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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of The Dayton Power and Light Company for Approval of its Electric Security Plan.	:	Case No. 12-426-EL-SSO
In the Matter of the Application of the Dayton Power and Light Company for Approval of Revised Tariffs.	:	Case No. 12-427-EL-ATA
In the Matter of the Application of the Dayton Power and Light Company for Approval of Certain Accounting Authority.	:	Case No. 12-428-EL-AAM
In the Matter of the Application of the Dayton Power and Light Company for the Waiver of Certain Commission Rules.	:	Case No. 12-429-EL-WVR
In the Matter of the Application of the Dayton Power and Light Company to Establish Tariff Riders	:	Case No. 12-672-EL-RDR

- - -

PROCEEDINGS

before Mr. Gregory A. Price and Mr. Bryce A. McKenney, Hearing Examiners, at the Public Utilities Commission of Ohio, 180 East Broad Street, Room 11-C, Columbus, Ohio, called at 10:00 a.m. on Monday, March 25, 2013.

VOLUME VI

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Case No. 12-426-EL-SSO, et al. - Volume VI

PUCO Case Captions:

In the Matter of the Application of The Dayton Power and Light Company for Approval of its Market Rate Offer. Case No. 12-426-EL-SSO

In the Matter of the Application of The Dayton Power and Light Company for Approval of Revised Tariffs. Case No. 12-427-EL-ATA

In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority. Case No. 12-428-EL-AAM

In the Matter of the Application of The Dayton Power and Light Company for Waiver of Certain Commission Rules. Case No. 12-429-EL-WVR

In the Matter of the Application of The Dayton Power and Light Company to Establish Tariff Riders. Case No. 12-672-EL-RDR

List of exhibits being filed:

Company Exhibits 100 and 101

IEU-Ohio Exhibit 28

Reporter's Signature: Maria DiPaolo Jones

Submitted by Armstrong & Okey, Inc.: _____

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THE DAYTON POWER AND LIGHT COMPANY

CORPORATE SEPARATION PLAN

December 17, 1999 (As amended, February 28, 2000)

Exhibit
100

PENGAD 800-631-6989
DEPOSITION
EXHIBIT
DP+L 2
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CORPORATE SEPARATION PLAN

I. INTRODUCTION

This amended corporate separation plan is being filed in accordance with the requirements of the January 20, 2000 Entry of the Public Utilities Commission of Ohio, as clarified by the February 17, 2000 Third Entry on Rehearing of the Public Utilities Commission of Ohio, in Case No. 99-1141-EL-ORD. The amended corporate separation plan contains the changes, and addresses the issues, required by the Entry, as clarified, and by the Commission's revised Rules on Corporate Separation.

In accordance with Ohio Revised Code Section 4928.17, The Dayton Power and Light Company ("DP&L" or the "Company") is filing this corporate separation plan as part of its transition plan required by Section 4928.31(A)(2).[1] This corporate separation plan demonstrates that DP&L will separate its businesses of providing competitive retail electric services and products or services other than retail electric services from its business of providing noncompetitive retail electric services such that the former will be conducted by fully separated affiliates[2] of DP&L as required by Section 4928.17. This corporate separation plan also demonstrates how DP&L and its fully

[1] Unless the context otherwise requires, all references contained in this corporate separation plan to "Sections" and "corporate separation rules" refer to sections of the Ohio Revised Code, as amended, and the corporate separation rules promulgated by the Public Utilities Commission of Ohio in the Finding and Order of November 30, 1999 in Case No. 99-1141-EL-ORD and described in Chapter 4901: 1-20-16, Ohio Administrative Code, respectively.

[2] As used herein, "affiliates" means "companies that are related to each other due to common ownership or control" as specified in corporate separation rule (A)(3). Affiliates of DP&L include DPL Inc. and DPL Inc.'s other wholly- owned subsidiaries.

separated affiliates will operate in relation to each other in accordance with the provisions of Chapter 4928.

Section I of this corporate separation plan addresses, in general terms, DP&L's current structure, the purposes of DP&L's corporate separation plan, and the nature of the implementation process.

Section II of this corporate separation plan describes the plan provisions that will govern how DP&L and its affiliates will interact once corporate separation is achieved. Section III of this corporate separation plan describes how DP&L will achieve corporate separation. Section IV of this corporate separation plan describes, rule by rule, how DP&L will comply with the Commission's rules for corporate separation.

A. Current Organization

DP&L is an integrated electric and gas public utility that sells electricity and natural gas to residential, commercial and governmental customers in West Central Ohio.[3] DP&L provides "retail electric service" to consumers as defined in Section 4928.01(A)(27). DP&L is an "electric utility" as defined in Section 4928.01(A)(11) that is engaged in the business of supplying both a noncompetitive retail electric service and what will be competitive retail electric services under Section 4928.03. Electricity for the Company's service area is primarily generated by plants wholly-owned or co-owned by DP&L.

[3] As previously announced, DP&L has entered into an agreement with Indiana Energy, Inc. regarding the sale of DP&L's gas utility business. The statements made herein regarding DP&L's gas utility business should be read with this in mind.

As an integrated electric and gas utility, DP&L operates within the statutory and regulatory framework of the state of Ohio and applicable federal law, providing services to its retail customers within its certified territory pursuant to its obligation to serve. Utility services are provided to its retail customers based on tarriffed rates previously approved by the Public Utilities Commission of Ohio ("PUCO" or the "Commission").

All of the outstanding shares of common stock of DP&L are held by DPL Inc. DPL Inc. has a number of subsidiaries that provide a variety of services for DP&L, other affiliates of DPL Inc. and third parties.

A current organization chart of DPL Inc. and its active subsidiaries, including a brief description of subsidiary activities, is attached as Exhibit 1.

B. Deregulation Legislation

The regulatory framework under which Ohio electric utilities currently operate is rapidly changing as evidenced by the recent enactment of Amended Substitute Senate Bill 3 on July 6, 1999. Section 4928.03 provides that beginning on the starting date of competitive retail electric service, retail electric generation, aggregation, power marketing and power brokerage services supplied to customers within the certified territory of an electric utility are "competitive retail electric services." Chapter 4928 also gives the PUCO the power and authority to declare additional retail electric services as "competitive." Moreover, the legislation provides that beginning on the starting date of competitive retail electric service, no electric utility in Ohio shall engage, either directly or through an affiliate, in the business of supplying (a) a noncompetitive retail electric service and (b) either a competitive retail electric service or a product or service other than retail electric service unless the

electric utility implements and operates under a corporate separation plan approved by the Commission that meets the requirements described in Section 4928.17.

C. Purpose of Corporate Separation Plan

Consistent with the policy goals specified in Section 4928.02, the requirements of Section 4928.17 and the corporate separation rules adopted by the Commission, the corporate separation plan of DP&L as stated herein is intended to achieve the following purposes:

> (1) Describe the framework under which DP&L and/or its affiliates will engage in the businesses of supplying competitive retail electric services and products or services other than retail electric service; the policies, rules and procedures that will govern the interrelationships among DP&L and its affiliates with respect to such business activities; and how such policies, rules and procedures will be implemented.
>
> (2) Help to effectuate the policy specified in Section 4928.02, specifically to help ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa.
>
> (3) Satisfy the public interest in preventing unfair competitive advantages and preventing the abuse of market power.
>
> (4) Allow DP&L and its affiliates to compete fairly, without competitive disadvantages, with other companies engaged in the same or similar businesses, including those companies that are not subject to regulation as electric utilities.

D. Process of Implementing the Corporate Separation Plan

DP&L's corporate separation plan reflects its current expectations and intentions with respect to the transition to a competitive environment. However, this transition, by necessity, will be evolutionary in nature and will be ongoing throughout the year 2000 and beyond as the

competitive marketplace in Ohio evolves and changes. DP&L already has begun to functionally separate its services and activities within its existing corporate structure. DP&L has also begun to generally educate its employees as to the requirements for corporate separation. These efforts will continue until full separation as required by Section 4928.17 is achieved as provided herein, but not later than the starting date of competitive retail electric service.

The business, legal, tax, regulatory, corporate and personnel issues to be addressed and resolved during this process will be complex, including the issues relevant to corporate separation. A number of factors, events and circumstances, many of which cannot reasonably be foreseen or predicted, will influence DP&L's planning. Some of these will be beyond DP&L's ability to control or will be dependent on the actions of unrelated third parties (*e.g.*, competitors, the co-owners of DP&L's jointly-owned generation and transmission facilities and the trustee under DP&L's indenture). Accordingly, DP&L and its affiliates will need a reasonable degree of flexibility to continue both to serve DP&L's utility customers and to become a successful competitor in the emerging competitive electric utility business. For this reason, the plan is structured in a way to ensure compliance with applicable statutory and regulatory law while affording DP&L a modicum of discretion in selecting the precise means for achieving and maintaining such compliance in light of the relevant circumstances and the state of the evolving marketplace.

II. CORPORATE SEPARATION PLAN PROVISIONS

A. Policy

DP&L acknowledges the policy goals of the state of Ohio as described in Section 4928.02. Accordingly, consistent with Section 4928.17(A)(3) and the corporate separation rules, DP&L will not extend any undue preference or advantage to any of its affiliates that engage in the business of providing a competitive retail electric service or a nonelectric retail product or service without just compensation as provided herein. Further, DP&L will act so as to effectuate the policy specified in Section 4928.02 and to satisfy the public interest in preventing unfair competitive advantage and abuse of market power.

As required by Section 4928.17 and the corporate separation rules, beginning on the starting date of competitive retail electric service, DP&L will not engage, either directly or through an affiliate, in the business of supplying a noncompetitive retail electric service and either a competitive retail electric service or a product or service other than retail electric service, except pursuant to the provisions of this corporate separation plan as approved by the Commission.

B. Fully Separated Affiliates

DP&L will not directly engage in the business of supplying a competitive retail electric service or a product or service other than retail electric service, and such products and services will be provided only through a fully separated affiliate of DP&L as required by Section 4928.17(A)(1).

Each such affiliate of DP&L offering competitive retail electric services or products or services other than retail electric service will be a corporate entity separate from DP&L, and DP&L and such affiliates will operate independently of each other, all as provided herein.

As a result, and after implementation of these plan provisions as explained in Section III (and subject to the provisions of Subsection III.A.3. regarding currently existing financing

arrangements), DP&L will own and operate only those assets and businesses necessary to provide the noncompetitive components of retail electric service (including transmission, distribution, metering, billing and collection service).

To the extent deemed economically feasible and prudent, DP&L and its affiliates that provide a competitive retail electric service or a product or service other than retail electric service will endeavor to satisfy their own respective needs through their own respective employees, facilities, equipment and other assets and resources. Employees will be employed by one corporate entity (*i.e.*, DP&L or an affiliate) and no employee will be employed by more than one entity, although an employee may in certain instances provide services for both his or her employer and an affiliate. As required by Section 4928.18(D)(2) and corporate separation rule (G)(1)(b), any common use or sharing of employee services, consultant services, independent contractor services, facilities, equipment, employee benefit plans and/or other services permitted by Section 4928.18(D)(2) shall not in any way violate the code of conduct adopted herein and shall be appropriately accounted for and the costs thereof allocated pursuant to the terms of this plan and as more specifically described in the cost allocation manual provided for under Section II.F. DP&L will maintain a copy of any shared employee's job description in the cost allocation manual.

While DP&L and certain of its affiliates may have certain officers and directors in common, such officers and directors will owe a fiduciary duty under general corporate law principles to each of the entities he or she is serving as well as an obligation to such entity to abide by the terms and conditions of this corporate separation plan, including without limitation, the code of conduct.

C. Accounting Records

As required by Section 4928.17(A)(1) and corporate separation rule (G)(2), DP&L and each of its affiliates will maintain, in accordance with generally accepted accounting principles and an applicable uniform system of accounts, books, records and accounts that are separate from the books, records and accounts of each other affiliate.

D. Financial Arrangements

To the extent required by Section 4928.17(A)(3) and the applicable corporate separation rules, subject to the provisions of Subsection II.A.3. regarding currently existing financing arrangements, and except as may otherwise be approved by the Commission upon the request of

DP&L from time to time, financial arrangements of DP&L with respect to its affiliates engaged in the business of providing a competitive retail electric service or a product or service other than retail electric service will be subject to the following restrictions:

(1) Any indebtedness incurred by an affiliate of DP&L shall be without recourse to DP&L.

(2) DP&L will not enter into any agreement with terms under which DP&L is obligated to commit funds to maintain the financial viability of its affiliate.

(3) DP&L will not make any investment in an affiliate under any circumstances in which DP&L would be liable for the debts and/or liabilities of such affiliate incurred as a result of actions or omissions of such affiliate.

(4) DP&L will not issue any security for the purpose of financing the acquisition, ownership or operation of any of its affiliates.

(5) DP&L will not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of any of its affiliates.

(6) DP&L will not pledge, mortgage or use as collateral, any assets of DP&L for the benefit of any of its affiliates.

E. Code of Conduct

Pursuant to Section 4928.17(A)(1), which requires the corporate separation plan to include the code of conduct ordered by the Commission pursuant to a rule adopted under Section 4928.06, and consistent with corporate separation rules (G)(4)(a) through (G)(4)(j), DP&L adopts the following code of conduct to govern the relationship of DP&L with its affiliates engaged in the business of providing a competitive retail electric service or a product or service other than retail electric service:

(1) DP&L shall not release any proprietary customer information (*e.g.*, individual customer load profiles or billing histories) to an affiliate, or otherwise, without the prior

authorization of the customer, except as required by a regulatory agency or court of law.

(2) On and after the effective date of the corporate separation rules, DP&L shall make customer lists, which include names, addresses and telephone numbers, available on a non-discriminatory basis to all non-affiliated and affiliated certified retail electric competitors transacting business in its service territory, unless otherwise directed by the customer. This paragraph does not apply to customer-specific information, obtained with proper authorization, necessary to fulfill the terms of a contract, or information relating to the provision of general and administrative support services.

(3) Employees of DP&L's affiliates shall not have access to any information about DP&L's transmission or distribution systems (*e.g.*, system operations, capability, price, curtailments and ancillary services), that is not contemporaneously and in the same form and manner available to a non-affiliated competitor supplying a competitive retail electric service in DP&L's service territory.

(4) DP&L shall treat as confidential all information obtained from a competitive supplier of a competitive retail electric service, both affiliated and non-affiliated, and shall not release such information unless a competitive supplier provides authorization to do so.

(5) DP&L shall not tie (nor allow its affiliates to tie) or otherwise condition the provision of DP&L's services, discounts, rebates, fee waivers or any other waivers of DP&L's ordinary terms and conditions of service, including but not limited to tariff provisions, to the taking of any goods and/or services from DP&L's affiliates.

(6) In order to ensure effective competition in the provision of retail electric service, DP&L shall avoid anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa.

(7) Upon a request from a customer, DP&L shall provide a complete list of all certified suppliers, registered pursuant to DP&L's tariff requirements, of competitive retail electric services operating on DP&L's system, but shall not endorse any suppliers nor indicate that any supplier will receive preference because of an affiliate relationship.

(8) DP&L shall strive to ensure that its activities do not create unreasonable sales practices, market deficiencies or market power.

(9) DP&L shall provide comparable access to products and services related to tariffed products and services.

(a) DP&L shall not unduly discriminate in the offering of its products and/or services.

(b) DP&L shall apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or non-affiliation.

(c) DP&L shall not, through a tariff provision, a contract, or otherwise, give its affiliates preference over non-affiliated competitors providing a competitive retail electric service or their customers in matters relating to any product and/or service.

(d) DP&L shall follow all tariff provisions.

(e) Except to the extent legally permitted, DP&L shall not be permitted to provide discounts, rebates, or fee waivers for any state regulated monopoly service.

(f) Violations of this code of conduct shall be enforced and subject to the disciplinary actions described in Sections 4928.18(C) and (D).

(10) Notwithstanding any provision contained in this code of conduct, in an emergency situation, DP&L may take actions necessary to ensure public safety and system reliability. DP&L will maintain a log of all such actions that do not comply with this code of conduct.

As part of meeting the requirements of paragraph (8) above, DP&L does not intend to engage in joint advertising or joint marketing of any kind with its affiliates supplying a competitive retail electric service or directly promote or market any product or service offered by any such affiliate. This intent to avoid joint marketing and joint advertising includes the restriction that DP&L will not trade upon, promote, or advertise its affiliate relationship nor allow the name "The Dayton Power and Light Company" or the logo shown on Exhibit 3 to be used by an affiliate in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where DP&L's name or logo is mentioned, that: (i) the affiliate is not the same company as DP&L; (ii) the affiliate is not regulated by the Public Utilities Commission

of Ohio; and (iii) the customer does not have to buy the affiliate's products in order to continue to receive quality, regulated service from DP&L. The application of the name/logo disclaimer is limited to the use of the name or logo in Ohio.

F. Cost Allocation Manual

In order to help ensure that anticompetitive cross-subsidization does not occur between DP&L and its affiliates providing any competitive retail electric service or any product or service other than retail electric service, DP&L will maintain a cost allocation manual as required by corporate separation rule (J). With respect to any asset, product or service provided or transferred by an affiliate to DP&L, or by DP&L to an affiliate, the affiliate providing or receiving the same shall submit to DP&L for inclusion in the cost allocation manual, and DP&L shall maintain in the cost allocation manual, information documenting the allocation of costs between the affiliate and DP&L. The cost allocation manual will include the methods to be used for allocating costs and transferring assets between DP&L and its affiliates, which costs will be based on "fully allocated costs" as required by corporate separation rule (J)(5) and will be traceable to the books of the applicable corporate entity providing such product or service or making such transfer.

In addition to this information, the cost allocation manual will include the following:

(a) An organization chart of DPL Inc. depicting all active affiliates, as well as a description of activities in which such affiliates are involved.

(b) A description of all assets, services and products provided to and from DP&L and its affiliates.

(c) All documentation, including, without limitation, written agreements, accounting bulletins, procedures, work order manuals, or related documents, which govern how costs are to be allocated between or among affiliates.

(d) Information on employees who have either transferred from DP&L to one of its affiliates or are shared between DP&L and such affiliate, including a copy of all transferred employees' previous and new job descriptions and a list of names and job summaries for shared consultants and shared independent contractors.

(e) A log of all complaints made to DP&L regarding corporate separation.

(f) Minutes of each DP&L board of directors meeting.

DP&L and its affiliates will maintain all affiliate transaction information and the DP&L board of directors minutes in the cost allocation manual for not less than three years. As required by the corporate separation rules, the initial version of the cost allocation manual will be made available to the Commission's Staff for review. Upon approval of this corporate separation plan, DP&L will send to the Director of the Utilities Department of the Commission (or their designee) a summary every six months of any changes made in the cost allocation manual during such six month period. As required pursuant to corporate separation rule (J)(9), DP&L hereby designates the general counsel of DP&L or his designee to act as a contact person for the Commission's Staff when seeking data regarding affiliate transactions, personnel transfers and sharing of employees. DP&L may change this designation at any time, and DP&L will promptly notify the Commission of any change.

G. Complaint Procedures

All complaints received by DP&L with respect to compliance with the corporate separation rules will be referred to the general counsel of DP&L or his designee. If and to the extent that the complaint provides basic information sufficient to enable the officer to do so, the officer will acknowledge the complaint within five business days of its receipt and will thereafter prepare a written statement of the complaint, containing the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved and the specific claim. Such officer will communicate the results of any preliminary investigation made by such officer or his or her designee to the complainant in writing in not less than 30 days after the complaint has been received, including a description of any course of action taken. Such officer will also keep a file to be placed in the cost allocation manual of any complaint statements for a period of not less than three years. This complaint procedure will not in any way limit the rights of a party to file a complaint with the Commission.

H. Access to Books and Records

DP&L will comply with legally enacted corporate separation rules relating to Commission and Staff access to, and review of, books and records of DP&L and its affiliates.

I. Effective Date

The above plan provisions will be effective beginning on the starting date of competitive retail electric service, or on a date prior thereto if and as determined by DP&L to be consistent with the corporate separation of DP&L's business units.

