



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 North Street, HARRISBURG, PA 17120

May 15, 2023

IN REPLY, PLEASE
REFER TO OUR FILE
Phone: 717-772-7777

G-2009-2148505
110150

Emily M. Farah
Duquesne Light Company
411 Seventh Avenue
16TH Floor
Pittsburgh, PA 15219
efarah@duqlight.com

RE: Request of Duquesne Light Company for Approval of an Amendment to its
Affiliated Interest Agreement with its Parent for Short Term Borrowing.

Dear Ms. Farah:

On March 8, 2023, Duquesne Light Company (DLC) filed, pursuant to Section 2102 of the Public Utility Code (Code), 66 Pa. C. S. § 2102, a request for approval of a modification to the above-referenced Affiliated Interest Agreement (“Short-Term Borrowing Agreement”) with its parent company, Duquesne Light Holdings Inc. (DLH), by changing the interest rate methodology from London Interbank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (SOFR). The Alternative Reference Rates Committee (ARRC), created by the Federal Reserve, selected SOFR as the rate that represents best practice for use in new contracts, and ARRC’s preferred alternative to LIBOR. DLC avers that all other specific terms of the Short-Term Borrowing Agreement will be unchanged. As DLC’s banking institutions transitioned to SOFR, a 0.10% + 0.875% credit spread adjustment was implemented to align SOFR rates to LIBOR rates.¹ DLC has requested that the Commission approve this amendment to its Short-Term Borrowing Agreement to change its interest rate methodology from LIBOR to SOFR beginning June 30, 2023.

The Commission had originally approved a similar Short-Term Borrowing Agreement between DLC and DLH on December 12, 2008, at Docket No. G-2008-2060987, which was for short-term borrowings not to exceed \$100 million.

¹ DLC explains that as Banking Institutions transitioned to SOFR, a 0.10% credit spread adjustment was implemented to align SOFR rates to LIBOR rates. The 0.875% adder is the same as the adder being used under the current Short-Term Borrowing Agreement.

Subsequently, the Short-Term Borrowing Agreement was approved on May 3, 2010, which authorized DLH to be able to lend DLC up to \$200 million at any one time on commercially reasonable terms.

On October 27, 2020, DLC filed a request for approval of an Amendment to the Affiliated Interest Agreement with its parent company DLH to increase the borrowing limit from \$200 million to \$300 million and to amend the interest rate of the Short-Term Borrowing Agreement from London Interbank Offered Rate (LIBOR) + 1.25% to LIBOR + 0.875%. On February 22, 2021 the Commission approved this request.

On December 16, 2022, The Federal Reserve Board adopted a final rule that implements the Adjustable Interest Rate (LIBOR) Act by identifying benchmark rates based on SOFR that will replace LIBOR in certain financial contracts after June 30, 2023.²

In filing the amended Short-Term Borrowing Agreement, DLC is requesting for approval to amend the Short-Term Borrowing Agreement to change the interest rate calculation from LIBOR + 0.875% to SOFR + Credit Spread Adjustment related to the switch to SOFR of 0.10% + 0.875% to align with the Federal Reserve's preferred interest rate calculation methodology. DLC avers that all other specific terms of the loan will be unchanged.

Upon review of the filing, it does not appear that the arrangement is unreasonable and contrary to the public interest. It is prudent for the company to determine a LIBOR replacement rate and use the benchmark framework as adopted by the Federal Reserve Board.

Therefore, this filing is approved as requested. However, approval of this filing does not constitute a determination that such a filing is consistent with public interest, and that the associated costs are reasonable or prudent for the purposes of determining just and reasonable rates. Furthermore, the Commission's approval is contingent upon the possibility that subsequent audits, reviews, and inquiry, in any Commission proceeding, may be conducted, pursuant to 66 Pa. C.S. §§ 2102, *et seq.*

² [Federal Register notice: Regulation Implementing the Adjustable Interest Rate \(LIBOR\) Act \(federalreserve.gov\)](https://www.federalreserve.gov/press/pr022022.htm)

In addition, this approval will apply only to the agreement(s), services(s), matters, and parties specifically and clearly defined under this instant filing as well as any associated and previously filed filings.

Sincerely,

A handwritten signature in black ink, reading "Rosemary Chiavetta". The signature is written in a cursive, flowing style with a large initial 'R'.

Rosemary Chiavetta
Secretary