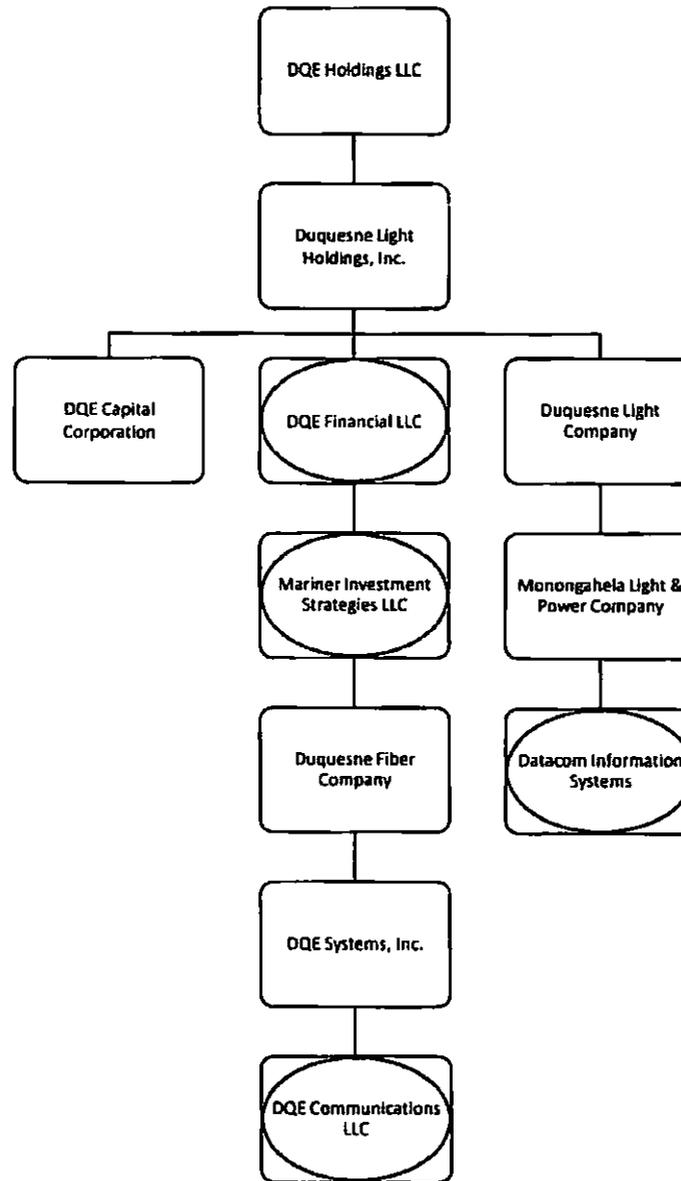
Step 3:

**Duquesne Light Company files
taxable entity election with the IRS**

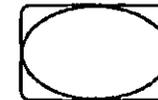
APPENDIX

B

**Organizational Chart (Current Structure)
Prior Plan**



LEGEND KEY:

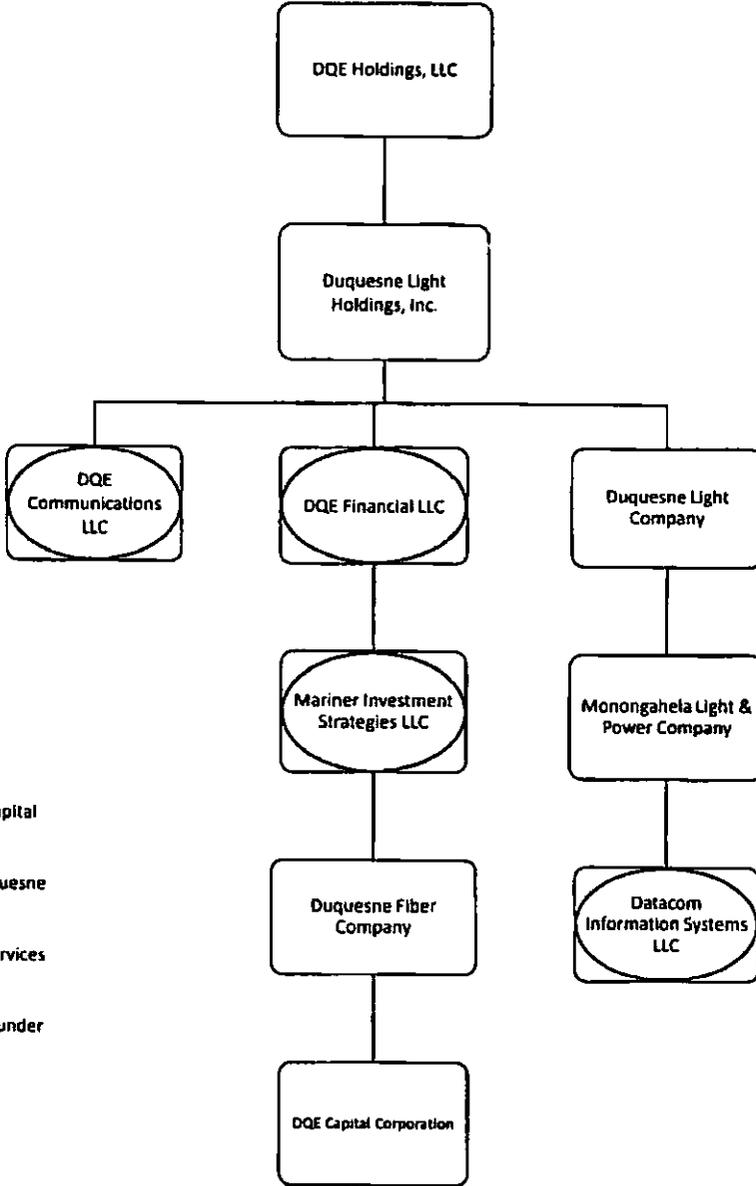


Separate legal entity not subject to income tax



Separate legal and taxable entity

Organizational Chart (Formerly Approved Transaction)



Steps:

- 1. Duquesne Light Holdings contributes DQE Capital Corporation to Duquesne Fiber **
- 2. DQE Systems, Inc. merges with and into Duquesne Light Holdings, Inc. **
- 3. Merger of DQE Communications Network Services LLC with and into DQE Communications LLC

** These steps not executed and not required under alternative reorganization plan.

**BEFORE THE
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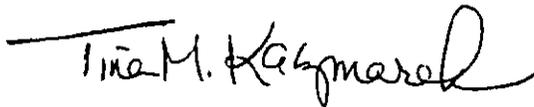
VERIFICATION

I, MATTHEW L. SIMPSON, Director, Tax of Duquesne Light Company,
hereby state that the facts set forth in the above-captioned Application are true and correct to the
best of my knowledge, information and belief, and that if asked orally at a hearing in this matter,
my answers would be as set forth therein.

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: April 12, 2017


Matthew L. Simpson



COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Tina M. Keczmarek, Notary Public
City of Pittsburgh, Allegheny County
My Commission Expires June 2, 2020
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

4-12-17

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