III. IMPLEMENTATION OF CORPORATE SEPARATION PLAN

A. Corporate Reorganization

1. Transfer of Businesses and Assets to Separate Corporate Entities

In order to comply with the provisions of Section II of this plan, DP&L will transfer or assign to fully separated affiliates its businesses of supplying competitive retail electric services or products or services other than retail electric services, including assets dedicated to those businesses, all as provided herein. All noncompetitive retail electric services will be retained in DP&L.

Specifically, subject to the provisions of Subsection III.A.3. below, DP&L will transfer all of its current generating assets and its retail generation service business (along with its businesses of supplying aggregation, power marketing or power brokerage service to consumers) to one or more fully separated affiliates which will be wholly-owned subsidiaries of DPL Inc. Also, DP&L will transfer its gas utility business and assets to a fully separated affiliate, *i.e.*, another wholly-owned subsidiary of DPL Inc. The other businesses engaged in supplying products or services other than retail electric service will be owned and operated by non-utility subsidiaries of DPL Inc.

After the aforementioned transfers are accomplished, (a) DP&L itself will engage directly only in the business of supplying noncompetitive retail electric services and (b) any business supplying a competitive retail electric service or a product or service other than retail electric service will be owned and operated by a fully separated affiliate, which will be a wholly-owned subsidiary of DPL Inc. It is anticipated that DPL Inc.'s non-utility affiliates which provide facilities or services to DPL Inc. and its subsidiaries will continue to do so.

Organization charts showing how DPL Inc. and its affiliates will be organized based on present planning are attached as Exhibits 2a and 2b. Exhibit 2a reflects DP&L's plans to functionally separate its gas utility business and its generating business during 2000. Exhibit 2b reflects the gas utility business and DP&L's existing generating assets, each being in subsidiaries of DPL Inc. separate and apart from DP&L as of the starting date of competitive retail electric service. (As an alternative, DP&L is studying the idea of choosing to transfer its transmission and distribution assets to a fully separated affiliate of DPL Inc., with the current generating assets remaining owned by DP&L.) Any refinements or changes to Exhibits 2a or 2b will be reflected in the organization chart included in the cost allocation manual.

Generally speaking, DP&L employees who perform functions solely or primarily related to a business to be transferred to a fully separated affiliate will become employees of such affiliate when the transfer takes place and will cease to be DP&L employees.

Along with the dedicated assets to be transferred, DP&L will also assign, and the transferee affiliate will assume, those contracts and obligations of DP&L to the extent that they relate to the transferred business (or assets). The transfer of assets and the assumption of contracts and obligations are subject to the matters discussed in Subsection III.A.3. below.

2. Functional Separation

Functional separation of DP&L's generation business from DP&L's transmission business has been in progress for a number of years as a result of FERC Order No. 888, which requires separation of the generation portion of a public utility's business from its transmission business. Thus, DP&L currently has employees who perform functions solely related to DP&L's electric generation business. Likewise, because of the competitive environment that already exists in the gas utility industry, DP&L has previously taken steps to functionally separate its gas utility business from its electric business.

Pending full legal separation, DP&L's efforts at functional separation are continuing with respect to (a) internally separating DP&L employees (*i.e.*, assigning employees to specified business units or functions separated from other units or functions) based on whether they are performing primarily distribution, transmission, retail generation, wholesale generation, gas utility or common or corporate support functions and (b) internally charging costs of employees and other resources to the account and books of the appropriate business units.

3. Indenture and Related Issues

Substantially all of the assets of DP&L, including its electric generating assets, are subject to, and encumbered by, the first mortgage lien of the indenture pursuant to which DP&L's outstanding first mortgage bonds were issued. The controlling indenture was drafted in the 1930's and did not contemplate or include provisions readily enabling DP&L to redeploy its assets as required by, or desirable in connection with, the deregulation of the electric utility industry. As a result, a large number of complex indenture-related issues must be analyzed and resolved for DP&L to be able to transfer assets as required by the corporate separation rules.

The aggregate outstanding principal amount of the six series of first mortgage bonds currently issued under the DP&L indenture is $552,379,000. With the exception of one series of these outstanding first mortgage bonds in an aggregate principal amount of $11,000,000, which is presently callable at the option of DP&L without the payment of a premium, the remaining five series of these bonds in an aggregate principal amount of $541,379,000 are not presently callable at the option of DP&L. These bonds will become callable at specified dates beginning in August, 2002. After the various series of first mortgage bonds which are presently noncallable become callable, they may be redeemed at DP&L's option at a redemption price equal to the principal amount thereof plus accrued interest plus a redemption premium amount. Accordingly, even if DP&L wanted to refinance the indebtedness evidenced by its outstanding first mortgage bonds in order to obtain a release of DP&L's electric generating assets from the mortgage lien, such a refinancing is not possible since DP&L currently has the right to redeem only a minor portion ($11,000,000) of the bonds outstanding under the indenture and does not currently have the right to prepay or redeem the major portion of the bonds outstanding under the indenture. Even if the holders of DP&L's outstanding first mortgage bonds were willing to consent to the release of the generating assets from the lien of the indenture (which is unlikely in view of the security such holders would be sacrificing), DP&L anticipates that such holders would demand substantial additional compensation (in the form of increased interest rates or consent fees) to consent to a release, which compensation would substantially increase the Company's transition costs. Moreover, under the DP&L indenture, DP&L may not transfer a portion of the encumbered assets even if such

assets are to be transferred and remain subject to the mortgage lien. Additional consents may be necessary to accomplish a transfer of these assets from DP&L to an affiliate, including, without limitation, the consent of the holders of DP&L's outstanding preferred shares.

In view of the foregoing, the transfer of electric generating and other assets required to comply with the corporate separation rules must be carefully accomplished to avoid any cost or other penalties that would place DP&L or its affiliates at a competitive disadvantage and to minimize DP&L's transition costs.

Therefore, until DP&L is able, on a cost effective basis, to fully transfer legal ownership of its electric generating assets to the appropriate affiliate, DP&L will transfer "beneficial" ownership of such assets to the affiliate along with full operational control of such assets. DP&L intends to accomplish this step by transferring the generation assets by leases or other contractual arrangements that fully separate control of the assets from DP&L. Likewise, the ongoing obligations as well as existing liabilities (including all of the existing pollution control bonds, in the case of the electric generating assets, and a proportionate amount of the outstanding first mortgage indebtedness) relating to such assets will be appropriately assumed by the transferee affiliate. For example, the affiliate receiving the generation assets will be required to assume ongoing operation and maintenance expenses, taxes and other capital expenditure obligations relating to the generation assets. In addition, DP&L and its affiliates will determine an appropriate principal amount of the first mortgage bonds and other indebtedness of DP&L to be assumed by such affiliate.

4. Timing

This corporate reorganization is targeted to be completed and in place no later than the starting date of competitive retail electric service, subject to receipt of necessary approvals. It is currently anticipated that the generating business and assets and the gas utility business and assets will be transferred to yet-to-be-formed wholly-owned subsidiaries of DPL Inc. as discussed in Subsection III.A.1. above. The transfer of these businesses involves a number of complex business, corporate, tax and regulatory issues. These issues and the precise means for accomplishing these transfers are being evaluated and have not yet been determined. Upon completion of such transfers and reorganization, appropriate changes will be made to the cost allocation manual to reflect the then existing corporate and business structure.

B. Sharing of Employees, Facilities and Services

As economically feasible and prudent, DP&L and its affiliates will provide or make independent arrangements for as many of their respective required services or facilities as practicable. As described in Subsections III.A.1. and III.A.2. above, employees of DP&L are being functionally separated, and a number of current DP&L employees will become employees of fully separated affiliates (*i.e.*, other subsidiaries of DPL Inc.) to which DP&L's competitive retail electric

service businesses and DP&L's gas utility business will be transferred. However, given DP&L's long history as an integrated gas and electric utility and its lean employee staffing, it may be necessary for employees of DP&L to provide certain services to affiliates, and in some instances, for employees of affiliates to provide services to DP&L. For example, DP&L's electric and gas utility businesses currently share telecommunication and internal communication services, certain information technology services, billing and collection services, meter reading services and service call center services. These services will be maintained within DP&L and provided to the affiliate to which DP&L's gas utility business will be transferred.

As the Commission is aware, FERC Order No. 888 has already required DP&L to functionally separate its transmission services from its generation services. At this time, it is not anticipated that, following the above-described transfer of DP&L's generating business to a fully separated affiliate, DP&L will provide any material services to the generating affiliate or that the generating affiliate will provide any material services to DP&L except for the following:

- In order to satisfy DP&L's obligation to provide electric service during the market development period, DP&L intends to enter into a purchase power agreement with the affiliate controlling and operating the electric generation assets to provide DP&L with its requirements to satisfy its generation standard service obligations. The terms and conditions of such purchase power agreement, including the rates charged therein, will be subject to FERC review and approval.

- Pursuant to FERC Order No. 888, DP&L, as part of its open access tariff, is required to offer "ancillary services" to both affiliates and third parties who request such services. These ancillary services include (1) scheduling, system control and dispatch service; (2) reactive supply and voltage control from generation sources service; (3) regulation and frequency response service; (4) energy imbalance service; (5) operating reserve – spinning reserve service; and (6) operating reserve – supplemental reserve service. Ultimately, DP&L may join a regional transmission entity that will provide these ancillary services on behalf of the owners of the transmission system.

- At this time, the transmission service business unit of DP&L provides the scheduling services directly to third parties requesting transmission access. The remainder of such ancillary services are obtained from the generation services business unit of DP&L.

As described in Subsection III.A.1., DPL Inc. has a number of wholly-owned subsidiaries that provide services or facilities to DP&L and its affiliates. It is anticipated that these subsidiaries will continue to provide these facilities and services in the future. In addition, as the transition progresses, it is possible that DPL Inc. will determine that it is economically feasible and prudent to provide additional services on a company-wide or shared basis, such as legal, accounting, auditing, finance, real estate or human resource services. Also, employees of DP&L and its affiliates participate in employee benefit plans that are common to one or more of such entities. For economic purposes as well as for Internal Revenue Code and ERISA compliance reasons, DPL Inc. and its subsidiaries may determine that their current employee benefit plans should continue to cover

employees of DP&L and one or more of its affiliates rather than causing each entity to establish and maintain separate plans. In such event, the costs of each such plan will be allocated to each affiliate in proportion to the number of employees covered by each such plan or, if not allocable on such basis, in accordance with the other rules for allocating these costs among affiliates as described in the cost allocation manual. In the event that separation of such plans becomes economically feasible and prudent, DP&L and the other subsidiaries of DPL Inc. may establish and maintain separate employee benefit plans for their employees.

Any of the above described services (or any other services) which are provided by DP&L to an affiliate or by an affiliate to DP&L will be properly described in the cost allocation manual, and the cost of such services shall be allocated pursuant to the methods of allocation described in the cost allocation manual.

C. Employee Education and Training

To familiarize the employees of DP&L and its affiliates with the requirements of the corporate separation plan, including, without limitation, the code of conduct provisions and the cost allocation manual requirements, DP&L will institute an education and training program. DP&L intends to offer training sessions for its employees. At these sessions, persons designated by DP&L who are familiar with the contents will describe the corporate separation plan (and how the plan affects each employee in light of his or her job description and the specific company for which the employee will be working), the provisions of the code of conduct to be followed by the employees, the appropriate documentation to be forwarded to DP&L to be included in the cost allocation manual and when such documentation should be forwarded, the complaint procedure and the methods for

bringing complaints and violations to the attention of the appropriate party. The compliance procedure (described below) and penalties and consequences with respect to the failure of an employee or an affiliate to comply with the corporate separation plan or the code of conduct will also be explained at these sessions. The employees will also be advised of the penalties to which DP&L will be subject in the event of a failure to comply.

While general familiarization and information sessions may be held beforehand, DP&L intends to commence the formal training process immediately upon approval of this corporate separation plan by the Commission at which point the contents of the plan, which will be the subject of the training process, will be finally determined. Additional training will be made available on a periodic basis.

D. Compliance Procedure

To ensure that the corporate separation plan is implemented properly by DP&L and its affiliates, DP&L will implement the following compliance monitoring procedures and plans for corrective action:

(1) After training, each employee of DP&L or its affiliates will be required to sign and deliver a policy statement, a copy of which is attached as Exhibit 4, which states that (a) the provisions of the code of conduct and the requirements for reporting to and methods of allocation under the cost allocation manual have been explained to the employee, (b) the employee has been afforded the opportunity to ask questions regarding the corporate separation plan, (c) the employee understands the compliance procedures, including the appropriate methods for handling complaints and reporting possible violations of the code of conduct, and (d) with respect to any non-public electric utility information that is subject to the code of conduct, the employee understands the restrictions and limitations therein on the disclosure and use of such information and will at all times act in accordance with same and that failure to so act will result in appropriate disciplinary action.

(2) DP&L will designate an individual to whom employees may report possible violations of the code of conduct and other failures to comply with the corporate separation plan.

(3) Possible violations and other failures will be reported to the person designated to accept notice of same, who will investigate such matters, prepare a report and, if appropriate, a course of recommended action and report to management. DP&L and the relevant affiliate will take reasonable steps necessary to remedy such violation.

(4) Failure to observe the limitations described in the code of conduct with regard to the use of non-public DP&L information will result in appropriate disciplinary action.

IV. DESCRIPTION OF COMPLIANCE WITH COMMISSION RULES FOR CORPORATE SEPARATION PLANS.

In accordance with Corporate Separation Rule (H)(4), DP&L lists below each corporate separation rule and a description of how DP&L will comply with that rule:

Corporate Separation Rule (G)(1)(a) – An electric utility shall place a copy of the minutes of each board of directors meeting in the CAM in accordance with paragraph (I) of this rule, where it shall be maintained for a minimum of three years.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (G)(1)(b) - An electric utility may not share employees with any affiliate, if the sharing, in any way, violates paragraph (G)(4) of this rule. An electric utility shall maintain in the CAM a copy of the job description of each shared employee (except for shared consultants and

shared independent contractors). The electric utility shall maintain in the CAM a list of the names and job summaries for shared consultants and shared independent contractors. The electric utility shall ensure that all shared employees appropriately record and charge their time based on fully allocated costs. An electric utility shall add to the CAM a copy of all transferred employees' previous and new job descriptions.

As described in Section II.B., DP&L and its affiliates will not jointly employ any persons. Any services provided by employees of one affiliate to another affiliate will be subject to the code of conduct restrictions and cost allocation requirements. See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporation Separation Rule (G)(1)(c) - Electric utilities and their affiliates that provide services to customers within the electric utility's service territory shall function independently of each other and shall not share facilities and services if such sharing in any way violates paragraph (G) (4) of this rule.

As described in Section II.B., any sharing of facilities or services by DP&L with any of its affiliates will be subject to the code of conduct restrictions and cost allocation manual requirements.

Corporation Separation Rule (G)(1)(d) – During an interim period, an electric utility has the burden of establishing "good cause" for selecting an interim functional separation plan (as opposed to a

structural separation). The interim plan shall provide a detailed timeline for progression to full structural separation and shall be subject to periodic Commission Staff review at the Staff's discretion.

At this time, DP&L is not requesting that an interim functional separation plan be approved.

Corporation Separation Rule (G)(2) - Each electric utility and its affiliates shall maintain, in accordance with generally accepted accounting principles and an applicable uniform system of accounts, books, records and accounts that are separate from the books, records and accounts of its affiliates.

As described in Section II.C., DP&L and each of its affiliates will maintain separate books, records and accounts in accordance with the provisions of this rule.

Corporate Separation Rule (G)(3)(a) - Any indebtedness incurred by an affiliate shall be without recourse to the electric utility.

As described in Subsection II.D.1., any indebtedness incurred by an affiliate of DP&L will be without recourse to DP&L.

Corporate Separation Rule (G)(3)(b) - An electric utility shall not enter into any agreement with terms under which the electric utility is obligated to commit funds to maintain the financial viability of an affiliate.

As described in Subsection II.D.2., DP&L will not enter into any agreement with terms under which DP&L is obligated to commit funds to maintain the financial viability of an affiliate.

Corporate Separation Rule (G)(3)(c) - An electric utility shall not make any investment in an affiliate under any circumstances in which the electric utility would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions of an affiliate.

As described in Subsection II.D.3., DP&L will not make any investment in an affiliate under any circumstances in which DP&L would be liable for the debts and/or liabilities of such affiliate incurred as a result of actions or omissions of such affiliate.

Corporate Separation Rule (G)(3)(d) - An electric utility shall not issue any security for the purpose of financing the acquisition, ownership or operation of an affiliate.

As described in Subsection II.D.4., DP&L will not issue any security for the purpose of financing the acquisition, ownership or operation of any of its affiliates.

Corporate Separation Rule (G)(3)(e) - An electric utility shall not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of an affiliate.

As described in Subsection II.D.5., DP&L will not assume any obligation or liability as a guarantor, endorser, surety or otherwise with respect to any security of any of its affiliates.

Corporation Separation Rule (G)(3)(f) - An electric utility shall not pledge, mortgage, or use as collateral, any assets of the electric utility for the benefit of an affiliate.

As described in Subsection II.D.6., DP&L will not pledge, mortgage or use as collateral, any assets of DP&L for the benefit of any of its affiliates.

Corporate Separation Rule (G)(4)(a) - The electric utility shall not release any proprietary customer information (*e.g.*, individual customer load profiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except as required by a regulatory agency or court of law.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(b) - On or after the effective date of the rule, the electric utility shall make customer lists, which include name, address and telephone number, available on a nondiscriminatory basis to all nonaffiliated and affiliated certified retail electric competitors transacting business in its service territory, unless otherwise directed by the customer. This

paragraph does not apply to customer-specific information, obtained with proper authorization, necessary to fulfill the terms of a contract, or information relating to the provision of general and administrative support services.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(c) - Employees of the electric utility's affiliates shall not have access to any information about the electric utility's transmission or distribution systems (*e.g.*, system operations, capability, price, curtailments and ancillary services), that is not contemporaneously and in the same form and manner available to a nonaffiliated competitor of retail electric services.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(d) - Electric utilities shall treat as confidential all information obtained from a competitive supplier of retail electric service, both affiliated and non-affiliated, and shall not release such information unless a competitive supplier provides authorization to do so.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(e) - The electric utility shall not tie (nor allow an affiliate to tie) or otherwise condition the provision of the electric utility's regulated services, discounts, rebates, fee waivers, or any other waivers of the electric utility's ordinary terms and conditions of service, including but not limited to tariff provisions, to the taking of any goods and/or services from the electric utility's affiliates.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(f) - The electric utility shall ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(g) - The electric utility, upon request from a customer, shall provide a complete list of all suppliers operating on the system, but shall not endorse any suppliers nor indicate that any supplier will receive preference because of an affiliate relationship.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(h) – The electric utility shall ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power.

All electric utilities shall, at a minimum, provide information in their transition filings so as to enable the Commission to determine whether they have met their burden of proof to satisfy this paragraph as it relates to joint advertising between the electric utility and an affiliate, joint marketing activities between the electric utility and an affiliate, and the use of the name and logo of the electric utility.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(i) - The electric utility shall provide comparable access to products and services related to tariffed products and services and specifically comply with the following:

Corporate Separation Rule (G)(4)(i)(1) - An electric utility shall be prohibited from unduly discriminating in the offering of its products and/or services.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(i)(2) - The electric utility shall apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or non-affiliation.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(i)(3) - The electric utility shall not, through a tariff provision, a contract, or otherwise, give its affiliates preference over nonaffiliated competitors of retail electric service or their customers in matters relating to any product and/or service.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(i)(4) - The electric utility shall strictly follow all tariff provisions.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(i)(5) - Except to the extent allowed by state law, the electric utility shall not be permitted to provide discounts, rebates, or fee waivers for any state regulated monopoly service.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(i)(6) - Violations of this rule shall be enforced and subject to the disciplinary actions described in divisions (C) and (D) of Section 4928.18 of the Revised Code.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(4)(j) - Notwithstanding any provision of paragraph (G)(4) of this rule, in a declared emergency situation, an electric utility may take actions necessary to ensure public safety and system reliability. The electric utility shall maintain a log of all such actions that do not comply with paragraph (G)(4) of this rule, which log shall be subject to review by the commission.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the code of conduct. Also, see Exhibit 4 for the policy statement that employees will be required to sign.

