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February 4, 2021

Via Electronic Filing

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

**Re: Affiliated Interest Agreement between Duquesne Light Holdings, Inc. and Duquesne Light Company
Docket No. G-2009-2148505**

Dear Ms. Chiavetta:

Enclosed for filing, please find the responses to the Discovery Requests propounded by Bureau of Technical Utility on Duquesne Light Company- Set I. Should you have any questions, please feel free to contact me.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Emily M. Farah".

Emily M. Farah
Counsel, Regulatory

cc: David Huff (dhuff@pa.gov)

Technical Utility Service
Interrogatories

Duquesne Light Company
Docket No. G-2009-2148505

Set I

Witness: James Milligan

TUS I-1

1. Please provide projected capital expenditures for the next three years (2021 – 2024).

Response:

Please see below for Duquesne Light Company's projected capital expenditures for years 2021 – 2024, excluding non-cash pension and allowance for funds used during construction, per the Company's current business plan forecasts (which are subject to change).

1. 2021: \$408.1 million
2. 2022: \$379.3 million
3. 2023: \$337.1 million
4. 2024: \$310.0 million

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Set I

Witness: James Milligan

TUS I-2

2. Please provide the average borrowings and borrowing rate for each of the quarters ending March 31, June 30, September 30, and December 31 for the calendar year 2020.

Response:

Please see below for the average borrowings and average borrowing rate of Duquesne Light Company's (DLC) Affiliated Interest Agreement with its parent Duquesne Light Holdings, Inc. (DLH) for quarters ending March 31, June 30, September 30 and December 31 of the calendar year 2020. As approved by the Pennsylvania Public Utility Commission in Order G-2009-2148505, DLC is currently permitted to borrow from DLH via its Affiliated Interest Agreement at a rate of London Interbank Offered Rate (LIBOR) + 1.25% in an amount up to \$200.0 million.

Quarter Ending	Daily Average Balance (In \$ Millions)	Daily Average Rate
March 31	\$105.2	3.36%
June 30	\$64.2	1.12%
September 30	\$0.0	0.0%
December 31	\$6.8	1.08%

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Set I

Witness: James Milligan

TUS I-3

3. Regarding the use of LIBOR as an index: LIBOR is scheduled to be phased out, is there a LIBOR Replacement Index to address this? Has Duquesne Light Company (DLC) or Duquesne Light Holdings (DLH) identified any risks, or how, it will be impacted by the LIBOR transition?

Response:

In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer compel contributing banks to make rate submissions to the Intercontinental Exchange (ICE) Benchmark Administration for purposes setting the London Interbank Offered Rate (LIBOR). As a result, it is possible that commencing in 2022, LIBOR may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the interest rate on Eurodollar Loans. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of LIBOR.

Duquesne Light Company (DLC) and Duquesne Light Holdings, Inc. (DLH) have been working to identify all DLC and DLH uses of LIBOR and risks associated with the LIBOR transition. DLC's and DLH's main uses of LIBOR that have been identified are its Credit Agreements and International Swaps and Derivatives Association (ISDA) documentation. DLC and DLH has and will continue to work with its counterparties to ensure necessary documentation has been revised to incorporate LIBOR fallback language and that all corresponding processes have been reviewed to ensure a seamless LIBOR transition.

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Duquesne Light Company
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Set I

Witness: James Milligan

TUS I-4

4. In its filing, DLC states “DLC also recommends an amendment of the interest rate of the Affiliated Interest Agreement from London Interbank Offered Rate (LIBOR) + 1.25% to LIBOR +0.875% to align with DLC’s Credit Agreement executed on October 31, 2019.” Please further explain this Credit Agreement, the parties of the Credit Agreement and why DLC feels “that these terms are commercially reasonable and reflect today’s prevailing market conditions”?

Response:

Duquesne Light Company (DLC) entered into its current Credit Agreement on October 31, 2019, consisting of a \$250.0 million unsecured revolving credit facility with a group of third-party, investment grade lenders led by JP Morgan as the Administrative Agent. The Credit Agreement has a final maturity date of October 31, 2024.

The revolving credit facility permits borrowings at the London Interbank Offered Rate (LIBOR) plus a margin of 0.75% to 1.25% or an alternate base rate plus a margin of 0.0% to 0.25% based on DLC’s then-current senior debt rating. DLC has received a number of credit ratings upgrades by S&P and Moody’s over the past several years with the most recent upgrade occurring on December 19, 2019 with S&P upgrading DLC’s senior debt rating from 'A' from 'A-'. These cumulative credit rating upgrades shifted DLC’s Credit Agreement margin from 1.25% to the now current margin of 0.875%, which is the same margin being requested for DLC’s Affiliated Interest Agreement. The lenders priced DLC’s Credit Agreement based on then current prevailing market conditions. Therefore, if DLC were to renegotiate the Credit Agreement today, pricing would likely be higher, but DLC thought it best that the Affiliated Interest Agreement be consistent with DLC’s current, lower borrowing rates.

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Set I

Witness: James Milligan

TUS I-5

5. Does the LIBOR +0.875% reflect the cost of short-term borrowings of DLH?

Response:

No. Similar to Duquesne Light Company (DLC), Duquesne Light Holdings, Inc. (DLH) entered into a Credit Agreement on October 31, 2019, consisting of a \$250.0 million unsecured revolving credit facility with a group of third-party, investment grade lenders led by JP Morgan as the Administrative Agent. The group of third-party, investment grade lenders is consistent across the DLC and DLH Credit Agreements. The DLH Credit Agreement has a final maturity date of October 31, 2024.

DLH's revolving credit facility permits borrowings at the London Interbank Offered Rate (LIBOR) plus a margin of 1.25% to 2.50% or an alternate base rate plus a margin of 0.25% to 1.50% based on the Company's then-current senior debt rating. The current margin for DLH is 1.625% (comparably higher than DLC's current margin of 0.875%).

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Duquesne Light Company's Affiliated :
Interest Agreement between Duquesne : **G-2009-2148505**
Light Holdings, Inc. and Duquesne :
Light Company :

VERIFICATION

I, James H. Milligan, 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 to 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).


James H. Milligan

2/3/2021
Date