



Michael Zimmerman
Counsel, Regulatory

411 Seventh Avenue
Mail drop 15-7
Pittsburgh, PA 15219

Tel: 412-393-6268
mzimmerman@duqlight.com

October 9, 2019

Via Overnight Delivery

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**Re: Securities Certificate of Duquesne Light Company related to the Issuance of
Financial Instruments
Docket No. S-2019-_____**

Dear Secretary Chiavetta:

Enclosed for filing, please find an original copy of Duquesne Light Company's request for approval and issuance of a Securities Certificate for the issuance of financial instruments in an amount not to exceed \$400 million through December 31, 2021. I have also enclosed a check in the amount of \$350 representing the filing fee for the certificate, and a CD with an electronic copy of the exhibits of the filing.

Please feel free to contact me with any questions, comments or concerns.

Respectfully Submitted,

Michael Zimmerman
Counsel, Regulatory

Enclosure

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Securities Certificate of :
DUQUESNE LIGHT COMPANY : Securities Certificate
in respect to the issuance of :
Financial Instruments in an : No. S-2019-
Aggregate Principal Amount Not to :
Exceed \$400 Million :

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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. Duquesne Light Company (“Duquesne Light” or “Company”) is a limited liability company, Pennsylvania public utility that was formed in 1912 and is engaged in the distribution and transmission of electric service to the public, primarily within Allegheny and Beaver Counties in Pennsylvania. Duquesne Light is a subsidiary of Duquesne Light Holdings, Inc. (“DLH”) and DLH is a wholly owned subsidiary of DQE Holdings LLC (Duquesne Light’s ultimate parent). Duquesne Light’s principal business is the transmission and distribution of electricity to customers within its service territory. Duquesne Light delivers electricity to approximately 595,000 customers, of which nearly 90% are residential customers. The Company’s transmission and delivery system consists of approximately 45,000 miles of overhead power lines, 250,000 utility poles and 103,000 transformers over a territory of approximately 817 square miles.

3. On December 8, 2016, the Pennsylvania Public Utility Commission registered a Securities Certificate for Duquesne Light (S-2016-2570685) allowing it to issue debt in the form of First Mortgage Bonds (“FMBs”), Pollution Control Revenue Bonds (“PCRBs”), and long-term intercompany loans from its parent, DLH, in an aggregated amount not to exceed \$500,000,000 through December 31, 2019. Currently there is \$255,000,000 remaining available under the existing certificate which is insufficient for Duquesne Light’s near term needs. Accordingly, Duquesne Light desires to replace and cancel the existing Securities Certificate and have a new Certificate issued with an authorization of \$400,000,000 of new debt. Duquesne Light requests authority to issue debt under this Securities Certificate through December 31, 2021.

4. The purposes of Duquesne Light’s proposed aggregate debt issuances of up to \$400 million are as follows:

- To help defray a portion of the significant upcoming capital expenditures currently estimated at approximately \$1.04 billion from 2019-2021, including capital expenditures associated with the Company’s the Long-term Infrastructure Improvement Plan (“LTIIP”) and with electric transmission and distribution line investments required to address system capacity, reliability, and asset management needs;
- To potentially refinance outstanding debt;
- General corporate purposes.

Duquesne Light’s financing needs are discussed in detail below:

(a) Duquesne Light expects capital expenditures to average approximately \$345.5 million annually from 2019 to 2021. The estimated capital expenditures are for the significant transmission and distribution infrastructure improvements that the Company has planned that are

necessary to maintain reliability for customers, meet evolving customer needs, and adhere to regulatory requirements. Exhibit C provides additional details regarding the upcoming major capital expenditures. A portion of these capital expenditures would need to be financed by debt from this Securities Certificate.

(b) As shown in Exhibit G, as of December 31, 2018, Duquesne Light maintained a ratio of equity to total capitalization of approximately 52%. Further debt issuances will allow Duquesne Light to maintain an appropriate capital structure.

(c) All funds issued under this Securities Certificate will be used solely for utility purposes.

5. As of the date of this request, the Security Certificate S-2016-2570685, registered by the Commission on December 8, 2016 and referenced above, represents the most recent permission to issue debt. Pursuant to that authority, \$245,000,000 of debt has been issued.

In August 2017, the Company priced three tranches of first mortgage bonds totaling \$245.0 million through a private placement offering with deferred settlement. The issuance included three separate tranches, a 30-year \$60.0 million tranche that settled on October 3, 2017, as well as a 30-year \$60.0 million tranche and a 40-year \$125.0 million tranche that settled on February 1, 2018. The bonds bear interest at annual rates of 3.82%, 3.89% and 4.04%, respectively. The net proceeds were used to refinance existing revolver balances, to fund the repurchase of preferred stock and for general corporate purposes, including capital expenditures.