Corporate Separation Rule (G)(5) - The electric utility shall establish a complaint procedure for the issues concerning compliance with this rule. All complaints, whether written or verbal, shall be referred to the general counsel of the utility or their designee. The legal counsel shall orally acknowledge the complaint within five working days of its receipt. The legal counsel shall prepare a written statement of the complaint that shall contain the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved, and the specific claim. The legal counsel shall communicate the results of the preliminary investigation to the complainant in writing within thirty days after the complaint was received, including a description of any course of action that was taken. The legal counsel shall keep a file in the CAM, in accordance with paragraph (I) of this rule, of all such complaint statements for a period of not less than three years. This complaint procedure shall not in any way limit the rights of a party to file a complaint with the Commission.

As described in Section II.G. above, DP&L will establish a complaint procedure concerning compliance with the corporate separation rules. Such procedure will follow those described by this rule.

Corporate Separation Rule (H)(1) - A description and timeline of all planned education and training, throughout the holding company structure, to ensure that electric utility and affiliate employees know and can implement the policies and procedures of this rule.

> As described in Section III.C., DP&L will institute an education and training program to familiarize the employees of DP&L and its affiliates with the requirements of the corporate separation plan.

Corporate Separation Rule (H)(2) - A copy of a policy statement to be signed by electric utility and affiliate employees who have access to any nonpublic electric utility information, which indicates that they are aware of, have read, and will follow all policies and procedures regarding limitation on the use of nonpublic electric utility information. The statement will include a provision stating that failure to observe these limitations will result in appropriate disciplinary action.

> See Exhibit 4

Corporate Separation Rule (H)(3) - A description of the internal compliance monitoring procedures and the methods for corrective action for compliance with this rule.

> See Section III.D.

Corporate Separation Rule (H)(5) - Each electric utility shall make available for Commission Staff review the initial CAM, the contents of which are set forth in paragraph (I) of this rule.

> DP&L agrees to make available for review by the Staff its initial cost allocation manual.

Corporate Separation Rule (H)(6) - A detailed listing of the electric utility's electric services and the electric utility's transmission and distribution affiliates' electric services.

> In compliance with Section 4901:1-20-16(H)(6) of the Ohio Administrative Code, DP&L states that The Dayton Power and Light Company, the electric utility, will provide transmission and distribution service as well as the tariffed generation

Corporate Separation Rule (J)(4) - The CAM will include:

Corporate Separation Rule (J)(4)(a) - An organization chart of the holding company, depicting all affiliates, as well as a description of activities in which the affiliates are involved.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (J)(4)(b) - A description of all assets, services and products provided to and from the electric utility and its affiliates.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (J)(4)(c) - All documentation including written agreements, accounting bulletins, procedures, work order manuals, or related documents, which govern how costs are allocated between affiliates.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (J)(4)(d) - Information on employees who have transferred from the electric utility to an affiliate and shall be consistent with paragraph (G)(1)(b) of this rule.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (J)(4)(e) - A log of all complaints brought to the utility regarding this rule.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (J)(4)(f) – Board of director minutes.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (J)(5) - The method for charging costs and transferring assets shall be based on fully allocated costs.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (J)(6) - The costs should be traceable to the books of the applicable corporate entity.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (J)(7) - The electric utility and affiliates shall maintain all underlying affiliate transaction information for a minimum of three years.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (J)(8) - Following approval of a corporate separation plan, an electric utility shall send to the director of the utilities department of the Commission (or their designee) every six months a summary of any changes in the CAM.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

Corporate Separation Rule (J)(9) - The electric utility shall designate an employee who will act as a contact for the Commission Staff when seeking data regarding affiliate transactions, personnel transfers, and the sharing of employees. The electric utility shall update the Commission of changes in the contract.

See Section II.F. regarding the adoption and use of a cost allocation manual by DP&L and its affiliates.

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Exhibit 4

THE DAYTON POWER AND LIGHT COMPANY

SECOND AMENDED CORPORATE SEPARATION PLAN

OCTOBER 1, 2008

Exhibit 101

PENGAD 800-631-6989
DEPOSITION EXHIBIT
DP+L 3
Murray Depo 3-4-13

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SECOND AMENDED CORPORATE SEPARATION PLAN

I. INTRODUCTION

This Second Amended Corporate Separation Plan is being filed by The Dayton Power and Light Company (the "Company" or "DP&L") to comply with the Public Utilities Commission of Ohio (the "Commission") final rules and regulations (Ohio Administrative Code (OAC) Sections 4901:1-37 et seq.) in response to the passage of S.B. 221 by the Ohio General Assembly. This plan amends, supersedes and replaces the Company's Corporate Separation Plan as filed December 17, 1999 as amended on February 28, 2000.

This Second Amended Corporate Separation Plan demonstrates that DP&L will continue to maintain functional separation of its businesses of providing competitive retail electric services and products or services other than retail electric services from its business of providing noncompetitive retail electric services, except when specifically permitted to do otherwise. This Second Amended Corporate Separation Plan also demonstrates how DP&L and its fully separated affiliates will operate in relation to each other in compliance with the provisions of Chapter 4928.

This Second Amended Corporate Separation Plan addresses, in general terms, (1) how DP&L will maintain separation of its competitive retail electric service and products and services other than retail electric service from its noncompetitive retail electric service, (2) a description of the separate accounting practices that perform this separation of competitive versus noncompetitive retail electric service, (3) a description of the Company's Code of Conduct, (4)

its Cost Allocation Manual, and (5) how the Company's structure and operation is in the public interest and does not create an undue preference or competitive advantage for DP&L's affiliates.

A. Current Organization

DP&L is a regional electric public utility that sells electricity to residential, commercial, industrial and governmental customers in West Central Ohio. DP&L provides "retail electric service" to consumers as defined in Revised Code Section 4928.01(A)(27). DP&L is an "electric utility" as defined in Revised Code Section 4928.01(A)(11) that is engaged in the business of supplying both a noncompetitive retail electric service and competitive retail electric services under Revised Code Section 4928.03. Electricity for the Company's service area is primarily generated by plants wholly-owned or co-owned by DP&L.

As an integrated electric utility, DP&L operates within the statutory and regulatory framework of the state of Ohio and applicable federal law, providing services to its retail customers within its certified territory pursuant to its obligation to serve. Utility services are provided to its retail customers based on tariffed rates previously approved by the Commission.

All of the outstanding shares of common stock of DP&L are held by DPL Inc. DPL Inc. has a number of subsidiaries that provide a variety of services for DP&L, other affiliates of DPL Inc. and third parties.

A current organization chart of DPL Inc. and its subsidiaries, including a brief description of subsidiary activities, is attached as Exhibit 1.

B. Deregulation Legislation

On May 31, 2008, the Ohio General Assembly enacted Substitute Senate Bill 221, creating a new framework under which electric utilities must provide electric service to their

customers. This regulatory framework continues the functional separation between the electric utility that generally provides noncompetitive retail electric service and electric utility affiliates that may provide competitive retail electric services and products and services other than retail electric service. Under this statute, an electric utility cannot, directly or indirectly, provide such competitive retail electric services, as defined by R.C. 4928.01(B), (i) except through a separate affiliate and pursuant to a Commission approved corporate separation plan that meets the requirements described in Revised Code Section 4928.17, or (ii) except as otherwise permitted by state statute.

C. Purpose of Second Amended Corporate Separation Plan

Consistent with the policy goals specified in Revised Code Section 4928.02, the requirements of Revised Code Section 4928.17 and the corporate separation rules adopted by the Commission, the Second Amended Corporate Separation Plan of DP&L as stated herein is intended to achieve the following:

> (1) Describe the framework under which DP&L and/or its affiliates will engage in the businesses of supplying competitive retail electric services and products or services other than retail electric service; the policies, rules and procedures that will govern the interrelationships among DP&L and its affiliates with respect to such business activities; and how such policies, rules and procedures will be implemented.
>
> (2) Help to effectuate the policy specified in Revised Code Section 4928.02, specifically to help ensure the availability of adequate, reliable, safe, efficient, nondiscriminatory and reasonably priced retail electric service; ensure the availability of unbundled and comparable retail electric service; ensure diversity of electricity supplies and suppliers; encourage innovation and market access for cost effective supply- and demand-side retail electric service; encourage cost-effective and efficient access to information to promote effective customer choice.
>
> (3) Satisfy the public interest in preventing unfair competitive advantages and preventing the abuse of market power.

(4) Allow DP&L and its affiliates to compete fairly, without competitive disadvantages, with other companies engaged in the same or similar businesses, including those companies that are not subject to regulation as electric utilities.

D. Process of Implementing the Second Amended Corporate Separation Plan

DP&L's original Corporate Separation Plan as amended was implemented in response to S. B. 3 and has been modified for this filing, to be consistent with S. B. 221. A number of factors, events and circumstances, many of which cannot reasonably be foreseen or predicted, will influence DP&L's planning. Some of these will be beyond DP&L's ability to control or will be dependent on the actions of unrelated third parties (e.g., competitors, the co-owners of DP&L's jointly-owned generation and transmission facilities, etc.). Accordingly, DP&L and its affiliates will need a reasonable degree of flexibility. For this reason, the plan is structured in a way to ensure compliance with applicable statutory and regulatory law, while affording DP&L a modicum of discretion to select the precise means for achieving and maintaining such compliance in light of the relevant circumstances.

II. SECOND AMENDED CORPORATE SEPARATION PLAN PROVISIONS

A. Policy

DP&L acknowledges the policy goals of the state of Ohio as described in Revised Code Section 4928.02. Accordingly, consistent with the corporate separation rules, DP&L will not extend any undue preference or advantage to any of its affiliates that engage in the business of providing a competitive retail electric service or a non-electric retail product or service without just compensation as provided herein. Further, DP&L will act so as to effectuate the policy

specified in Revised Code Section 4928.02 and to satisfy the public interest in preventing unfair competitive advantage and abuse of market power.

As required by Revised Code Section 4928.17 and the corporate separation rules, DP&L will not engage, either directly or through an affiliate, in the business of supplying a noncompetitive retail electric service and either a competitive retail electric service or a product or service other than retail electric service, except as otherwise authorized by law and except pursuant to the provisions of this Second Amended Corporate Separation Plan as approved by the Commission.

B. Fully Separated Affiliates

Except as permitted by state law and pursuant to its Commission-approved Second Amended Corporate Separation Plan, DP&L will not directly engage in the business of supplying competitive retail electric services, as defined in Revised Code Section 4928.01(B). Competitive retail electric service will be provided only through an affiliate that is fully separate from DP&L, as required by Revised Code Section 4928.17(A)(1).

Each such affiliate or business unit offering competitive retail electric services will generally operate separately from DP&L, except as specifically permitted by state statute under this Commission-approved Second Amended Corporate Separation Plan, and such affiliates or business units will operate independently of each other, all as provided herein.

To the extent deemed economically feasible and prudent, DP&L and its affiliates that provide a competitive retail electric service will endeavor to satisfy their own respective needs through their own respective employees, facilities, equipment and other assets and resources. Employees will be employed by one corporate entity (*i.e.*, DP&L or an affiliate) and no

employee will be employed by more than one entity, although an employee may in certain instances provide services for both his or her employer and an affiliate. As required by Revised Code Section 4928.18(D)(2) and OAC Section 4901:1-37-04(A)(5), any common use or sharing of employee services, consultant services, independent contractor services, facilities, equipment, employee benefit plans and/or other services permitted by Revised Code Section 4928.18(D)(2) shall not in any way violate the Code of Conduct adopted herein and shall be appropriately accounted for and the costs thereof allocated pursuant to the terms of this plan and as more specifically described in the Cost Allocation Manual provided for under Section II.F. DP&L will maintain a copy of any shared employee's job description in the Cost Allocation Manual.

While the DP&L affiliated group may have certain officers and directors in common, such officers and directors owe a fiduciary duty under general corporate law principles to each of the entities he or she is serving as well as an obligation to such entity to abide by the terms and conditions of this Second Amended Corporate Separation Plan, including without limitation, the Code of Conduct.

C. Accounting Records

As required by Revised Code Section 4928.17(A)(1) and corporate separation rule OAC Section 4901:1-37-04(B), DP&L and each affiliate or business unit in the DP&L group will maintain, in accordance with generally accepted accounting principles, an applicable uniform system of accounts, books, records and accounts that are separate from the books, records and accounts of each other affiliate or business unit.

D. Financial Arrangements

To the extent required by Revised Code Section 4928.17(A)(3) and the applicable corporate separation rules, subject to the provisions of Subsection II.A.3. regarding currently existing financing arrangements, and except as may otherwise be approved by the Commission of financial arrangements of DP&L with respect to its affiliates engaged in the business of providing a competitive retail electric service or a product or service other than retail electric service will be subject to the following restrictions:

(1) Any indebtedness incurred by an affiliate shall be without recourse to DP&L.

(2) DP&L will not enter into any agreement with terms under which it is obligated to commit funds to maintain the financial viability of its affiliate.

(3) DP&L will not make any investment in an affiliate under any circumstances in which it would be liable for the debts and/or liabilities of such affiliate incurred as a result of actions or omissions of such affiliate.

(4) DP&L will not issue any security for the purpose of financing the acquisition, ownership or operation of any of its affiliates.

(5) DP&L will not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of any of its affiliates.

(6) DP&L will not pledge, mortgage or use as collateral any of its assets for the benefit of any of its affiliates.

E. Code of Conduct

Pursuant to Revised Code Section 4928.17(A)(1), which requires the corporate separation plan to include the Code of Conduct ordered by the Commission pursuant to a rule adopted under Revised Code Section 4928.06, and consistent with corporate separation rules OAC Section 4901:1-37-04(D)(1) through (D)(11), DP&L adopts the following Code of Conduct to govern the

relationship of DP&L with its affiliates or business units engaged in the business of providing a competitive retail electric service or a product or service other than retail electric service:

(1) DP&L shall not release any proprietary customer information (*e.g.*, individual customer load profiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except as required by a regulatory agency or court of law.

(2) DP&L shall make customer lists, which include names, addresses and telephone numbers, available on a non-discriminatory basis to all non-affiliated and affiliated certified retail electric competitors transacting business in its service territory, unless otherwise directed by the customer. This paragraph does not apply to customer-specific information, obtained with proper authorization, necessary to fulfill the terms of a contract, or information relating to the provision of general and administrative support services.

(3) Employees of DP&L's affiliates shall not have access to any information about DP&L's transmission or distribution systems (*e.g.*, system operations, capability, price, curtailments and ancillary services), that is not contemporaneously and in the same form and manner available to a non-affiliated competitor of retail electric service.

(4) DP&L shall treat as confidential all information obtained from a competitive retail electric service provider, both affiliated and non-affiliated, and shall not release such information unless a competitive retail electric service provider provides authorization to do so or unless the information was or thereafter becomes available to the public other than as a result of disclosure by DP&L.

(5) Except as specifically authorized by state statute and as set forth in its Commission-approved Second Amended Corporate Separation Plan, DP&L shall not tie (nor allow its affiliates to tie) or otherwise condition the provision of its services, discounts, rebates, fee waivers or any other waivers of its ordinary terms and conditions of service, including but not limited to DP&L's tariff provisions, to the taking of any goods and/or services from affiliates.

(6) In order to ensure effective competition in the provision of retail electric service, DP&L shall avoid anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa.

(7) Upon a request from a customer, DP&L shall provide a complete list of all certified suppliers, registered pursuant to DP&L's tariff requirements, of competitive retail electric services operating on DP&L's system, but shall not endorse any suppliers nor indicate that any supplier will receive preference because of an affiliate relationship.

(8) DP&L shall strive to ensure that its activities do not create unreasonable sales practices, market deficiencies or market power.

(9) Employees of DP&L shall not indicate a preference for an affiliated company's services.

(10) DP&L shall provide comparable access to products and services related to tariffed products and services.

(a) DP&L shall not unduly discriminate in the offering of its products and/or services.

(b) DP&L shall apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or non-affiliation.

(c) DP&L shall not, through a tariff provision, a contract, or otherwise, give its affiliates preference over non-affiliated competitors providing a competitive retail electric service or their customers in matters relating to any product and/or service.

(d) DP&L shall follow all tariff provisions.

(e) Except to the extent legally permitted, DP&L shall not be permitted to provide discounts, rebates, or fee waivers for any state regulated monopoly service.

(f) Violations of this code of conduct shall be enforced and subject to the disciplinary actions described in Revised Code Sections 4928.18(C) and (D).

(11) Shared representatives and employees of the DP&L shall clearly disclose upon whose behalf public representations are being made.

(12) Notwithstanding any provision contained in this code of conduct, in an emergency situation, DP&L may take actions necessary to ensure public safety and system reliability. DP&L will maintain a log of all such actions that do not comply with this code of conduct.

As part of meeting the requirements of paragraph (8) above, DP&L does not intend to engage in joint advertising or joint marketing of any kind with its affiliates supplying a competitive retail electric service or directly promote or market any product or service offered by any such affiliate, except as authorized by state statute and pursuant to its Commission-approved Second Amended Corporate Separation Plan. DP&L generation affiliate and other non-EDU affiliates will not trade upon, promote, or advertise their affiliate relationship with DP&L, nor will DP&L allow the name "The Dayton Power and Light Company" or the logo shown on Exhibit 2 to be used by an affiliate in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where DP&L's name or logo is mentioned, that: (i) the affiliate is not the same company as DP&L; (ii) the affiliate is not regulated by the Commission; and (iii) the customer does not have to buy the affiliate's products in order to continue to receive quality, regulated service from DP&L. The application of the name/logo disclaimer is limited to the use of the name or logo in Ohio.

F. Cost Allocation Manual

In order to help ensure that anticompetitive cross-subsidization does not occur between DP&L and its affiliates and business units providing any competitive retail electric service or any product or service other than retail electric service, DP&L or its business unit will maintain a Cost Allocation Manual as required by OAC 4901:1-37-08. With respect to any asset, product or service provided or transferred by an affiliate or business unit to DP&L, or by DP&L to an affiliate or business unit, the affiliate or business unit providing or receiving the same shall submit to DP&L for inclusion in the Cost Allocation Manual, and DP&L shall maintain in the Cost Allocation Manual, information documenting the allocation of costs between the affiliate or

business unit and DP&L. The Cost Allocation Manual will include the methods to be used for allocating costs and transferring assets between DP&L and its affiliates and business units, which costs will be based on "fully allocated costs" as required by corporate separation rule OAC 4901:1-37-04(B) and will be traceable to the books of the applicable corporate entity providing such product or service or making such transfer.

In addition to this information, the Cost Allocation Manual will include the following:

(a) An organization chart of DPL Inc. depicting all active affiliates, as well as a description of activities in which such affiliates are involved.

(b) A description of all assets, services and products provided to and from DP&L and its affiliates.

(c) A copy of the job description of each shared employee.

(d) Information on employees who have either transferred from DP&L to one of its affiliates or are shared between DP&L and such affiliate, including a copy of all transferred employees' previous and new job descriptions and a list of names and job summaries for shared consultants and shared independent contractors.

(e) A log of all complaints made to DP&L regarding corporate separation.

(f) Minutes of each DP&L board of directors meeting.

DP&L and its affiliates and business units will maintain all affiliate transaction information and the DP&L board of directors minutes in the Cost Allocation Manual for not less than three years. As required by the corporate separation rules, the initial version of the revised Cost Allocation Manual will be made available to the Commission's Staff for review. Upon approval of this Second Amended Corporate Separation Plan, DP&L will send to the Director of the Utilities Department of the Commission (or their designee) a summary every twelve months of any significant changes made in the Cost Allocation Manual during such twelve-month

period. Pursuant to corporate separation rule OAC 4901:1-37-08(I), DP&L designates the general counsel of DP&L or his designee to act as a contact person for the Commission's Staff when seeking data regarding affiliate and business unit transactions, personnel transfers and sharing of employees. DP&L may change this designation at any time, and will promptly notify the Commission of any change.

