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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
The Dayton Power and Light Company )  
For Authority to Execute and Deliver )  
Long-Term Loan Agreements to Borrow ) Case No. 08-165-EL-AIS  
Up to a Maximum of \$100 Million from )  
The Ohio Air Quality Development )  
Authority or other Authorized Agency. )

FINDING AND ORDER

The Commission finds:

- (1) Applicant, The Dayton Power and Light Company, is an Ohio corporation and a public utility, as defined in Sections 4905.02 and 4905.03, Revised Code, and subject to the jurisdiction of this Commission.
- (2) This Application, as supplemented and amended (hereinafter, the "Application"), is filed under the provisions of Sections 4905.40 and 4905.41, Revised Code.
- (3) Applicant proposes to enter into one or more loan agreements (the "Loan Agreements") with the Ohio Air Quality Development Authority or other authorized issuer of tax exempt revenue bonds (the "Authority"), pursuant to which the Authority will issue up to \$100 million aggregate principal amount of tax exempt revenue bonds (the "Bonds"), in one or more series, pursuant to the terms and conditions as set forth in the Application and Exhibits.
- (4) The Loan Agreements between the Applicant and the Authority will provide for the repayment by Applicant to the Authority of amounts sufficient to pay principal, purchase price or premium, if any, and interest on the Bonds. The Bonds will be special obligations payable solely out of revenues derived from the payments by Applicant under the Loan Agreements.
- (5) The Bonds will be issued for a term or terms not to exceed 40 years and will bear either a fixed or variable interest rate, within the parameters as set forth in the Application and Exhibits.

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- (6) Applicant states that it may issue first mortgage bonds, procure one or more letters of credit, or purchase bond insurance to secure its obligations under the Loan Agreements, as more fully described in the Application and Exhibits.
- (7) Applicant is also requesting authorization to enter into interest rate management arrangements (the "Interest Agreements"). Generally, there will be no proceeds associated with the Interest Agreements since most transactions are affected without exchanging principal amounts. Applicant states that such authority will allow sufficient alternatives and flexibility when striving to reduce its effective interest cost and manage interest cost on financings, as described in the Application and Exhibits.
- (8) Applicant proposes to use the proceeds from the Loan Agreements to refund or refinance certain outstanding pollution control bonds and use the remaining proceeds to finance or reimburse the costs of acquiring and constructing certain solid waste disposal facilities and related facilities associated with the environmental control equipment at generating stations owned, in whole or part, by Applicant, all pursuant to Section 4905.40, Revised Code.
- (9) Applicant states that the Loan Agreements and the Interest Agreements (collectively, the "Securities") will remain consistent with the Commission Orders in Case No. 99-1687-EL-ETP approving Applicant's Transition Plan and Case Nos. 02-2779-EL-ATA, et al., and 05-276-EL-AIR approving Applicant's Rate Stabilization Plan.
- (10) The aggregate principal amount of the Loan Agreements, and the probable cost to Applicant and other terms thereof, which are to be no less favorable than the parameters set forth in the Application, do not appear to be unjust or unreasonable.
- (11) The effect on Applicant's revenue requirements resulting from the Securities can be determined only in rate proceedings in which all factors affecting rates are taken into account according to law.
- (12) Based on the information contained in the Application and the Exhibits attached thereto, the purposes to which the proceeds from the Loan Agreements shall be applied and the use of Interest Agreements appear to be reasonably required by Applicant to meet its present and prospective obligations to provide utility service and

the Commission is satisfied that consent and authority should be granted.

It is, therefore,

ORDERED, That Applicant, The Dayton Power & Light Company, is authorized through April 1, 2009, to enter into Loan Agreements with the Ohio Air Quality Development Authority, pursuant to which the Authority will issue up to \$100 million aggregate principal amount of its tax exempt revenue bonds, in one or more series, as set forth in the Application and Exhibits. It is, further,

ORDERED, That Applicant is authorized to enter into arrangements, if cost effective, wherein the Authority Bonds and any series thereof may be provided with some form of credit enhancement, including but not limited to letters of credit or bond insurance, and to implement interest rate management arrangements, if appropriate, as set forth in the Application and Exhibits. It is, further,

ORDERED, That the net proceeds from the Loan Agreements shall be used by Applicant as set forth in this Order and otherwise pursuant to the provisions of Section 4905.40, Revised Code. It is, further,

ORDERED, That after the Securities authorized by this Order are consummated, Applicant shall file a report to the Commission, as soon as practicable, with the terms and full particulars regarding the transactions. It is, further,

ORDERED, That Applicant shall account for the Securities as prescribed in the Federal Energy Regulatory Commission Uniform System of Accounts as currently in effect. It is, further,

ORDERED, That the Securities authorized herein shall be in compliance with the Applicant's Electric Transition Plan as approved by this Commission in Case No. 99-1687-EL-ETP and Case Nos. 02-2779-EL-ATA, et al., and 05-276-EL-AIR approving Applicant's Rate Stabilization Plan. It is, further,

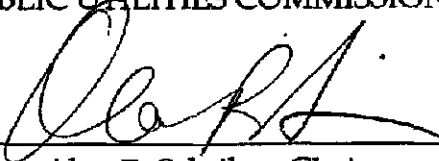
ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by this Commission as to the Securities or the interest thereon on the part of the State of Ohio. It is, further,


ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by this Commission to assure completion of any specific construction project of the Applicant. It is, further,

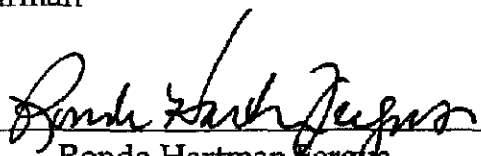
ORDERED, That nothing in this Order shall be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule or regulation of the Applicant. It is, further,

ORDERED, That a copy of this Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Alan R. Schriber, Chairman

  
Paul A. Centolella

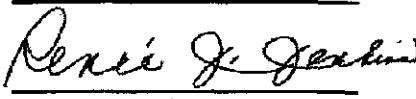
  
Ronda Hartman Fergus

  
Valerie A. Lemmie

SUM:djb

Entered in the Journal

APR. 02 2008

  
Renee J. Jenkins  
Secretary