6. The particulars of debt issuances are as follows:

(a) Exact title of security:

The title of each series of FMBs, PCRBs, unsecured notes, bank borrowings, and/or similar securities will be determined at the time of the

establishment of such series. A listing of currently outstanding debt and available PCRBs is provided in Exhibit B.

(b) Aggregate amount to be issued:

Up to \$400,000,000 of FMBs, unsecured notes, PCRBs, bank borrowings, and/or similar securities.

(c) In the case of FMBs, unsecured notes and PCRBs or similar securities:

(i) Nominal date(s) of issuance:

To be determined based on overall market conditions at the time of issuance.

(ii) Date(s) of maturity:

Varying, to be determined by market conditions at the time of the debt offering(s).

(iii) Interest rate and payment dates:

The actual interest rate and payment dates will be determined by market conditions at the time of the debt offering(s).

(iv) Extent to which taxes on securities are assumed by the issuer:

None.

(v) Callability provisions:

Call provisions will depend on market conditions at the time of issuance.

(vi) Conversion provisions:

Conversion provisions will depend on market conditions at the time.

(vii) Maintenance, depreciation and sinking fund provisions:

To be determined.

(viii) Name and address of Trustee for FMBs, PCRBs and whether affiliated:

The Trustee for the FMBs and PCRBs 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.), 500 Ross Street, 12th Floor, Pittsburgh, PA 15262. The Bank of New York Mellon is not an “affiliated interest” of Duquesne Light as that term is defined in Section 2101 of the Public Utility code, 66 Pa. C.S. § 2101. The Trustee of any future FMBs, unsecured notes or PCRBs will be determined at the time of issuance.

7. Subject to the approval of the Commission, as evidenced by the registration of this Securities Certificate, the Company proposes to issue and sell the new debt in one or more series from time to time directly to investors, through agents or to one or more underwriters for public offering or in private placements directly to one or more institutional investors or through agents, in all cases on terms to be determined by market conditions at the time of the sale and Commission requirements. As necessary, Duquesne Light will enter into one or more underwriting agreements, agency agreements or purchase agreements with underwriters, agents, or other purchasers. The price to be paid to the Company by the underwriters, agents or other purchasers of any bonds and the compensation received by such parties will be determined at the time of sale.

8. While the exact type of debt to be issued is not known at this time and will be determined at a later date after comparing market rates, issuance costs, and other factors, the Company, at the time of this filing, expects to issue the debt in the following forms: First Mortgage Bonds - \$200 million and reissuance of Pollution Control Revenue Bonds - \$200 million.

With regard to issuance expenses, assuming two separate FMB issuances without registration rights of \$200 million and one PCRB remarketing of \$200 million, the issuance expenses to be incurred are estimated as follows:

<i>Issuance Expenses - \$200m FMB</i>	\$ 1,400,000
<i>Issuance Expenses - \$200m PCRB</i>	<u>1,400,000</u>
	\$ 2,800,000

Expenses will vary with the number of sales of debt securities and the type of debt securities sold.

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

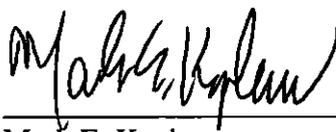
- EXHIBIT A Balance sheets of Duquesne Light Company as of December 31, 2018 and December 31, 2017, and statements of operations and cash flows for the year ended December 31, 2018 both on a comparative basis with the year ended December 31, 2017
- EXHIBIT B Duquesne Light Company outstanding long term debt, available PCRBs, and outstanding preferred stock
- EXHIBIT C Estimated capital expenditures from 2019 to 2021
- EXHIBIT D Statement of Utility Plant by Classified Accounts of Duquesne Light as of December 31, 2018
- EXHIBIT E Journal entries showing all charges and credits to be made on the books of account of Duquesne Light as a result of a proposed debt issuance
- EXHIBIT F Source and Uses of Funds estimate 2019 to 2021

- EXHIBIT G Duquesne Light Company capital structure as of December 31, 2018 and the December 31, 2018 capital structure adjusted to reflect the securities activity contemplated in this petition
- EXHIBIT H Duquesne Light Company history of credit ratings
- EXHIBIT I Current and projected selected financial ratios for Duquesne Light Company
- EXHIBIT J Unregulated affiliates of Duquesne Light Company
- EXHIBIT K Duquesne Light Company Pension Update
- EXHIBIT L Responses to Standard Data Requests

WHEREFORE, Duquesne Light Company requests issuance of a Securities Certificate authorizing the issuance of debt in the amount of \$400,000,000 through December 31, 2021, to grant authority to enter into any act incidental to related issuances and to grant such other relief as may be required or appropriate to conduct the transactions described herein.