G. Complaint Procedures

All complaints received by DP&L with respect to compliance with the corporate separation rules will be referred to the legal counsel of DP&L or his designee. If and to the extent that the complaint provides basic information sufficient to enable the legal counsel or his designee to do so, the legal counsel or his designee will acknowledge the complaint within five business days of its receipt and will thereafter prepare a written statement of the complaint, containing the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved and the specific claim. The legal counsel or his designee will communicate the results of any preliminary investigation made by legal counsel or his or her designee to the complainant in writing in not less than 30 days after the complaint has been received, including a description of any course of action taken. The legal counsel or his designee will also keep a file to be placed in the Cost Allocation Manual of any complaint statements for a period of not less than three years. This complaint procedure will not in any way limit the rights of a party to file a complaint with the Commission.

H. Access to Books and Records

DP&L will comply with legally enacted corporate separation rules relating to Commission and Staff access to, and review of, books and records of DP&L and its affiliates.

I. Effective Date

The above plan provisions will become effective beginning April 1, 2009.

III. IMPLEMENTATION OF AMENDED CORPORATE SEPARATION PLAN

A. Corporate Reorganization

1. Transfer of Businesses and Assets to Separate Corporate Entities

DP&L has (i) previously transferred some of its generating assets and some of its retail generation service business to one or more fully separated affiliates or business units or (ii) functionally separated its retail generation business from its non-competitive retail electric service under DP&L. Both the fully separated retail electric affiliate and DP&L are wholly-owned by DPL Inc.

Organization charts showing how DPL Inc. and its affiliates are organized are attached as Exhibits 1.

2. Functional Separation

DP&L's various operations have been functionally separated for a number of years. Functional separation is used where legal separation is not feasible or unnecessary. The obstacles to legal separation are described below.

3. Indenture and Related Issues

Substantially all of the assets of DP&L, including its electric generating assets and transmission and distribution assets, are subject to, and encumbered by, the first mortgage lien of the indenture pursuant to which DP&L's outstanding first mortgage bonds were issued. The controlling indenture was drafted in the 1930's and did not contemplate or include provisions

readily enabling DP&L to redeploy its assets as required by, or desirable in connection with, the deregulation of the electric utility industry. As a result, a large number of complex indenture-related issues would have to be analyzed and resolved for DP&L to permit the transfer of the electric generating assets.

B. Sharing of Employees, Facilities and Services

Shared employees, facilities and services are accounted for according to the time or use they provide to each entity.

The transmission service business unit of DP&L is administered entirely through the PJM Interconnection.

As described in Subsection III.A.1., DPL Inc. currently has a number of wholly-owned subsidiaries that provide services or facilities to DP&L and its affiliates. It is anticipated that these subsidiaries will continue. In addition, it is possible that DPL Inc. will determine that it is economically feasible and prudent to provide additional services on a company-wide or shared basis, such as legal, accounting, auditing, finance, real estate or human resource services. Also, employees of DP&L and its affiliates currently participate in employee benefit plans that are common to one or more of such entities. For economic purposes as well as for Internal Revenue Code and ERISA compliance reasons, DPL Inc. and its subsidiaries may determine that their current employee benefit plans should continue to cover employees of DP&L and one or more of its affiliates rather than causing each entity to establish and maintain separate plans. In such event, the costs of employee benefit plans are allocated to each affiliate in proportion to the number of employees covered by each such plan or, if not allocable on such basis, in accordance with the other rules for allocating these costs among affiliates as described in the Cost Allocation

Manual. In the event that separation of such plans becomes economically feasible and prudent, DP&L and the other subsidiaries of DPL Inc. may establish and maintain separate employee benefit plans.

Any of the above described services (or any other services) which are provided by DP&L to an affiliate or by an affiliate to DP&L will be properly described in the Cost Allocation Manual, and the cost of such services shall be allocated pursuant to the methods of allocation described in the Cost Allocation Manual.

C. Employee Education and Training

To maintain employee awareness of the requirements in this Second Amended Corporate Separation Plan, including, without limitation, the Code of Conduct provisions and the Cost Allocation Manual requirements, DP&L routinely trains its employees on the subject. This training is either provided live or via a web-based program. The program describes the Second Amended Corporate Separation Plan (and how the plan affects each employee in light of his or her job description and the specific company for which the employee works or will be working), the provisions of the Code of Conduct to be followed by the employees, the appropriate documentation to be forwarded to DP&L to be included in the Cost Allocation Manual and when such documentation should be forwarded, the complaint procedure and the methods for bringing complaints and violations to the attention of the appropriate party. The compliance procedure (described below) and penalties and consequences with respect to the failure of an employee or an affiliate to comply with the Second Amended Corporate Separation Plan or the Code of Conduct will also be explained at these sessions. The employees will also be advised of the

penalties to which DP&L will be subject in the event of a failure to comply. Once the Second Amended Corporate Separation plan is approved, DP&L will implement the Employee Education Plan as set forth in Exhibit 4.

D. Compliance Procedure

To ensure that its Second Amended Corporate Separation Plan is implemented properly by DP&L and its affiliates, DP&L will implement the following compliance monitoring procedures and plans for corrective action:

(1) After training, each employee of DP&L or its affiliates will be required to acknowledge participation in the training.

(2) DP&L will designate an individual to whom employees may report possible violations of the Code of Conduct and other failures to comply with the Amended Corporate Separation Plan.

(3) Possible violations and other failures will be reported to the person designated to accept notice of same, who will investigate such matters, prepare a report and, if appropriate, a course of recommended action and report to management. DP&L and the relevant affiliate will take reasonable steps necessary to remedy such violation.

(4) Failure to observe the limitations described in the Code of Conduct with regard to the use of non-public DP&L information will result in appropriate disciplinary action.

IV. DESCRIPTION OF COMPLIANCE WITH COMMISSION RULES FOR CORPORATE SEPARATION PLANS.

In accordance with Corporate Separation Rule OAC 4901:1-37-05(B)(12), DP&L lists below each corporate separation rule and a description of how DP&L will comply with that rule:

Corporate Separation Rule OAC 4901:1-37-04(A)(2) – Each electric utility and its affiliate that provide services to customers within the electric utility's service territory shall not share facilities and services if such sharing in any way violates paragraph (D) of this rule.

> As described in Section II.B., any sharing of facilities or services by DP&L with any of its affiliates will be subject to the Code of Conduct restrictions and Cost Allocation Manual requirements.

Corporate Separation Rule OAC 4901:1-37-04(B) - Each electric utility and its affiliates shall maintain, in accordance with generally accepted accounting principles, an applicable uniform system of accounts, books, records and accounts that are separate from the books, records and accounts of its affiliates.

> As described in Section II.C., DP&L and each of its affiliates will maintain separate books, records and accounts in accordance with the provisions of this rule.

Corporate Separation Rule OAC 4901:1-37-04(C)(1) – Unless otherwise approved by the Commission, the financial arrangements of an electric utility are subject to the following restrictions: Any indebtedness incurred by an affiliate shall be without recourse to the electric utility.

> As described in Subsection II.D.1., any indebtedness incurred by an affiliate of DP&L will be without recourse to DP&L.

Corporate Separation Rule OAC 4901:1-37-04(C)(2) – Unless otherwise approved by the Commission, the financial arrangements of an electric utility are subject to the following restrictions: an electric utility shall not enter into any agreement with terms under which the electric utility is obligated to commit funds to maintain the financial viability of an affiliate.

As described in Subsection II.D.2., DP&L will not enter into any agreement with terms under which it is obligated to commit funds to maintain the financial viability of an affiliate.

Corporate Separation Rule OAC 4901:1-37-04(C)(3) - An electric utility shall not make any investment in an affiliate under any circumstances in which the electric utility would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions of an affiliate.

As described in Subsection II.D.3., DP&L will not make any investment in an affiliate under any circumstances in which DP&L would be liable for the debts and/or liabilities of such affiliate incurred as a result of actions or omissions of such affiliate.

Corporate Separation Rule OAC 4901:1-37-04(C)(4) - An electric utility shall not issue any security for the purpose of financing the acquisition, ownership or operation of an affiliate.

As described in Subsection II.D.4., DP&L will not issue any security for the purpose of financing the acquisition, ownership or operation of any of its affiliates.

Corporate Separation Rule OAC 4901:1-37-04(C)(5) - An electric utility shall not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of an affiliate.

As described in Subsection II.D.5., DP&L will not assume any obligation or liability as a guarantor, endorser, surety or otherwise with respect to any security of any of its affiliates.

Corporate Separation Rule OAC 4901:1-37-04(C)(6) - An electric utility shall not pledge, mortgage, or use as collateral, any assets of the electric utility for the benefit of an affiliate.

As described in Subsection II.D.6., DP&L will not pledge, mortgage or use as collateral, any assets of DP&L for the benefit of any of its affiliates.

Corporate Separation Rule OAC 4901:1-37-04(D)(1) - The electric utility shall not release any proprietary customer information (*e.g.*, individual customer load profiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except as required by a regulatory agency or court of law.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also See Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(2) - On or after the effective date of this chapter, the electric utility shall make customer lists, which include name, address and telephone number, available on a nondiscriminatory basis to all nonaffiliated and affiliated certified retail electric service providers transacting business in its service territory, unless otherwise directed by the customer. This provision does not apply to customer-specific information, obtained with proper authorization, necessary to fulfill the terms of a contract, or information relating to the provision of general and administrative support services.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(3) - Employees of the electric utility's affiliates shall not have access to any information about the electric utility's transmission or distribution systems (*e.g.*, system operations, capability, price, curtailments and ancillary services), that is not contemporaneously and in the same form and manner available to a nonaffiliated competitor of retail electric service.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(4) – An electric utility shall treat as confidential all information obtained from a competitive retail electric service provider, both affiliated and non-affiliated, and shall not release such information unless a competitive retail electric service provider provides authorization to do so or unless the information was thereafter becomes available to the public other than as a result of disclosure by the utility.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(5) - The electric utility shall not tie (nor allow an affiliate to tie)or otherwise condition the provision of the electric utility's regulated services, discounts, rebates, fee waivers, or any other waivers of the electric utility's ordinary terms and conditions of service, including but not limited to tariff provisions, to the taking of any goods and/or services from the electric utility's affiliates.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(6) – The electric utility shall ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(7) - The electric utility, upon request from a customer, shall provide a complete list of all competitive retail electric service providers operating on the system, but shall not endorse any competitive retail electric service providers or

indicate that any competitive retail electric service providers will receive preference because of an affiliate relationship.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(8) – The electric utility shall ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(9) – Employees of the electric utility shall not indicate a preference for an affiliated electric services company.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(10) - The electric utility shall provide comparable access to products and services related to tariffed products and services and specifically comply with the following:

Corporate Separation Rule OAC 4901:1-37-04(D)(10)(a) - An electric utility shall be prohibited from unduly discriminating in the offering of its products and/or services.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule 4901:1-37-04(D)(10)(b) - The electric utility shall apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or non-affiliation.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(10)(c) - The electric utility shall not, through a tariff provision, a contract, or otherwise, give its affiliates preference over nonaffiliated competitors of retail electric service or their customers in matters relating to any product and/or service.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(10)(d) - The electric utility shall strictly follow all tariff provisions.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(10)(e) - Except to the extent allowed by state law, the electric utility shall not be permitted to provide discounts, rebates, or fee waivers for any state regulated monopoly service.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule 4901:1-37-04(D)(11) – Shared representatives or shared employees of the electric utility and affiliated electric services company shall clearly disclose upon whose behalf their public representations are being made.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(E)(1) and (2) – Notwithstanding the foregoing, in a declared emergency situation, an electric utility may take actions necessary to ensure public safety and system reliability. The electric utility shall maintain a log of all such actions that do

not comply with this chapter and such log shall be subject to review by the Commission and its staff.

> See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-05(B)(8) - A description and timeline of all planned education and training, throughout the holding company structure, to ensure that electric utility and affiliate employees know and can implement the policies and procedures of this rule.

> As described in Section III.C., DP&L has instituted an education and training program to familiarize the employees of DP&L and its affiliates with the requirements of the Amended Corporate Separation Plan. Information will be maintained on the Company website. See Exhibit 4.

Corporate Separation Rule OAC 4901:1-37-05(B)(9) - A copy of a policy statement to be signed by electric utility and affiliate employees who have access to any nonpublic electric utility information, which indicates that they are aware of, have read, and will follow all policies and procedures regarding limitation on the use of nonpublic electric utility information. The statement will include a provision stating that failure to observe these limitations will result in appropriate disciplinary action.

> See Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-05(B)(10) - A description of the internal compliance monitoring procedures and the methods for corrective action for compliance.

See Section III.D.

Corporate Separation Rule OAC 4901:1-37-05(B)(14)(a)-(f) - The electric utility shall establish a complaint procedure for the issues concerning compliance with this chapter, which at minimum shall include the following: All complaints, whether written or verbal, shall be referred to the

legal counsel of the utility or their designee. The legal counsel shall orally acknowledge the complaint within five working days of its receipt. The legal counsel shall prepare a written statement of the complaint that shall contain the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved, and the specific claim. The legal counsel shall communicate the results of the preliminary investigation to the complainant in writing within thirty days after the complaint was received, including a description of any course of action that was taken. The legal counsel shall keep a file in the CAM of all such complaint statements for a period of not less than three years. This complaint procedure shall not in any way limit the rights of a party to file a complaint with the Commission.

> As described in Section II.G. above, DP&L will establish a complaint procedure concerning compliance with the corporate separation rules. Such procedure will follow those described by this rule.

Corporate Separation Rule OAC 4901:1-37-07(A) – The electric utility shall maintain records sufficient to demonstrate compliance with this chapter, and shall produce, upon request of staff, all books, accounts, and/or other pertinent records kept by an electric utility or its affiliates as they may relate to the businesses for which corporate separation is required under Section 4928.17 of the Revised Code, including those required under section 4928.145 of the Revised Code.

> As described in Section II.H. above, DP&L will comply with the corporate separation rules relating to the examination of books and pertinent records.

Corporate Separation Rule OAC 4901:1-37-07(B) - The staff may investigate such electric utility and/or affiliate operations and the interrelationship of those operations at the staff's discretion.

In addition, the employees and officers of the electric utility and its affiliates shall be made available for informational interviews, at a mutually agreed time and place, as required by the staff to ensure proper separations are being followed.

> As described in Section II.H. above, DP&L will comply with the corporate separation rules relating to investigating DP&L and will make available its employees and officers for informational interviews.

Corporate Separation Rule OAC 4901:1-37-07(C) - If such employees, officers, books and records cannot be reasonably made available to the staff in the state of Ohio, then upon request of the staff, the appropriate electric utility or affiliate shall reimburse the Commission for reasonable travel expenses incurred.

> Section II.H. above.

Corporate Separation Rule OAC 4901:1-37-08(A) - Each electric utility that receives products and/or services from an affiliate and/or that provides products and/or services to an affiliate shall maintain information in the CAM, documenting how costs are allocated between the electric utility and affiliates and the regulated and nonregulated operations.

> See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(B) - The CAM will be maintained by the electric utility.

> See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(C) - The CAM is intended to ensure the Commission that no cross-subsidization is occurring between the electric utility and its affiliates.

> See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D) - The CAM will include:

Corporate Separation Rule OAC 4901:1-37-08(D)(1) - An organization chart of the holding company, depicting all affiliates, as well as a description of activities in which the affiliates are involved.

> See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D)(2) - A description of all assets, services and products provided to and from the electric utility and its affiliates.

> See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D)(3) - All documentation including written agreements, accounting bulletins, procedures, work order manuals, or related documents, which govern how costs are allocated between affiliates.

> See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D)(4), (5) and (6) – A copy of the job description of each shared employee. A list of names and job summaries for shared consultants and shared independent contractors. A copy of all transferred employees' (from the electric utility to an affiliate or vice versa) previous and new job descriptions.

> See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D)(7) - A log of all complaints brought to the utility regarding this rule.

> See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D)(8) – A copy of the minutes of each board of directors meeting, where it shall be maintained for a minimum of three years.

> See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(E) - The method for charging costs and transferring assets shall be based on fully allocated costs.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(F) - The costs should be traceable to the books of the applicable corporate entity.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(G) - The electric utility and affiliates shall maintain all underlying affiliate transaction information for a minimum of three years.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(H) - Following approval of a corporate separation plan, an electric utility shall provide the director of the utilities department (or their designee) with a summary of any changes in the CAM at least every twelve months.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(I) - The compliance officer designated by the electric utility will act as a contact for the staff when staff seeks data regarding affiliate transactions, personnel transfers, and the sharing of employees.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

V. SELECTED DP&L ASSETS

DPL Inc., through its subsidiaries, DP&L and DPL Energy LLC (DPLE), own peaking units that provide supplementary power during times when electric consumption is peaking. DP&L owns Tait Units 1, 2 and 3 as well some diesel peaking units scattered throughout the Dayton metropolitan area. DPLE owns Tait Units 4-7, which are located adjacent to Tait Units 1-3 and a peaking station in Montpelier, Indiana. Although the DP&L diesel peaking units are

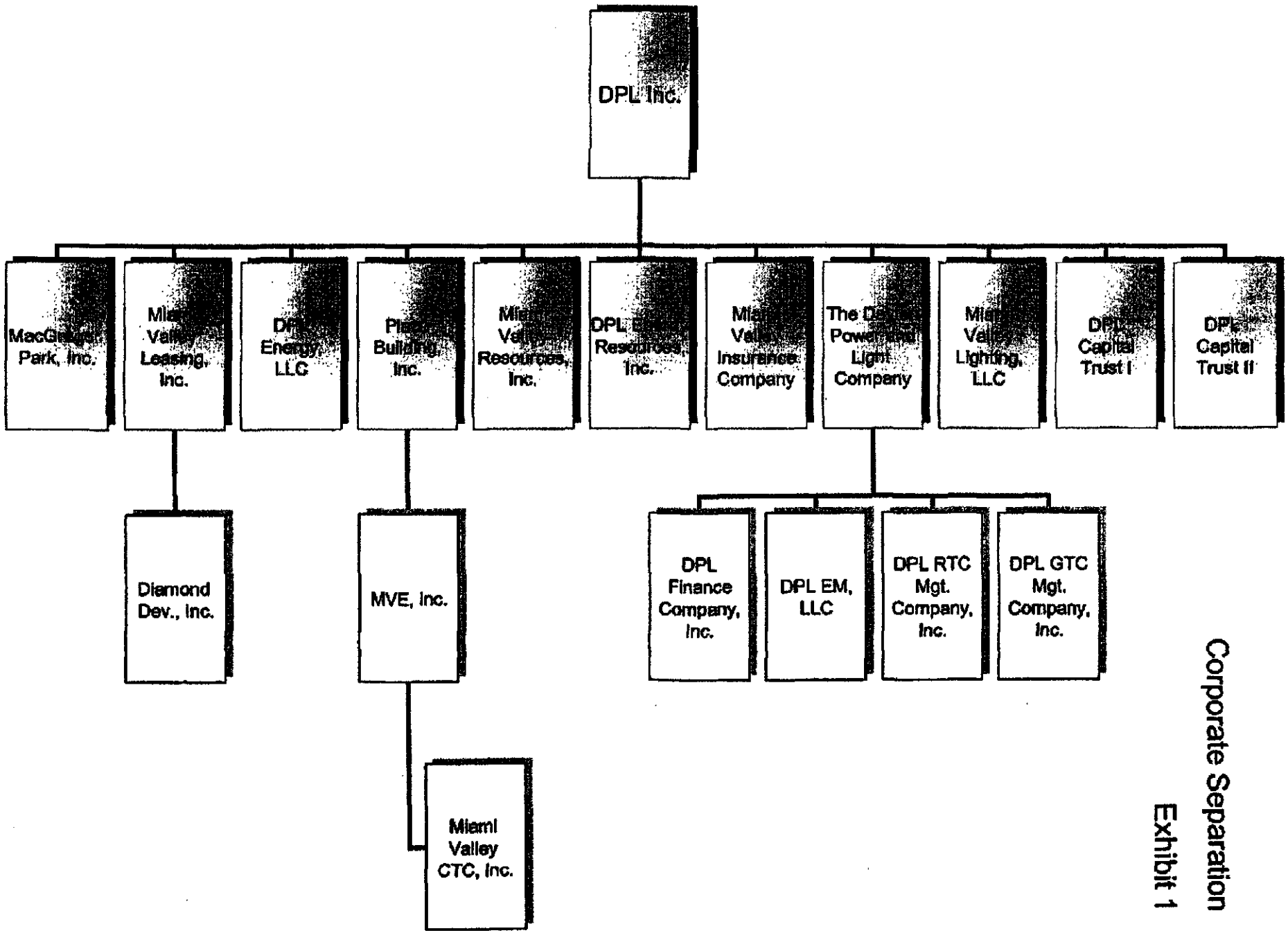
currently in rate base, Tait Units 1-3 were constructed after DP&L's last formal rate case, so DP&L is not currently earning a return on this investment. In turn, DPLE's Tait Units 4-7 and Montpelier are not regulated assets and cannot receive rate base recovery. Under S.B. 221 and associated rules, DP&L cannot include those generating assets constructed after its last rate case (i.e. Tait Units 1-3) in rate base, but is permitted to potentially earn a return on new generating unit construction. Currently, both DP&L and DPLE sell their power through PJM. DP&L intends to transfer Tait Units 1-3 to its unregulated affiliate, DPLE.

DP&L also intends to transfer its 4.9% ownership in the Ohio Valley Electric Corporation ("OVEC"), a company created in 1952 by several utilities in the region to provide power to a uranium enrichment facility near Portsmouth, Ohio for the Atomic Energy Commission ("AEC" n.k.a. the United States Department of Energy). OVEC signed a power agreement with the AEC, which provided for excess energy sales to the utilities that created OVEC that were not otherwise used by the AEC. That power agreement between OVEC and AEC was terminated in April 2003, making the entire output of OVEC available to the owner-utilities in proportion to their respective ownership interest. DP&L's investment in OVEC has not been and is not currently in DP&L's rate base. DP&L intends to transfer its ownership and contractual rights in OVEC to its unregulated affiliate, DPLE.

VI. SPECIAL CUSTOMER SERVICES

As a part of S. B. 221, the General Assembly approved amendments to Revised Code Section 4905.31. As amended, this statute grants to public utilities the authority to enter into reasonable arrangements both with other public utilities and with its customers for both the

provision of electric services (such as time-of-use rates or some other classification of electric service) or "any other financial device that may be practicable or advantageous to the parties interested." Any such schedule or arrangement must be filed, approved by and subject to the continuing supervision and regulation of the Commission. Accordingly, DP&L proposes to insert a new tariff provision to cover certain "special customer services" that can be provided by DP&L employees at the request of the customer. These "special customer services" include, but are not limited to, the following: performing maintenance of customer electrical facilities; providing upgrades or increases to an existing service connection at the customer's request; locating underground cables on the customer's premises; making a generator available to a customer during construction to avoid an outage. To ensure that customers realize that other vendors can perform these services, DP&L's tariff will state that no approved special services may be provided to a customer until DP&L first notifies the customer that other suppliers may provide this same service. The rates for any special service shall be negotiated with the customer but in no case will such special services be provided at less than on a fully-allocated cost basis. DP&L's proposed tariff will also state that any approved special services can be provided only, if their provision does not unduly interfere with DP&L's obligation to serve its customers.



Corporate Separation

Exhibit 1

DPL Inc. (Parent)	Holding Company
MacGregor Park, Inc.	Owns and operates DPL's headquarters property at MacGregor Park.
Miami Valley Leasing, Inc.	Owns real estate, leases equipment, and owns an interest in a partnership, CTC of Dayton Partnership No. 1, which formerly provided transportation services to DPL Inc. and its subsidiaries.
Diamond Development, Inc.	Acquires and sells real estate interest for DPL Inc. and its subsidiaries.
DPL Energy, LLC	Operates peaking generation facilities and markets wholesale electric
Plaza Building, Inc.	Owns all of the outstanding stock of MVE, Inc. Does no business.
MVE, Inc.	Formerly responsible for the management of the Company's financial asset portfolio. Does no business
Miami Valley CTC, Inc.	Owns an interest in a general partnership, CTC of Dayton Partnership No. 1, which formerly provided transportation services to DPL Inc. and its subsidiaries.
Miami Valley Resources, Inc.	Formerly a retail natural gas supplier, it now performs natural gas supply management for DPL Energy and the electric peaking plants
DPL Energy Resources Inc.	Markets retail electric service in DP&L's West Central Ohio service territory.
Miami Valley Insurance Company	Provides insurance to DPL Inc. and its subsidiaries. MVIC is incorporated in the State of Vermont.
The Dayton Power and Light Company	Electric Company
DPL Finance Company, Inc.	Provides financing opportunities to affiliated companies. DPL finance Company, Inc. is incorporated in the State of Delaware.
DPL E M, LLC	Set up to own and manage utility emission credits. Does no business.
DPL RTC Mgt. Company, Inc.	Formerly owned and managed DP&L's regulatory transition fees, which were authorized by the PUCO in 2000 as part of deregulation. Does no business.
DPL GTC Mgt. Company, Inc.	Formerly owned and managed DP&L's

	customer transition fees, which were authorized by the PUCO in 2000 as part of deregulation. Does no business
Miami Valley Lighting, LLC	Operates a street and private lighting business in DP&L's West Central Ohio electric service territory.
DPL Capital Trust I	Issued and sold securities under an Amended and Restated Declaration of Trust dated 3/13/00. DPL Capital Trust I is a Delaware business trust. Does no business.
DPL Capital Trust II	Issued and sold securities under an Amended and Restated Declaration of Trust dated 8/31/01. DPL Capital Trust II is a Delaware business trust.

Corporate Separation
Exhibit 2

DP&L Logo

DP&L

POLICY STATEMENT

The undersigned has been made aware of, has read and will follow each of the policies and procedures regarding limitations and restrictions on the use of non-public information of The Dayton Power and Light Company ("DP&L") and its affiliates as contained in the Code of Conduct adopted by DP&L and each of its affiliates as part of DP&L's Second Amended Corporate Separation Plan filed with the Public Utilities Commission of Ohio. The undersigned acknowledges that failure by the undersigned to observe these limitations and restrictions will result in appropriate disciplinary action taken against the undersigned.

The undersigned has also been informed that the Cost Allocation Manual requires employees, as part of the Second Amended Corporate Separation Plan, to account for their time so that the appropriate costs and expenses can be reported and correctly accounted for. The undersigned has been given the opportunity to ask questions regarding the Code of Conduct and Cost Allocation Manual and understands the compliance program included therein, including the appropriate method in which complaints are to be handled and the appropriate persons to whom possible violations should be reported. The undersigned has attended one or more training sessions offered by DP&L with regard to the implementation and operation of the Second Amended Corporate Separation Plan.

_____
Signature

_____
Printed Name

Date: _____

IEU 28

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(x) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2012**

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-9052	**DPL INC.** (An Ohio Corporation) 1065 Woodman Drive Dayton, Ohio 45432 937-224-6000	**31-1163136**
1-2385	**THE DAYTON POWER AND LIGHT COMPANY** (An Ohio Corporation) 1065 Woodman Drive Dayton, Ohio 45432 937-224-6000	**31-0258470**

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

DPL Inc.	Yes [ ]	No [X]
The Dayton Power and Light Company	Yes [ ]	No [X]

(The Dayton Power and Light Company is a voluntary filer that has filed all applicable reports under Section 13 or 15(d) of the Securities Exchange Act of 1934 in the preceding 12 months. On September 10, 2012, DPL Inc.'s Registration Statement on form S-4 was declared effective, and thus DPL Inc. is now required to file reports pursuant to Section 15(d); however, DPL Inc. has not been subject to such filing requirement for the past 90 days.)

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

DPL Inc.	Yes [X]	No [ ]
The Dayton Power and Light Company	Yes [X]	No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
DPL Inc.	[ ]	[ ]	[X]	[ ]
The Dayton Power and Light Company	[ ]	[ ]	[X]	[ ]

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

DPL Inc.	Yes [ ]	No [X]
The Dayton Power and Light Company	Yes [ ]	No [X]

All of the outstanding common stock of DPL Inc. is indirectly owned by The AES Corporation. All of the common stock of The Dayton Power and Light Company is owned by DPL Inc.

As of September 30, 2012, each registrant had the following shares of common stock outstanding:

Registrant	Description	Shares Outstanding
DPL Inc.	**Common Stock, no par value**	**1**
The Dayton Power and Light Company	**Common Stock, $0.01 par value**	**41,172,173**

Documents incorporated by reference: **None**

This combined Form 10-Q is separately filed by DPL Inc. and The Dayton Power and Light Company. Information contained herein relating to any individual registrant is filed by such registrant

on its own behalf. Each registrant makes no representation as to information relating to a registrant other than itself.

DPL Inc. and The Dayton Power and Light Company

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GLOSSARY OF TERMS

The following select abbreviations or acronyms are used in this Form 10-Q:

Abbreviation or Acronym	Definition
AES	The AES Corporation, a global power company, the ultimate parent compa **DPL**
AMI	Advanced Metering Infrastructure
AOCI	Accumulated Other Comprehensive Income
ARO	Asset Retirement Obligation
ASU	Accounting Standards Update
CFTC	Commodity Futures Trading Commission
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CSAPR	Cross-State Air Pollution Rule
CSP	Columbus Southern Power Company, a subsidiary of American Electric P Company, Inc. ("AEP"). Columbus Southern Power Company merged i the Ohio Power Company, another subsidiary of AEP, effective Decemb 31, 2011
CO_2	Carbon Dioxide
CCEM	Customer Conservation and Energy Management
CRES	Competitive Retail Electric Service
DPL	DPL Inc.
DPLE	DPL Energy, LLC, a wholly owned subsidiary of **DPL** that owns and oper peaking generation facilities from which it makes wholesale sales
DPLER	DPL Energy Resources, Inc., a wholly owned subsidiary of **DPL** which se competitive electric energy and other energy services
DP&L	The Dayton Power and Light Company, the principal subsidiary of **DPL** a public utility which sells electricity to residential, commercial, industrial governmental customers in a 6,000 square mile area of West Central Oh
Duke Energy	Duke Energy Ohio, Inc., formerly The Cincinnati Gas & Electric Company (CG&E)
EIR	Environmental Investment Rider
EPS	Earnings Per Share

ESOP	Employee Stock Ownership Plan
ESP	Electric Security Plans, filed with the PUCO, pursuant to Ohio law
ESP Stipulation	A Stipulation and Recommendation filed by **DP&L** with the PUCO on February 24, 2009 regarding **DP&L's** ESP filing pursuant to SB 221. T Stipulation was signed by the Staff of the PUCO, the Office of the Ohio Consumers' Counsel and various intervening parties. The PUCO approv the Stipulation on June 24, 2009.
FASB	Financial Accounting Standards Board
FASC	FASB Accounting Standards Codification
FASC 805	FASB Accounting Standards Codification 805, "Business Combinations"

GLOSSARY OF TERMS (cont.)

Abbreviation or Acronym	Definition
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
Form 10-K	**DPL's** and **DP&L's** combined Annual Report on Form 10-K/A for the fisc year ending December 31, 2011, which was filed on March 28, 2012
FTRs	Financial Transmission Rights
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gas
IFRS	International Financial Reporting Standards
kWh	Kilowatt hours
MC Squared	MC Squared Energy Services, LLC, a retail electricity supplier wholly owr by DPLER which was purchased on February 28, 2011
Merger	The merger of **DPL** and Dolphin Sub, Inc. (a wholly owned subsidiary of A in accordance with the terms of the Merger agreement. At the Merger da Dolphin Sub, Inc. was merged into **DPL**, leaving **DPL** as the surviving company. As a result of the Merger, **DPL** became a wholly owned subsi of AES.

Merger agreement	The Agreement and Plan of Merger dated April 19, 2011 among **DPL**, The Corporation ("AES"), and Dolphin Sub, Inc., a wholly owned subsidiary AES, whereby AES agreed to acquire **DPL** for $30 per share in a cash transaction valued at approximately $3.5 billion plus the assumption of $ billion of existing debt. Upon closing, **DPL** became a wholly owned subsidiary of AES.
Merger date	November 28, 2011, the date of the closing of the merger of **DPL** and Dolp Sub, Inc., a wholly owned subsidiary of AES.
MRO	Market Rate Option, a plan available to be filed with the PUCO pursuant tc Ohio law
MTM	Mark to Market
MVIC	Miami Valley Insurance Company, a wholly owned insurance subsidiary o: **DPL** that provides insurance services to **DPL** and its subsidiaries and, in some cases, insurance services to partner companies related to jointly ow facilities operated by **DP&L**
NERC	North American Electric Reliability Corporation
Non-bypassable	Charges that are assessed to all customers regardless of whom the customei selects to supply its retail electric service
NOV	Notice of Violation
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NYMEX	New York Mercantile Exchange
OAQDA	Ohio Air Quality Development Authority
Ohio EPA	Ohio Environmental Protection Agency
OTC	Over-The-Counter
OVEC	Ohio Valley Electric Corporation, an electric generating company in which **DP&L** holds a 4.9% equity interest

Abbreviation or Acronym	Definition
PJM	PJM Interconnection, LLC, a regional transmission organization
Predecessor	**DPL** prior to November 28, 2011, the date AES acquired **DPL**
PRP	Potentially Responsible Party
PUCO	Public Utilities Commission of Ohio
RSU	Restricted Stock Units
RTO	Regional Transmission Organization
RPM	Reliability Pricing Model
SB 221	Ohio Senate Bill 221, an Ohio electric energy bill that was signed by the Governor on May 1, 2008 and went into effect July 31, 2008. This law required all Ohio distribution utilities to file either an ESP or MRO to be effect January 1, 2009. The law also contains, among other things, annua targets relating to advanced energy portfolio standards, renewable energy demand reduction and energy efficiency standards.
SCR	Selective Catalytic Reduction
SEC	Securities and Exchange Commission
SECA	Seams Elimination Charge Adjustment
SERP	Supplemental Executive Retirement Plan
SO_2	Sulfur Dioxide
SO_3	Sulfur Trioxide
SSO	Standard Service Offer which represents the regulated rates, authorized by t PUCO, charged to **DP&L** retail customers within **DP&L**'s service territo
Successor	**DPL** after its acquisition by AES
TCRR	Transmission Cost Recovery Rider
USEPA	U.S. Environmental Protection Agency
USF	Universal Service Fund
VRDN	Variable Rate Demand Note

This report includes the combined filing of **DPL** and **DP&L**. On November 28, 2011, **DPL** became a wholly owned subsidiary of AES, a global power company. Throughout this report, the terms "we," "us," "our" and "ours" are used to refer to both **DPL** and **DP&L**, respectively and altogether, unless the context indicates otherwise. Discussions or areas of this report that apply only to **DPL** or **DP&L** will clearly be noted in the section.

FORWARD-LOOKING STATEMENTS

This report includes certain "forward-looking statements" that involve many risks and uncertainties. Forward-looking statements express an expectation or belief and contain a projection, plan or assumption with regard to, among other things, our future revenues, income, expenses or capital structure. Such statements of future events or performance are not guarantees of future performance and involve estimates, assumptions and uncertainties. The words "could," "may," "predict," "anticipate," "would," "believe," "estimate," "expect," "forecast," "project," "objective," "intend," "continue," "should," "plan," and similar expressions, or the negatives thereof, are intended to identify forward-looking statements unless the context requires otherwise. These forward-looking statements are based on management's present expectations and beliefs about future events. As with any projection or forecast, these statements are inherently susceptible to uncertainty and changes in circumstances. We are under no obligation to, and expressly disclaim any obligation to, update or alter the forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

Important factors that could cause actual results to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our outlook include, but are not limited to, the following:

- abnormal or severe weather and catastrophic weather-related damage;
- unusual maintenance or repair requirements;
- changes in fuel costs and purchased power, coal, environmental emissions, natural gas and other commodity prices;
- volatility and changes in markets for electricity and other energy-related commodities;
- performance of our suppliers;
- increased competition and deregulation in the electric utility industry;
- increased competition in the retail generation market;
- changes in interest rates;
- state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, emission levels, rate structures or tax laws;
- changes in environmental laws and regulations to which **DPL** and its subsidiaries are subject;
- the development and operation of RTOs, including PJM to which **DPL's** operating subsidiary (**DP&L**) has given control of its transmission functions;
- changes in our purchasing processes, pricing, delays, contractor and supplier performance and availability;
- significant delays associated with large construction projects;
- growth in our service territory and changes in demand and demographic patterns;
- changes in accounting rules and the effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- financial market conditions;

- the outcomes of litigation and regulatory investigations, proceedings or inquiries;
- costs related to the Merger and the effects of any disruption from the Merger that may make it more difficult to maintain relationships with employees, customers, other business partners or government entities; and
- general economic conditions.

All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and many are beyond our control. See "Risk Factors" for a more detailed discussion of the foregoing and certain other factors that could cause actual results to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our outlook.

You may read and copy any document we file at the SEC's public reference room located at 100 F Street N.E., Washington, D.C. 20549, USA. Please call the SEC at (800) SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

COMPANY WEBSITES

DPL's public internet site is http://www.dplinc.com. **DP&L's** public internet site is http://www.dpandl.com. The information on these websites is not incorporated by reference into this report.

Part I – Financial Information

This report includes the combined filing of **DPL** and **DP&L**. Throughout this report, the terms "we," "us," "our" and "ours" are used to refer to both **DPL** and **DP&L**, respectively and altogether, unless the context indicates otherwise. Discussions or areas of this report that apply only to **DPL** or **DP&L** will clearly be noted in the section.

Item 1 – Financial Statements

FINANCIAL STATEMENTS

DPL INC.

DPL INC.
CONDENSED CONSOLIDATED STATEMENTS OF RESULTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
$ in millions except per share amounts	**Successor**	Predecessor	**Successor**	Predecessor
Revenues	**$ 471.7**	$ 497.6	**$ 1,287.7**	$ 1,411.5
Cost of revenues:				
Fuel	**112.7**	129.0	**279.0**	320.9
Purchased power	**90.7**	108.3	**265.8**	342.7
Amortization of intangibles	**24.2**	-	**71.2**	-
Total cost of revenues	**227.6**	237.3	**616.0**	663.6
Gross margin	**244.1**	260.3	**671.7**	747.9

Operating expenses:				
Operation and maintenance	**106.6**	92.0	**312.1**	298.2
Depreciation and amortization	**33.1**	35.8	**95.6**	106.0
General taxes	**15.7**	19.6	**58.7**	64.2
Goodwill impairment	**1,850.0**	-	**1,850.0**	-
Total operating expenses	**2,005.4**	147.4	**2,316.4**	468.4
Operating income / (loss)	**(1,761.3)**	112.9	**(1,644.7)**	279.5
Other income / (expense), net:				
Investment income	**1.9**	0.1	**2.2**	0.3
Interest expense	**(31.1)**	(16.8)	**(93.1)**	(51.3)
Charge for early redemption of debt	-	-	-	(15.3)
Other expense	**(0.2)**	(0.5)	**(1.4)**	(1.2)
Total other income / (expense), net	**(29.4)**	(17.2)	**(92.3)**	(67.5)
Earnings / (loss) before income tax	**(1,790.7)**	95.7	**(1,737.0)**	212.0
Income tax expense	**20.2**	28.6	**40.3**	69.7
Net income / (loss)	**$ (1,810.9)**	$ 67.1	**$ (1,777.3)**	$ 142.3
Average number of common shares outstanding (millions):				
Basic	**N/A**	115.0	**N/A**	114.4
Diluted	**N/A**	115.5	**N/A**	115.0
Earnings per share of common stock:				
Basic	**N/A**	$ 0.58	**N/A**	$ 1.24
Diluted	**N/A**	$ 0.58	**N/A**	$ 1.24
Dividends paid per share of common stock	**N/A**	$ 0.3325	**N/A**	$ 0.9975

See Notes to Condensed Consolidated Financial Statements.
These interim statements are unaudited.