Dated this 8th day of October, 2019

DUQUESNE LIGHT COMPANY

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

By Counsel:



Michael Zimmerman (ID #323715)
Duquesne Light Company
411 Seventh Ave, 15th Floor
Pittsburgh, PA 15219
Phone: 412-393-6268
mzimmerman@duqlight.com

VERIFICATION

I, Mark Kaplan, being the Senior Vice President and Chief Financial Officer at Duquesne Light Company, hereby state that the facts above set forth are true and correct (or 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: 10/9/19

Mark E. Kaplan
Mark E. Kaplan

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Exhibit L

Duquesne Light Company - Responses to Standard Data Requests

1. Previous registration balances. Provide docket numbers, initial registration amount, issuances by type, amount and date and current remaining balance. Plans for these balances vis-à-vis the current registration.

Please refer to pages 2-4 of the Securities Certificate.

2. What effect will this issuance have upon the capital structure of the utility? Show calculations?

Please refer to Exhibit G.

3. Current and three year projections:

Sources and uses of funds

Please refer to Exhibit F.

Capital expenditures

Please refer to Exhibit C.

Ratio of capital expenditures to depreciation and amortization

Please refer to Exhibit I.

Capitalization ratios

Please refer to Exhibit I.

Dividend payout ratio

Please refer to Exhibit I.

Interest coverage ratio

Please refer to Exhibit I.

4. History of credit ratings – by rating agency and class.

Please refer to Exhibit H.

5. Projected refinancing savings or costs, if applicable.

Please refer to page 6 of the Securities Certificate.

6. Affiliated interest agreement applicable to instant registration, if financing involves affiliate.

Not applicable.

7. List all unregulated affiliates of the applicant.

Please refer to Exhibit J.

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8. List all debt for which the applicant is a guarantor of affiliated company debt instruments.

Not applicable.

9. For any corporate money pool from which applicant may potentially borrow, lend or deposit excess cash to, provide appropriate information.

Not applicable.

10. Describe historical reliance by type of both corporate internal and external sources of financing.

Please refer to pages 3-4 of the Securities Certificate.

11. Where current dividend payout ratio exceeds 75%, provide three year history and plan for future dividend payouts.

Please refer to Exhibit I.

12. Where debt to total capital ratio exceeds 55%, provide plan for managing future debt to total capital levels.

Not applicable.

13. With respect to the purpose for which you propose to issue or assume securities;

- A. If the purpose is the purchase of construction of new facilities or the betterment of existing facilities, provide:

Estimated final cost

Brief description of the new facilities and betterments

Date when it is expected that the purchase or construction or betterment will be completed

Estimated amount of AFUDC included in project costs

Please refer to Exhibit C.

- B. If the purpose is to obtain working capital, explain any unusual condition which exists, or will exist, in the public utility's current assets or current liabilities.

Not applicable.

- C. If the purpose is to refund obligations, describe obligations in detail:

Explain the purpose for which the obligations were issued or refer to the number of the securities certificate in which the purpose appears

State whether refunding is to meet maturity or to effect saving in interest and other annual charges.

Please refer to pages 2-3 of the Securities Certificate.

- D. If the purpose is for the payment of dividends, please justify the use of funds from the registration to pay dividends.

Not applicable.

- E. If the purpose is to fund pension obligations;
Provide ABO, PBO, current fair value of plan assets, and the percent of current benefit obligation is funded.
Provide annual contributions to the plan from 2006 to present and projected contributions for the next 5 years.

Please refer to Exhibit K.

14. Reconcile total capitalization with total rate base for ratemaking purposes. Are any funds to be issued for a non-utility purpose? If so, describe that purpose.

Please refer to page 3 of the Securities Certificate. All funds will be used for utility purposes.

15. Three year history and three year projections for ratio of capital expenditures to depreciation expense.

Please refer to Exhibit I.

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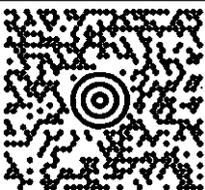
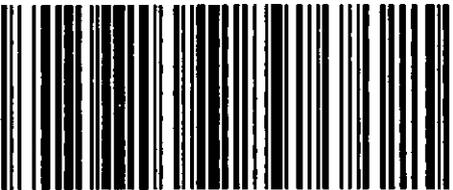
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