DPL INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2012	2011	**2012**	2011
$ in millions	**Successor**	Predecessor	**Successor**	Predecessor

Net income / (loss)	$ (1,810.9)	$ 67.1	$ (1,777.3)	$ 142.3
Available-for-sale securities activity:				
Change in fair value of available-for-sale securities, net of income tax benefit / (expense) of $(0.1) and $0.2, respectively, for the three month period and $(0.3) and $0.2, respectively for the nine month period	0.2	(0.3)	0.5	(0.3)
Total change in fair value of available-for-sale securities	0.2	(0.3)	0.5	(0.3)
Derivative activity:				
Change in derivative fair value net of income tax benefit / (expense) of $(0.3) and $25.9, respectively, for the three month period and $3.4 and $30.2, respectively, for the nine month period	0.3	(48.1)	(5.5)	(59.5)
Reclassification of earnings, net of income tax benefit / (expense) of $0.0 and $(1.0), respectively, for the three month period and $0.7 and $(1.3), respectively, for the nine month period	-	1.5	(0.8)	4.1
Total change in fair value of derivatives	0.3	(46.6)	(6.3)	(55.4)
Pension and postretirement activity:				
Reclassification to earnings, net of income tax benefit / (expense) of $0.0 and $0.1, respectively, for the three month period and $0.0 and $0.7, respectively, for the nine month period	-	0.9	(0.1)	2.5
Total change in unfunded pension obligation	-	0.9	(0.1)	2.5
Other comprehensive income / (loss)	0.5	(46.0)	(5.9)	(53.2)
Net comprehensive income / (loss)	$ (1,810.4)	$ 21.1	$ (1,783.2)	$ 89.1

See Notes to Condensed Consolidated Financial Statements.
These interim statements are unaudited.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

$ in millions	Nine Months Ended September 30, 2012 Successor	2011 Predecessor
Cash flows from operating activities:		
Net income / (loss)	$ (1,777.3)	$ 142.3
Adjustments to reconcile Net income to Net cash provided by operating activities:		
Depreciation and amortization	95.6	106.0
Amortization of intangibles	71.2	-
Amortization of debt market value adjustments	(14.2)	-
Deferred income taxes	(10.5)	70.5
Charge for early redemption of debt	-	15.3
Goodwill impairment	1,850.0	-
Recognition of deferred SECA revenue	(17.8)	-
Changes in certain assets and liabilities:		
Accounts receivable	(10.2)	21.1
Inventories	29.5	(9.1)
Prepaid taxes	0.6	(27.0)
Taxes applicable to subsequent years	59.9	47.7
Deferred regulatory costs, net	2.7	7.9
Accounts payable	(16.7)	(13.4)
Accrued taxes payable	(49.4)	(58.2)
Accrued interest payable	25.2	(3.1)
Pension, retiree and other benefits	24.4	(31.7)
Unamortized investment tax credit	(0.2)	(2.1)
Insurance and claims costs	(1.3)	4.1
Other	(11.8)	3.6
Net cash provided by operating activities	249.7	273.9
Cash flows from investing activities:		
Capital expenditures	(163.1)	(141.3)
Purchase of MC Squared	-	(8.3)
Increase in restricted cash	(0.4)	(9.1)
Purchases of short-term investments and securities	-	(1.7)
Sales of short-term investments and securities	-	70.9
Other	-	1.5
Net cash from investing activities	(163.5)	(88.0)

DPL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

$ in millions	Nine Months Ended September 30, 2012 Successor	2011 Predecessor

Net cash from financing activities:		
Dividends paid on common stock	**(45.0)**	(113.8)
Contributions to additional paid-in capital from parent	**0.3**	-
Payment to former warrant holders	**(9.0)**	-
Deferred finance costs	**(0.3)**	-
Issuance of long-term debt	-	300.0
Retirement of long-term debt	**(0.1)**	(297.4)
Early redemption of Capital Trust II debt	-	(122.0)
Premium paid for early redemption of debt	-	(12.2)
Payment of MC Squared debt	-	(13.5)
Withdrawals from revolving credit facilities	-	50.0
Repayment of borrowing from revolving credit facilities	-	(50.0)
Exercise of stock options	-	1.6
Exercise of warrants	-	14.7
Tax impact related to exercise of stock options	-	0.3
Net cash from financing activities	**(54.1)**	(242.3)
Cash and cash equivalents:		
Net change	**32.1**	(56.4)
Balance at beginning of period	**173.5**	124.0
Cash and cash equivalents at end of period	**$ 205.6**	$ 67.6
Supplemental cash flow information:		
Interest paid, net of amounts capitalized	**$ 78.1**	$ 49.4
Income taxes paid, net	**$ 43.0**	$ 25.5
Non-cash financing and investing activities:		
Accruals for capital expenditures	**$ 12.5**	$ 14.8
Long-term liability incurred for purchase of plant assets	**$ -**	$ 18.7

See Notes to Condensed Consolidated Financial Statements.
These interim statements are unaudited.

DPL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

$ in millions	At September 30, 2012	At December 31, 2011
	Successor	
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 205.6**	$ 173.5

Restricted cash	**22.6**	22.2
Accounts receivable, net (Note 3)	**233.0**	219.1
Inventories (Note 3)	**96.3**	125.8
Taxes applicable to subsequent years	**16.6**	76.5
Regulatory assets, current (Note 4)	**21.8**	20.8
Other prepayments and current assets	**26.4**	30.4
Total current assets	**622.3**	668.3
Property, plant & equipment:		
Property, plant & equipment	**2,629.1**	2,360.3
Less: Accumulated depreciation and amortization	**(173.8)**	(7.5)
	2,455.3	2,352.8
Construction work in process	**100.1**	152.3
Total net property, plant & equipment	**2,555.4**	2,505.1
Other noncurrent assets:		
Regulatory assets, non-current (Note 4)	**181.3**	193.2
Goodwill	**726.3**	2,576.3
Intangible assets, net of amortization	**75.0**	142.4
Other deferred assets	**33.9**	51.9
Total other noncurrent assets	**1,016.5**	2,963.8
Total assets	**$ 4,194.2**	$ 6,137.2

See Notes to Condensed Consolidated Financial Statements.
These interim statements are unaudited.

DPL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

$ in millions	At September 30, 2012	At December 31, 2011
	Successor	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion - long-term debt (Note 6)	**$ 0.4**	$ 0.4
Accounts payable	**78.6**	111.1

Accrued taxes	**88.9**	63.2
Accrued interest	**55.7**	30.2
Customer security deposits	**15.9**	15.9
Regulatory liabilities, current (Note 4)	**-**	0.5
Dividends payable	**25.0**	-
Insurance and claims costs	**12.9**	14.2
Other current liabilities	**68.9**	68.4
Total current liabilities	**346.3**	303.9
Noncurrent liabilities:		
Long-term debt (Note 6)	**2,614.5**	2,628.9
Deferred taxes (Note 7)	**523.3**	542.4
Taxes payable	**24.5**	96.9
Regulatory liabilities, non-current (Note4)	**117.5**	118.6
Pension, retiree and other benefits	**55.7**	47.5
Derivative liability	**41.1**	46.1
Unamortized investment tax credit	**3.4**	3.6
Other deferred credits	**73.3**	100.2
Total noncurrent liabilities	**3,453.3**	3,584.2
Redeemable preferred stock of subsidiary	**18.4**	18.4
Commitments and contingencies (Note 13)		
Common shareholder's equity:		
Common stock:		
1,500 shares authorized; 1 share issued and outstanding at September 30, 2012 and December 31, 2011		
Other paid-in capital	**2,235.9**	2,237.3
Accumulated other comprehensive loss	**(6.3)**	(0.4)
Retained deficit	**(1,853.4)**	(6.2)
Total common shareholder's equity	**376.2**	2,230.7
Total liabilities and shareholder's equity	**$ 4,194.2**	$ 6,137.2

See Notes to Condensed Consolidated Financial Statements.
These interim statements are unaudited.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Overview and Summary of Significant Accounting Policies

Description of Business
DPL is a diversified regional energy company organized in 1985 under the laws of Ohio. **DPL**'s two reportable segments are the Utility segment, comprised of its **DP&L** subsidiary, and the Competitive

Retail segment, comprised of its DPLER operations, which include the operations of DPLER's wholly owned subsidiary MC Squared. Refer to Note 14 for more information relating to these reportable segments.

On November 28, 2011, **DPL** was acquired by AES in the Merger and **DPL** became a wholly owned subsidiary of AES. See Note 2.

DP&L is a public utility incorporated in 1911 under the laws of Ohio. **DP&L** is engaged in the generation, transmission, distribution and sale of electricity to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio. Electricity for **DP&L's** 24 county service area is primarily generated at eight coal-fired power plants and is distributed to more than 500,000 retail customers. Principal industries served include automotive, food processing, paper, plastic manufacturing and defense.

DP&L's sales reflect the general economic conditions and seasonal weather patterns of the area. **DP&L** sells any excess energy and capacity into the wholesale market.

DPLER sells competitive retail electric service, under contract, to residential, commercial and industrial customers. DPLER's operations include those of its wholly owned subsidiary, MC Squared, which was acquired on February 28, 2011. DPLER has approximately 175,000 customers currently located throughout Ohio and Illinois. DPLER does not own any transmission or generation assets, and all of DPLER's electric energy was purchased from **DP&L** or PJM to meet its sales obligations. DPLER's sales reflect the general economic conditions and seasonal weather patterns of the areas it serves.

DPL's other significant subsidiaries include DPLE, which owns and operates peaking generating facilities from which it makes wholesale sales of electricity and MVIC, our captive insurance company that provides insurance services to us and our subsidiaries. All of **DPL's** subsidiaries are wholly owned.

DPL also has a wholly owned business trust, DPL Capital Trust II, formed for the purpose of issuing trust capital securities to investors.

DP&L's electric transmission and distribution businesses are subject to rate regulation by federal and state regulators while its generation business is deemed competitive under Ohio law. Accordingly, **DP&L** applies the accounting standards for regulated operations to its electric transmission and distribution businesses and records regulatory assets when incurred costs are expected to be recovered in future customer rates, and regulatory liabilities when current cost recoveries in customer rates relate to expected future costs.

DPL and its subsidiaries employed 1,501 people as of September 30, 2012, of which 1,443 employees were employed by **DP&L**. Approximately 52% of all employees are under a collective bargaining agreement which expires on October 31, 2014.

Financial Statement Presentation

DPL's Condensed Consolidated Financial Statements include the accounts of **DPL** and its wholly owned subsidiaries except for DPL Capital Trust II which is not consolidated, consistent with the provisions of GAAP. **DP&L's** undivided ownership interests in certain coal-fired generating plants are included in the financial statements at amortized cost, which was adjusted to fair value at the Merger date for **DPL Inc.** Operating revenues and expenses of these generating plants are included on a pro rata basis in the corresponding lines in the Condensed Consolidated Statement of Operations. See Note 5 for more information.

Certain excise taxes collected from customers have been reclassified out of operating expenses in the 2011 presentation to conform to AES' presentation of these items. These taxes are presented net

within revenue. Certain immaterial amounts from prior periods have been reclassified to conform to the current reporting presentation.

All material intercompany accounts and transactions are eliminated in consolidation.

These financial statements have been prepared in accordance with GAAP for interim financial statements, the instructions of Form 10-Q and Regulation S-X. Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with GAAP have been omitted from this interim report. Therefore, our interim financial statements in this report should be read along with the annual financial statements included in our Form 10-K for the fiscal year ended December 31, 2011.

In the opinion of our management, the Condensed Consolidated Financial Statements presented in this report contain all adjustments necessary to fairly state our financial condition as of September 30, 2012; our results of operations for the three and nine months ended September 30, 2012 and our cash flows for the nine months ended September 30, 2012 and 2011. Unless otherwise noted, all adjustments are normal and recurring in nature. Due to various factors, including but not limited to, seasonal weather variations, the timing of outages of electric generating units, changes in economic conditions involving commodity prices and competition, and other factors, interim results for the three and nine months ended September 30, 2012 may not be indicative of our results that will be realized for the full year ending December 31, 2012.

The preparation of financial statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the revenues and expenses of the periods reported. Actual results could differ from these estimates. Significant items subject to such estimates and judgments include: the carrying value of property, plant and equipment; unbilled revenues; the valuation of derivative instruments; the valuation of insurance and claims liabilities; the valuation of allowances for receivables and deferred income taxes; regulatory assets and liabilities; reserves recorded for income tax exposures; litigation; contingencies; the valuation of AROs; assets and liabilities related to employee benefits; goodwill; and intangibles.

On November 28, 2011, AES completed the Merger with **DPL**. As a result of the Merger, **DPL** is an indirectly wholly owned subsidiary of AES. **DPL's** basis of accounting incorporates the application of FASC 805, "Business Combinations" (FASC 805) as of the date of the Merger. FASC 805 requires the acquirer to recognize and measure identifiable assets acquired and liabilities assumed at fair value as of the Merger date. **DPL's** Condensed Consolidated Financial Statements and accompanying footnotes have been segregated to present pre-merger activity as the "Predecessor" Company and post-merger activity as the "Successor" Company. Purchase accounting impacts, including goodwill recognition, have been "pushed down" to **DPL**, resulting in the assets and liabilities of **DPL** being recorded at their respective fair values as of November 28, 2011. The purchase price allocation was finalized in the third quarter of 2012.

As a result of the push down accounting, **DPL's** Condensed Consolidated Statements of Operations subsequent to the Merger include amortization expense relating to purchase accounting adjustments and depreciation of fixed assets based upon their fair value. Therefore, the **DPL** financial data prior to the Merger will not generally be comparable to its financial data subsequent to the Merger.

In connection with the Merger, **DPL** remeasured the carrying amount of all of its assets and liabilities to fair value, which resulted in the recognition of approximately $2,576.3 million of goodwill (see Note 2), assigned to **DPL's** two reporting units, DPLER and the **DP&L** Reporting Unit, which includes **DP&L** and other entities. FASC 350, "Intangibles – Goodwill and Other," requires that goodwill be tested for impairment at the reporting unit level at least annually or more frequently if impairment indicators are present. In evaluating the potential impairment of goodwill, we make estimates and assumptions about revenue, operating cash flows, capital expenditures, growth rates and discount rates based on our budgets and long term forecasts, macroeconomic projections, and current market expectations of returns on similar assets. There are inherent uncertainties related to these factors and management's judgment in applying these factors. Generally, the fair value of a reporting unit is determined using a discounted cash flow valuation model. We could be required to evaluate the potential impairment of goodwill outside of the required annual assessment process if we experience situations, including but not limited to: deterioration in general economic conditions; changes to our operating or regulatory environment; increased competitive environment; increase in fuel costs particularly when we are unable to pass its effect to customers; negative or declining cash flows; loss of a key contract or customer, particularly when we are unable to replace it on equally favorable terms; or adverse actions or assessments by a regulator. These types of events and the resulting analyses could result in goodwill impairment expense, which could substantially affect our results of operations for those periods. In the third quarter of 2012, we recorded an impairment charge of $1,850.0 million against the goodwill at **DPL's DP&L** Reporting Unit. See Note 15 for more information.

As part of the purchase accounting, values were assigned to various intangible assets, including customer relationships, customer contracts and the value of our ESP.

Sale of Receivables

In the first quarter of 2012, DPLER began selling receivables from DPLER customers in Duke Energy's territory to Duke Energy. These sales are at face value for cash at the billed amounts for DPLER customers' use of energy. There is no recourse or any other continuing involvement associated with the sold receivables. Total receivables sold during the three and nine months ended September 30, 2012 were $6.1 million and $11.3 million, respectively.

Property, Plant and Equipment

We record our ownership share of our undivided interest in jointly-held plants as an asset in property, plant and equipment. Property, plant and equipment are stated at cost. For regulated transmission and distribution property, cost includes direct labor and material, allocable overhead expenses and an allowance for funds used during construction (AFUDC). AFUDC represents the cost of borrowed

funds and equity used to finance regulated construction projects. For non-regulated property, cost also includes capitalized interest. Capitalization of AFUDC and interest ceases at either project completion or at the date specified by regulators. AFUDC and capitalized interest was $0.9 million and $1.1 million during the three months and $3.4 million and $3.5 million during the nine months ended September 30, 2012 and 2011, respectively.

For unregulated generation property, cost includes direct labor and material, allocable overhead expenses and interest capitalized during construction using the provisions of GAAP relating to the accounting for capitalized interest.

For substantially all depreciable property, when a unit of property is retired, the original cost of that property less any salvage value is charged to Accumulated depreciation and amortization.

Property is evaluated for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable.

Intangibles
Intangibles include emission allowances, renewable energy credits, customer relationships, customer contracts and the value of our ESP. Emission allowances are carried on a first-in, first-out (FIFO) basis for purchased emission allowances. In addition, we recorded emission allowances at their fair value as of the Merger date. Net gains or losses on the sale of excess emission allowances, representing the difference between the sales proceeds and the cost of emission allowances, are recorded as a component of our fuel costs and are reflected in Operating income when realized. During the nine months ended September 30, 2012 and 2011, **DPL** had no gains from the sale of emission allowances. Beginning in January 2010, part of the gains on emission allowances were used to reduce the overall fuel rider charged to our SSO retail customers.

Customer relationships recognized as part of the purchase accounting associated with the Merger are amortized over ten to seventeen years and customer contracts are amortized over the average length of the contracts. The ESP is amortized over one year on a straight-line basis. Emission allowances are amortized as they are used in our operations on a FIFO basis. Renewable energy credits are amortized as they are used or retired.

Prior to the Merger date, emission allowances and renewable energy credits were carried as inventory. Emission allowances and renewable energy credits are now carried as intangibles in accordance with AES' policy. The amounts for 2011 have been reclassified to reflect this change in presentation.

Accounting for Taxes Collected from Customers and Remitted to Governmental Authorities
DPL collects certain excise taxes levied by state or local governments from its customers. Prior to the Merger date, certain excise and other taxes were recorded gross. Effective on the Merger date, these taxes are accounted for on a net basis and recorded as a reduction in revenues for presentation in accordance with AES policy. The amounts for the three months ended September 30, 2012 and 2011 were $13.8 million and $14.3 million, respectively. The amounts for the nine months ended September 30, 2012 and 2011 were $38.5 million and $39.9 million, respectively. The 2011 amounts were reclassified to conform to this presentation.

Share-Based Compensation
We measure the cost of employee services received and paid with equity instruments based on the fair-value of such equity instrument on the grant date. This cost is recognized in results of operations over the period that employees are required to provide service. Liability awards are initially recorded based on the fair-value of equity instruments and are to be re-measured for the change in stock price at each subsequent reporting date until the liability is ultimately settled. The fair-value for employee share options and other similar instruments at the grant date are estimated using option-pricing models and any excess tax benefits are recognized as an addition to paid-in capital. The reduction in income taxes payable from the excess tax benefits is presented in the Condensed Consolidated Statements of Cash Flows within Cash flows from financing activities. As a result of the Merger (see Note 2), vesting of all DPL share-based awards was accelerated as of the Merger date, and none are in existence at September 30, 2012.

Recently Issued Accounting Standards

Offsetting Assets and Liabilities
In December 2011, the FASB issued ASU 2011-11 "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11) effective for interim and annual reporting periods beginning on or after January 1, 2013. We expect to adopt this ASU on January 1, 2013. This standard updates FASC Topic 210, "Balance Sheet." ASU 2011-11 updates the disclosures for financial instruments and derivatives to provide more transparent information around the offsetting of assets and liabilities. Entities are required to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and/or subject to an agreement similar to a master netting agreement. We do not expect these new rules to have a material impact on our overall results of operations, financial position or cash flows.

Testing Indefinite-Lived Intangible Assets for Impairments
In July 2012, the FASB issued ASU 2012-02 "Testing Indefinite-Lived Intangible Assets for Impairment" (ASU 2012-02) effective for interim and annual impairment tests performed for fiscal years beginning after September 15, 2012. We expect to adopt this ASU on January 1, 2013. This standard updates FASC Topic 350, "Intangibles-Goodwill and Other." ASU 2012-02 permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with FASC Subtopic 350-30. After adoption, we do not expect these new rules to have a material impact on our overall results of operations, financial position or cash flows.

Recently Adopted Accounting Standards

Fair Value Disclosures
In May 2011, the FASB issued ASU 2011-04 "Fair Value Measurements" (ASU 2011-04) effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this ASU on January 1, 2012. This standard updates FASC 820, "Fair Value Measurements." ASU 2011-04 essentially converges US GAAP guidance on fair value with the IFRS guidance. The ASU requires more disclosures around Level 3 inputs. It also increases reporting for financial instruments disclosed at fair value but not recorded at fair value and provides clarification of blockage factors and other premiums and discounts. These new rules did not have a material effect on our overall results of operations, financial position or cash flows.

Comprehensive Income
In June 2011, the FASB issued ASU 2011-05 "Presentation of Comprehensive Income" (ASU 2011-05) effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this ASU on January 1, 2012. This standard updates FASC 220, "Comprehensive Income." ASU 2011-05 essentially converges US GAAP guidance on the presentation of comprehensive income with the IFRS guidance. The ASU requires the presentation of comprehensive income in one continuous financial statement or two separate but consecutive statements. Any

reclassification adjustments from other comprehensive income to net income are required to be presented on the face of the Statement of Comprehensive Income. These new rules did not have a material effect on our overall results of operations, financial position or cash flows.

Goodwill Impairment
In September 2011, the FASB issued ASU 2011-08 "Testing Goodwill for Impairment" (ASU 2011-08) effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this ASU on January 1, 2012. This standard updates FASC 350, "Intangibles-Goodwill and Other." ASU 2011-08 allows an entity to first test Goodwill using qualitative factors to determine if it is more likely than not that the fair value of a

reporting unit has been impaired; if so, then the two-step impairment test is performed. We will incorporate these new requirements in our future goodwill impairment testing.

Derivative gross vs. net presentation – Following the acquisition of DPL in November 2011 by AES, DPL began presenting its derivative positions on a gross basis in accordance with AES policy. This change has been reflected in the 2011 balance sheet contained in these statements.

2. Business Combination

On November 28, 2011, AES completed its acquisition of **DPL**. AES paid cash consideration of approximately $3,483.6 million. The allocation of the purchase price was based on the estimated fair value of assets acquired and liabilities assumed. In addition, Dolphin Subsidiary II, Inc. (a wholly owned subsidiary of AES) issued $1,250.0 million of debt, which, as a result of the merger of **DPL** and Dolphin Subsidiary II, Inc. was assumed by **DPL**. The assets acquired and liabilities assumed in the acquisition were recorded at estimated amounts based on the purchase price allocation. We finalized the allocation of the purchase price in the third quarter of 2012.

From November 28, 2011 through September 30, 2012, we recognized the following changes to our preliminary purchase price allocation:

	Decrease / (increase) to preliminary goodwill	
$ in millions	Change before deferred income tax effect	Deferred income tax effect
Property, plant and equipment [1]	$ (70.7)	$ 25.5
DPLER intangibles [2]	(19.1)	6.7
Out of market coal contract [3]	(34.2)	12.0
Deferred tax liabilities [4]	-	(20.7)
Regulatory assets [5]	15.4	-
Taxes payable [6]	13.1	(16.0)
Other	1.0	-
	$ (94.5)	$ 7.5

Net (increase) in goodwill	$	(87.0)

(1) related to refined information associated with certain contractual arrangements, growth and ancillary revenue assumptions.
(2) related to refined market and contractual information.
(3) related to a change in certain assumptions related to an out of market coal contract.
(4) related to an assessment of our overall deferred tax liabilities on regulated property, plant and equipment.
(5) related to the increase in deferred taxes discussed in *(4)* above.
(6) related to the final DPL Inc. standalone federal tax return.

These purchase price adjustments increased the provisionally recognized goodwill by $87.0 million and have been reflected retrospectively as of December 31, 2011 in the accompanying Condensed Consolidated Balance Sheets. The effect on net income for the nine months ended September 30, 2012 of $8.7 million was recorded in the second and third quarters. The effect on net income for the period November 28, 2011 through December 31, 2011 was not material.

Estimated preliminary and final fair value of assets acquired and liabilities assumed as of the Merger date are as follows:

$ in millions		Final purchase price allocation		Preliminary purchase price allocation
Cash	$	116.4	$	116.4
Restricted cash		18.5		18.5
Accounts receivable		277.6		277.6
Inventory		123.7		123.7
Other current assets		37.3		37.3
Property, plant and equipment		2,477.8		2,548.5
Intangible assets subject to amortization		147.2		166.3
Intangible assets - indefinite-lived		5.0		5.0
Regulatory assets		217.1		201.1
Other non-current assets		58.3		58.3
Current liabilities		(413.1)		(408.2)
Debt		(1,255.1)		(1,255.1)
Deferred taxes		(551.2)		(558.2)
Regulatory liabilities		(117.0)		(117.0)
Other non-current liabilities		(216.8)		(201.5)
Redeemable preferred stock		(18.4)		(18.4)
Net identifiable assets acquired		907.3		994.3
Goodwill		2,576.3		2,489.3
Net assets acquired	$	3,483.6	$	3,483.6

3. Supplemental Financial Information

$ in millions	At September 30, 2012	At December 31, 2011
	Successor	
Accounts receivable, net:		
Unbilled revenue	$ 62.0	$ 72.4
Customer receivables	131.8	113.2
Amounts due from partners in jointly-owned plants	16.5	29.2
Coal sales	4.5	1.0
Other	19.4	4.4
Provision for uncollectible accounts	(1.2)	(1.1)
Total accounts receivable, net	$ 233.0	$ 219.1
Inventories, at average cost:		
Fuel, limestone and emission allowances	$ 53.6	$ 84.2
Plant materials and supplies	40.7	39.8
Other	2.0	1.8
Total inventories, at average cost	$ 96.3	$ 125.8

Accumulated Other Comprehensive Income / (Loss)

AOCI is included on our balance sheets within the Common shareholders' equity sections. The following table provides the components that constitute the balance sheet amounts in AOCI at September 30, 2012 and December 31, 2011 :

$ in millions	At September 30, 2012	At December 31, 2011
	Successor	
Financial Instruments	$ 0.5	$ -
Cash flow hedges	(6.8)	(0.5)
Pension and postretirement benefits	-	0.1
Total	$ (6.3)	$ (0.4)

4. Regulatory Assets and Liabilities

In accordance with GAAP, regulatory assets and liabilities are recorded in the Condensed Consolidated Balance Sheets for our regulated electric transmission and distribution businesses. Regulatory assets are the deferral of costs expected to be recovered in future customer rates and regulatory liabilities represent current recovery of expected future costs or gains probable of being reflected in future rates.

We evaluate our regulatory assets each period and believe that recovery of these assets is probable. We have received or requested a return on certain regulatory assets for which we are currently recovering or seeking recovery through rates. We record a return after it has been authorized in an order by a regulator.

Regulatory assets and liabilities are classified as current or non-current based on the term in which recovery is expected.

The following table presents **DPL's** regulatory assets and liabilities:

$ in millions	Type of Recovery (a)	Amortization through	At September 30, 2012	At December 31, 2011
			Successor	
Current regulatory assets:				
TCRR, transmission, ancillary and other PJM-related costs	F	Ongoing	$ 6.3	$ 4.7
Power plant emission fees	C	Ongoing	(0.3)	4.8
Fuel and purchased power recovery costs	C	Ongoing	15.8	11.3
Total regulatory assets - current			$ 21.8	$ 20.8
Non-current regulatory assets:				
Deferred recoverable income taxes	B/C	Ongoing	$ 37.0	$ 39.5
Pension benefits	C	Ongoing	87.1	92.1
Unamortized loss on reacquired debt	C	Ongoing	12.2	13.0
Regional transmission organization costs	D	2014	3.0	4.1
Deferred storm costs - 2008	D		18.7	17.9
CCEM smart grid and advanced metering infrastructure costs	D		6.6	6.6
CCEM energy efficiency program costs	F	Ongoing	5.9	8.8
Consumer education campaign	D		3.0	3.0
Retail settlement system costs	D		3.1	3.1
Other costs			4.7	5.1
Total regulatory assets - non-current			$ 181.3	$ 193.2

Current regulatory liabilities:		
Other	$ -	$ 0.5
Total regulatory liabilities - current	$ -	$ 0.5
Non-current regulatory liabilities:		
Estimated costs of removal - regulated property	$ **111.6**	$ 112.4
Postretirement benefits	**5.6**	6.2
Other	**0.3**	-
Total regulatory liabilities - non-current	$ **117.5**	$ 118.6

(a) *B – Balance has an offsetting liability resulting in no effect on rate base.*
C – Recovery of incurred costs without a rate of return.
D – Recovery not yet determined, but is probable of occurring in future rate proceedings.
F – Recovery of incurred costs plus rate of return.

Regulatory Assets

TCRR, transmission, ancillary and other PJM-related costs represent the costs related to transmission, ancillary service and other PJM-related charges that have been incurred as a member of PJM. On an annual basis, retail rates are adjusted to true-up costs with recovery in rates.

Power plant emission fees represent costs paid to the State of Ohio since 2002. As part of the fuel factor settlement agreement in November 2011, these costs are being recovered through the fuel factor.

Fuel and purchased power recovery costs represent prudently incurred fuel, purchased power, derivative, emission and other related costs which will be recovered from or returned to customers in the future through the operation of the fuel and purchased power recovery rider. The fuel and purchased power recovery rider fluctuates based on actual costs and recoveries and is modified at the start of each seasonal quarter. **DP&L** implemented the fuel and purchased power recovery rider on January 1, 2010. As part of the PUCO approval process, an outside auditor is hired to review fuel costs and the fuel procurement process. We received the audit report for 2011 on April 27, 2012. The auditor has recommended that the PUCO consider reducing **DP&L's** recovery of fuel costs by approximately $3.3 million from certain transactions. On October 4, 2012, we filed testimony on this issue and a hearing is scheduled in November 2012 before a hearing examiner. A decision is expected

in the fourth quarter of 2012. As of September 30, 2012, we believe the entire amount is recoverable.

Deferred recoverable income taxes represent deferred income tax assets recognized from the normalization of flow through items as the result of tax benefits previously provided to customers. This is the cumulative flow through benefit given to regulated customers that will be collected from them in future years. Since currently existing temporary differences between the financial statements and the related tax basis of assets will reverse in subsequent periods, these deferred recoverable income taxes will decrease over time.

Pension benefits represent the qualifying FASC 715 "Compensation – Retirement Benefits" costs of our regulated operations that for ratemaking purposes are deferred for future recovery. We recognize an asset for a plan's overfunded status or a liability for a plan's underfunded status, and recognize, as a component of other comprehensive income (OCI), the changes in the funded status of the plan that arise during the year that are not recognized as a component of net periodic benefit cost. This regulatory asset represents the regulated portion that would otherwise be charged as a loss to OCI.

Unamortized loss on reacquired debt represents losses on long-term debt reacquired or redeemed in prior periods. These costs are being amortized over the lives of the original issues in accordance with FERC and PUCO rules.

Regional transmission organization costs represent costs incurred to join an RTO. The recovery of these costs will be requested in a future FERC rate case. In accordance with FERC precedence, we are amortizing these costs over a 10-year period that began in 2004 when we joined the PJM RTO.

Deferred storm costs – 2008 relate to costs incurred to repair the damage caused by hurricane force winds in September 2008, as well as other major 2008 storms. On January 14, 2009, the PUCO granted **DP&L** the authority to defer these costs with a return until such time that **DP&L** seeks recovery in a future rate proceeding.

CCEM smart grid and AMI costs represent costs incurred as a result of studying and developing distribution system upgrades and implementation of AMI. On October 19, 2010, **DP&L** elected to withdraw its case pertaining to the Smart Grid and AMI programs. The PUCO accepted the withdrawal in an order issued on January 5, 2011. The PUCO also indicated that it expects **DP&L** to continue to monitor other utilities' Smart Grid and AMI programs and to explore the potential benefits of investing in Smart Grid and AMI programs and that **DP&L** will, when appropriate, file new Smart Grid and/or AMI business cases in the future. We plan to file to recover these deferred costs in a future regulatory rate proceeding. Based on past PUCO precedent, we believe these costs are probable of future recovery in rates.

CCEM energy efficiency program costs represent costs incurred to develop and implement various new customer programs addressing energy efficiency. These costs are being recovered through an energy efficiency rider (EER) that began July 1, 2009 and is subject to a two-year true-up for any over/under recovery of costs. On April 29, 2011, **DP&L** filed to true-up the EER which was approved by the PUCO on October 18, 2011. **DP&L** plans to make its next true-up filing on or before April 30, 2013.

Consumer education campaign represents costs for consumer education advertising regarding electric deregulation. **DP&L** will be seeking recovery of these costs as part of our next distribution rate case filing at the PUCO. The timing of such a filing has not yet been determined.

Retail settlement system costs represent costs to implement a retail settlement system that reconciles the energy a CRES supplier delivers to its customers and what its customers actually use. Based on case precedent in other utilities' cases, the costs are recoverable through a future **DP&L** rate proceeding.

Other costs primarily include RPM capacity, other PJM and rate case costs and alternative energy costs that are or will be recovered over various periods.

Regulatory Liabilities

Estimated costs of removal – regulated property reflect an estimate of amounts collected in customer rates for costs that are expected to be incurred in the future to remove existing transmission and distribution property from service when the property is retired.

Postretirement benefits represent the qualifying FASC 715 "Compensation – Retirement Benefits" gains related to our regulated operations that, for ratemaking purposes, are probable of being reflected in future rates. We recognize an asset for a plan's overfunded status or a liability for a plan's underfunded status, and recognize, as a component of OCI, the changes in the funded status of the plan that arise during the year that are not recognized as a component of net periodic benefit cost. This regulatory liability represents the regulated portion that would otherwise be reflected as a gain to OCI.

Pending Regulatory Activity

On August 10, 2012, **DP&L** filed with the PUCO for an accounting order for permission to defer operation and maintenance costs as a result of damage caused by storms occurring during the final weekend of June 2012. The deferral request is for distribution expense incurred for these storms. The deferral would earn a return equal to the carrying cost of debt (5.86%) until these costs are recovered from customers. On October 19, 2012, DP&L amended its filing to change the method of calculating the deferral. If PUCO approval is received, **DP&L** will defer approximately $5.8 million of costs associated with these storms.

5. Ownership of Coal-fired Facilities

DP&L has undivided ownership interests in seven coal-fired electric generating facilities and numerous transmission facilities with certain other Ohio utilities. Certain expenses, primarily fuel costs for the generating stations, are allocated to the owners based on their energy usage. The remaining expenses, investments in fuel inventory, plant materials and operating supplies, and capital additions are allocated to the owners in accordance with their respective ownership interests. As of September 30, 2012, **DP&L** had $31.0 million of construction work in process at such jointly-owned facilities. **DP&L's** share of the operating cost of such facilities is included within the corresponding line in the Condensed Consolidated Statements of Results of Operations and **DP&L's** share of the investment in the facilities is included within Total net property, plant and equipment in the Condensed Consolidated Balance Sheets. Each joint owner provides their own financing for their share of the operations and capital expenditures of the jointly owned station.

DP&L's undivided ownership interest in such facilities as well as our wholly owned coal-fired Hutchings station at September 30, 2012 is as follows:

	DP&L Share		DP&L Investment (adjusted to fair value at Merger date)			
Jointly-owned production stations:	Ownership (%)	Summer Production Capacity (MW)	Gross Plant in Service ($ in millions)	Accumulated Depreciation ($ in millions)	Construction Work in Process ($ in millions)	SCR and FGD Equipment Installed and in Service (Yes/No)
Beckjord Unit 6	50.0	207	$ 1	$ 1	$ -	No
Conesville Unit 4	16.5	129	42	4	8	Yes
East Bend Station	31.0	186	11	6	1	Yes
Killen Station	67.0	402	316	15	4	Yes
Miami Fort Units 7 and 8	36.0	368	217	9	3	Yes
Stuart Station	35.0	808	206	16	12	Yes
Zimmer Station	28.1	365	182	27	3	Yes
Transmission (at varying percentages)		n/a	35	2	-	
Total		2,465	$ 1,010	$ 80	$ 31	
Wholly-owned production station:						
Hutchings Station	100.0	365	$ -	$ -	$ -	No

Currently, our coal-fired generation units at Hutchings and Beckjord do not have SCR and FGD emission-control equipment installed. **DP&L** owns 100% of the Hutchings station and has a 50% interest in Beckjord Unit 6. On July 15, 2011, Duke Energy, a co-owner at the Beckjord Unit 6 facility, filed their Long-term Forecast Report with the PUCO. The plan indicated that Duke Energy plans to cease production at the Beckjord station, including our jointly owned Unit 6, in December 2014. This was followed by a notification by Duke Energy to PJM, dated February 1, 2012, of a planned April 1, 2015 deactivation of this unit. **DP&L** does not object to Duke's decision. Beckjord Unit 6 was valued at zero at the Merger date.

We are considering options for the Hutchings station, but have not yet made a final decision. **DP&L** has informed PJM that Hutchings Unit 4 has incurred damage to a rotor and will be deactivated and unavailable for service until at least June 1, 2014, if not indeterminately. In addition, **DP&L** has notified PJM that Hutchings Units 1 and 2 will be deactivated by June 1, 2015. The decision to deactivate Units 1 and 2 has been made because these two units are not equipped with the advanced environmental control technologies needed to comply with the MACT standard, which was renamed MATS (Mercury Air Toxics Standard) when the rule was issued final on December 16, 2011, and the cost of compliance with the MATS standard or conversion to natural gas for these units would likely exceed the expected return. **DP&L** is still studying the option of converting two or more of Hutchings Units 3-6 to natural gas in order to comply with environmental requirements.

DPL revalued **DP&L's** investment in the above plants at the estimated fair value for each plant at the Merger date.

6. Debt Obligations

All debt outstanding at the Merger date was revalued at the estimated fair value.

Long-term debt

$ in millions	At September 30, 2012	At December 31, 2011
First mortgage bonds maturing in October 2013 - 5.125%	$ 489.4	$ 503.6
Pollution control series maturing in January 2028 - 4.70%	36.1	36.1
Pollution control series maturing in January 2034 - 4.80%	179.6	179.6
Pollution control series maturing in September 2036 - 4.80%	96.2	96.2
Pollution control series maturing in November 2040 - variable rates: 0.04% - 0.26% and 0.06% - 0.32% (a)	100.0	100.0
U.S. Government note maturing in February 2061 - 4.20%	18.4	18.5
Capital lease obligation	0.2	0.4
Total long-term debt at subsidiary	919.9	934.4
Bank Term Loan - variable rates: 2.22% - 2.30% and 1.48% - 4.25% (b)	425.0	425.0
Senior unsecured bonds maturing October 2016 - 6.50%	450.0	450.0
Senior unsecured bonds maturing October 2021 - 7.25%	800.0	800.0
Note to DPL Capital Trust II maturing in September 2031 - 8.125%	19.6	19.5
Total long-term debt	$ 2,614.5	$ 2,628.9

Current portion - long-term debt

$ in millions	At September 30, 2012	At December 31, 2011
U.S. Government note maturing in February 2061 - 4.20%	$ 0.1	$ 0.1
Capital lease obligation	0.3	0.3
Total current portion - long-term debt - DPL	$ 0.4	$ 0.4

(a) Range of interest rates for the nine months ended September 30, 2012 and the twelve months ended December 31, 2011, respectively.
(b) Range of interest rates for the nine months ended September 30, 2012 and from the draw-down of the loan in August 2011 through December 31, 2011, respectively.

At September 30, 2012, maturities of long-term debt, including capital lease obligations, are summarized as follows:

$ in millions		
Due within one year	$	0.4
Due within two years		895.3
Due within three years		0.1
Due within four years		0.1
Due within five years		450.1
Thereafter		1,252.9
Total maturities		2,598.9
Unamortized adjustments to market value from purchase accounting		16.0
Total long-term debt	$	2,614.9

Premiums or discounts recognized at the Merger date are amortized over the life of the debt using the effective interest method.

On December 4, 2008, the OAQDA issued $100.0 million of collateralized, variable rate Revenue Refunding Bonds Series A and B due November 1, 2040. In turn, **DP&L** borrowed these funds from the OAQDA and issued corresponding First Mortgage Bonds to support repayment of the funds. The payment of principal and interest on each series of the bonds when due is backed by a standby letter of credit issued by JPMorgan Chase Bank, N.A. This letter of credit facility, which expires in December 2013, is irrevocable and has no subjective acceleration clauses. Fees associated with this letter of credit facility were not material during the three and nine months ended September 30, 2012 and 2011.

On April 20, 2010, **DP&L** entered into a $200.0 million unsecured revolving credit agreement with a syndicated bank group. This agreement is for a three year term expiring on April 20, 2013 and provides **DP&L** with the ability to increase the size of the facility by an additional $50.0 million. **DP&L** had no outstanding borrowings under this credit facility at September 30, 2012 and December 31, 2011. Fees associated with this revolving credit facility were not material during the three and nine months ended September 30, 2012 and 2011. This facility also contains a $50.0 million letter of credit sublimit. As of September 30, 2012, **DP&L** had no outstanding letters of credit against this facility.

On February 23, 2011, **DPL** purchased $122.0 million principal amount of DPL Capital Trust II 8.125% capital securities in a privately negotiated transaction. As part of this transaction, **DPL** paid a premium of $12.2 million, or 10%. Debt issuance costs and unamortized debt discount totaling $3.1 million associated with this debt were expensed in February 2011 in conjunction with this transaction.

On March 1, 2011, **DP&L** completed the purchase of $18.7 million of electric transmission and distribution assets from the federal government that are located at the Wright-Patterson Air Force Base. **DP&L** financed the acquisition of these assets with a note payable to the federal government that is payable monthly over 50 years and bears interest at 4.2% per annum.

On August 24, 2011, **DP&L** entered into a $200.0 million unsecured revolving credit agreement with a syndicated bank group. This agreement is for a four year term expiring on August 24, 2015 and provides **DP&L** with the ability to increase the size of the facility by an additional $50.0 million. **DP&L** had no outstanding borrowings under this credit facility at September 30, 2012 and December 31, 2011. Fees associated with this revolving credit facility were not material during the three and nine months ended September 30, 2012 and 2011. This facility also contains a $50.0 million letter of credit sublimit. As of September 30, 2012, **DP&L** had no outstanding letters of credit against this facility.

On August 24, 2011, **DPL** entered into a $125.0 million unsecured revolving credit agreement with a syndicated bank group. This agreement is for a three year term expiring on August 24, 2014. The size of the facility was reduced from $125.0 million to $75.0 million as part of an amendment dated October 19, 2012 that was negotiated between DPL and the syndicated bank group. **DPL** had no outstanding borrowings under this credit

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facility at September 30, 2012 and December 31, 2011. Fees associated with this revolving credit facility were not material during the three and nine months ended September 30, 2012. This facility may also be used to issue letters of credit up to the $75.0 million limit. As of September 30, 2012, **DPL** had no outstanding letters of credit against this facility.

On August 24, 2011, **DPL** entered into a $425.0 million unsecured term loan agreement with a syndicated bank group. This agreement is for a three year term expiring on August 24, 2014. On October 19, 2012, **DPL** and the syndicated bank group approved an amendment, which reduced the size of the facility from $125.0 million to $75 million and modified certain covenants in the facility. **DPL** has borrowed the entire $425.0 million available under the facility at September 30, 2012. Fees associated with this term loan were not material during the three and nine months ended September 30, 2012.

DPL's unsecured revolving credit agreement and **DPL's** unsecured term loan each have two financial covenants, one of which was changed as part of amendments, dated October 19, 2012, to the facilities negotiated between **DPL** and the syndicated bank groups. The first financial covenant, originally a Total Debt to Capitalization ratio, was changed, effective September 30, 2012, to a Total Debt to EBITDA ratio. The Total Debt to EBITDA ratio is calculated, at the end of each fiscal quarter, by dividing total debt at the end of the current quarter by consolidated EBITDA for the four prior fiscal quarters.

The second financial covenant is an EBITDA to Interest Expense ratio. The EBITDA to Interest Expense ratio is calculated, at the end of each fiscal quarter, by dividing consolidated earnings before

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(x) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2012**

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-9052	**DPL INC.** (An Ohio Corporation) 1065 Woodman Drive Dayton, Ohio 45432 937-224-6000	**31-1163136**
1-2385	**THE DAYTON POWER AND LIGHT COMPANY** (An Ohio Corporation) 1065 Woodman Drive Dayton, Ohio 45432 937-224-6000	**31-0258470**

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

DPL Inc.	Yes [ ]	No [X]
The Dayton Power and Light Company	Yes [ ]	No [X]

(The Dayton Power and Light Company is a voluntary filer that has filed all applicable reports under Section 13 or 15(d) of the Securities Exchange Act of 1934 in the preceding 12 months. On September 10, 2012, DPL Inc.'s Registration Statement on form S-4 was declared effective, and thus DPL Inc. is now required to file reports pursuant to Section 15(d); however, DPL Inc. has not been subject to such filing requirement for the past 90 days.)

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

DPL Inc.	Yes [X]	No [ ]
The Dayton Power and Light Company	Yes [X]	No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
DPL Inc.	[ ]	[ ]	[X]	[ ]
The Dayton Power and Light Company	[ ]	[ ]	[X]	[ ]

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

DPL Inc.	Yes [ ]	No [X]
The Dayton Power and Light Company	Yes [ ]	No [X]

All of the outstanding common stock of DPL Inc. is indirectly owned by The AES Corporation. All of the common stock of The Dayton Power and Light Company is owned by DPL Inc.

As of September 30, 2012, each registrant had the following shares of common stock outstanding:

Registrant	Description	Shares Outstanding
DPL Inc.	**Common Stock, no par value**	**1**
The Dayton Power and Light Company	**Common Stock, $0.01 par value**	**41,172,173**

Documents incorporated by reference: **None**

This combined Form 10-Q is separately filed by DPL Inc. and The Dayton Power and Light Company. Information contained herein relating to any individual registrant is filed by such registrant

on its own behalf. Each registrant makes no representation as to information relating to a registrant other than itself.

DPL Inc. and The Dayton Power and Light Company

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GLOSSARY OF TERMS

The following select abbreviations or acronyms are used in this Form 10-Q:

Abbreviation or Acronym	Definition
AES	The AES Corporation, a global power company, the ultimate parent compa **DPL**
AMI	Advanced Metering Infrastructure
AOCI	Accumulated Other Comprehensive Income
ARO	Asset Retirement Obligation
ASU	Accounting Standards Update
CFTC	Commodity Futures Trading Commission
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CSAPR	Cross-State Air Pollution Rule
CSP	Columbus Southern Power Company, a subsidiary of American Electric P Company, Inc. ("AEP"). Columbus Southern Power Company merged i the Ohio Power Company, another subsidiary of AEP, effective Decemb 31, 2011
CO_2	Carbon Dioxide
CCEM	Customer Conservation and Energy Management
CRES	Competitive Retail Electric Service
DPL	DPL Inc.
DPLE	DPL Energy, LLC, a wholly owned subsidiary of **DPL** that owns and oper peaking generation facilities from which it makes wholesale sales
DPLER	DPL Energy Resources, Inc., a wholly owned subsidiary of **DPL** which se competitive electric energy and other energy services
DP&L	The Dayton Power and Light Company, the principal subsidiary of **DPL** a public utility which sells electricity to residential, commercial, industrial governmental customers in a 6,000 square mile area of West Central Oh
Duke Energy	Duke Energy Ohio, Inc., formerly The Cincinnati Gas & Electric Company (CG&E)
EIR	Environmental Investment Rider
EPS	Earnings Per Share

ESOP	Employee Stock Ownership Plan
ESP	Electric Security Plans, filed with the PUCO, pursuant to Ohio law
ESP Stipulation	A Stipulation and Recommendation filed by **DP&L** with the PUCO on February 24, 2009 regarding **DP&L's** ESP filing pursuant to SB 221. T Stipulation was signed by the Staff of the PUCO, the Office of the Ohio Consumers' Counsel and various intervening parties. The PUCO approv the Stipulation on June 24, 2009.
FASB	Financial Accounting Standards Board
FASC	FASB Accounting Standards Codification
FASC 805	FASB Accounting Standards Codification 805, "Business Combinations"

GLOSSARY OF TERMS (cont.)

Abbreviation or Acronym	Definition
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
Form 10-K	**DPL's** and **DP&L's** combined Annual Report on Form 10-K/A for the fisc year ending December 31, 2011, which was filed on March 28, 2012
FTRs	Financial Transmission Rights
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gas
IFRS	International Financial Reporting Standards
kWh	Kilowatt hours
MC Squared	MC Squared Energy Services, LLC, a retail electricity supplier wholly owr by DPLER which was purchased on February 28, 2011
Merger	The merger of **DPL** and Dolphin Sub, Inc. (a wholly owned subsidiary of / in accordance with the terms of the Merger agreement. At the Merger da Dolphin Sub, Inc. was merged into **DPL**, leaving **DPL** as the surviving company. As a result of the Merger, **DPL** became a wholly owned subsi of AES.

Merger agreement	The Agreement and Plan of Merger dated April 19, 2011 among **DPL**, The Corporation ("AES"), and Dolphin Sub, Inc., a wholly owned subsidiary AES, whereby AES agreed to acquire **DPL** for $30 per share in a cash transaction valued at approximately $3.5 billion plus the assumption of $ billion of existing debt. Upon closing, **DPL** became a wholly owned subsidiary of AES.
Merger date	November 28, 2011, the date of the closing of the merger of **DPL** and Dolp Sub, Inc., a wholly owned subsidiary of AES.
MRO	Market Rate Option, a plan available to be filed with the PUCO pursuant tc Ohio law
MTM	Mark to Market
MVIC	Miami Valley Insurance Company, a wholly owned insurance subsidiary o: **DPL** that provides insurance services to **DPL** and its subsidiaries and, in some cases, insurance services to partner companies related to jointly ow facilities operated by **DP&L**
NERC	North American Electric Reliability Corporation
Non-bypassable	Charges that are assessed to all customers regardless of whom the customei selects to supply its retail electric service
NOV	Notice of Violation
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NYMEX	New York Mercantile Exchange
OAQDA	Ohio Air Quality Development Authority
Ohio EPA	Ohio Environmental Protection Agency
OTC	Over-The-Counter
OVEC	Ohio Valley Electric Corporation, an electric generating company in which **DP&L** holds a 4.9% equity interest

Abbreviation or Acronym	Definition
PJM	PJM Interconnection, LLC, a regional transmission organization
Predecessor	**DPL** prior to November 28, 2011, the date AES acquired **DPL**
PRP	Potentially Responsible Party
PUCO	Public Utilities Commission of Ohio
RSU	Restricted Stock Units
RTO	Regional Transmission Organization
RPM	Reliability Pricing Model
SB 221	Ohio Senate Bill 221, an Ohio electric energy bill that was signed by the Governor on May 1, 2008 and went into effect July 31, 2008. This law required all Ohio distribution utilities to file either an ESP or MRO to be effect January 1, 2009. The law also contains, among other things, annua targets relating to advanced energy portfolio standards, renewable energy demand reduction and energy efficiency standards.
SCR	Selective Catalytic Reduction
SEC	Securities and Exchange Commission
SECA	Seams Elimination Charge Adjustment
SERP	Supplemental Executive Retirement Plan
SO_2	Sulfur Dioxide
SO_3	Sulfur Trioxide
SSO	Standard Service Offer which represents the regulated rates, authorized by t PUCO, charged to **DP&L** retail customers within **DP&L's** service territo
Successor	**DPL** after its acquisition by AES
TCRR	Transmission Cost Recovery Rider
USEPA	U.S. Environmental Protection Agency
USF	Universal Service Fund
VRDN	Variable Rate Demand Note

This report includes the combined filing of **DPL** and **DP&L**. On November 28, 2011, **DPL** became a wholly owned subsidiary of AES, a global power company. Throughout this report, the terms "we," "us," "our" and "ours" are used to refer to both **DPL** and **DP&L**, respectively and altogether, unless the context indicates otherwise. Discussions or areas of this report that apply only to **DPL** or **DP&L** will clearly be noted in the section.

FORWARD-LOOKING STATEMENTS

This report includes certain "forward-looking statements" that involve many risks and uncertainties. Forward-looking statements express an expectation or belief and contain a projection, plan or assumption with regard to, among other things, our future revenues, income, expenses or capital structure. Such statements of future events or performance are not guarantees of future performance and involve estimates, assumptions and uncertainties. The words "could," "may," "predict," "anticipate," "would," "believe," "estimate," "expect," "forecast," "project," "objective," "intend," "continue," "should," "plan," and similar expressions, or the negatives thereof, are intended to identify forward-looking statements unless the context requires otherwise. These forward-looking statements are based on management's present expectations and beliefs about future events. As with any projection or forecast, these statements are inherently susceptible to uncertainty and changes in circumstances. We are under no obligation to, and expressly disclaim any obligation to, update or alter the forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

Important factors that could cause actual results to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our outlook include, but are not limited to, the following:

- abnormal or severe weather and catastrophic weather-related damage;
- unusual maintenance or repair requirements;
- changes in fuel costs and purchased power, coal, environmental emissions, natural gas and other commodity prices;
- volatility and changes in markets for electricity and other energy-related commodities;
- performance of our suppliers;
- increased competition and deregulation in the electric utility industry;
- increased competition in the retail generation market;
- changes in interest rates;
- state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, emission levels, rate structures or tax laws;
- changes in environmental laws and regulations to which **DPL** and its subsidiaries are subject;
- the development and operation of RTOs, including PJM to which **DPL's** operating subsidiary (**DP&L**) has given control of its transmission functions;
- changes in our purchasing processes, pricing, delays, contractor and supplier performance and availability;
- significant delays associated with large construction projects;
- growth in our service territory and changes in demand and demographic patterns;
- changes in accounting rules and the effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- financial market conditions;

- the outcomes of litigation and regulatory investigations, proceedings or inquiries;
- costs related to the Merger and the effects of any disruption from the Merger that may make it more difficult to maintain relationships with employees, customers, other business partners or government entities; and
- general economic conditions.

All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and many are beyond our control. See "Risk Factors" for a more detailed discussion of the foregoing and certain other factors that could cause actual results to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our outlook.

You may read and copy any document we file at the SEC's public reference room located at 100 F Street N.E., Washington, D.C. 20549, USA. Please call the SEC at (800) SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

COMPANY WEBSITES

DPL's public internet site is http://www.dplinc.com. **DP&L's** public internet site is http://www.dpandl.com. The information on these websites is not incorporated by reference into this report.

Part I – Financial Information

This report includes the combined filing of **DPL** and **DP&L**. Throughout this report, the terms "we," "us," "our" and "ours" are used to refer to both **DPL** and **DP&L**, respectively and altogether, unless the context indicates otherwise. Discussions or areas of this report that apply only to **DPL** or **DP&L** will clearly be noted in the section.

Item 1 – Financial Statements

FINANCIAL STATEMENTS

DPL INC.

DPL INC.
CONDENSED CONSOLIDATED STATEMENTS OF RESULTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
$ in millions except per share amounts	**Successor**	Predecessor	**Successor**	Predecessor
Revenues	**$ 471.7**	$ 497.6	**$ 1,287.7**	$ 1,411.5
Cost of revenues:				
Fuel	**112.7**	129.0	**279.0**	320.9
Purchased power	**90.7**	108.3	**265.8**	342.7
Amortization of intangibles	**24.2**	-	**71.2**	-
Total cost of revenues	**227.6**	237.3	**616.0**	663.6
Gross margin	**244.1**	260.3	**671.7**	747.9

Operating expenses:				
Operation and maintenance	**106.6**	92.0	**312.1**	298.2
Depreciation and amortization	**33.1**	35.8	**95.6**	106.0
General taxes	**15.7**	19.6	**58.7**	64.2
Goodwill impairment	**1,850.0**	-	**1,850.0**	-
Total operating expenses	**2,005.4**	147.4	**2,316.4**	468.4
Operating income / (loss)	**(1,761.3)**	112.9	**(1,644.7)**	279.5
Other income / (expense), net:				
Investment income	**1.9**	0.1	**2.2**	0.3
Interest expense	**(31.1)**	(16.8)	**(93.1)**	(51.3)
Charge for early redemption of debt	-	-	-	(15.3)
Other expense	**(0.2)**	(0.5)	**(1.4)**	(1.2)
Total other income / (expense), net	**(29.4)**	(17.2)	**(92.3)**	(67.5)
Earnings / (loss) before income tax	**(1,790.7)**	95.7	**(1,737.0)**	212.0
Income tax expense	**20.2**	28.6	**40.3**	69.7
Net income / (loss)	**$ (1,810.9)**	$ 67.1	**$ (1,777.3)**	$ 142.3
Average number of common shares outstanding (millions):				
Basic	**N/A**	115.0	**N/A**	114.4
Diluted	**N/A**	115.5	**N/A**	115.0
Earnings per share of common stock:				
Basic	**N/A**	$ 0.58	**N/A**	$ 1.24
Diluted	**N/A**	$ 0.58	**N/A**	$ 1.24
Dividends paid per share of common stock	**N/A**	$ 0.3325	**N/A**	$ 0.9975

See Notes to Condensed Consolidated Financial Statements.
These interim statements are unaudited.

DPL INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2012	2011	**2012**	2011
$ in millions	**Successor**	Predecessor	**Successor**	Predecessor

Net income / (loss)	$ (1,810.9)	$ 67.1	$ (1,777.3)	$ 142.3
Available-for-sale securities activity:				
Change in fair value of available-for-sale securities, net of income tax benefit / (expense) of $(0.1) and $0.2, respectively, for the three month period and $(0.3) and $0.2, respectively for the nine month period	0.2	(0.3)	0.5	(0.3)
Total change in fair value of available-for-sale securities	0.2	(0.3)	0.5	(0.3)
Derivative activity:				
Change in derivative fair value net of income tax benefit / (expense) of $(0.3) and $25.9, respectively, for the three month period and $3.4 and $30.2, respectively, for the nine month period	0.3	(48.1)	(5.5)	(59.5)
Reclassification of earnings, net of income tax benefit / (expense) of $0.0 and $(1.0), respectively, for the three month period and $0.7 and $(1.3), respectively, for the nine month period	-	1.5	(0.8)	4.1
Total change in fair value of derivatives	0.3	(46.6)	(6.3)	(55.4)
Pension and postretirement activity:				
Reclassification to earnings, net of income tax benefit / (expense) of $0.0 and $0.1, respectively, for the three month period and $0.0 and $0.7, respectively, for the nine month period	-	0.9	(0.1)	2.5
Total change in unfunded pension obligation	-	0.9	(0.1)	2.5
Other comprehensive income / (loss)	0.5	(46.0)	(5.9)	(53.2)
Net comprehensive income / (loss)	$ (1,810.4)	$ 21.1	$ (1,783.2)	$ 89.1

See Notes to Condensed Consolidated Financial Statements.
These interim statements are unaudited.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

$ in millions	Nine Months Ended September 30, 2012 Successor	2011 Predecessor
Cash flows from operating activities:		
Net income / (loss)	$ (1,777.3)	$ 142.3
Adjustments to reconcile Net income to Net cash provided by operating activities:		
Depreciation and amortization	95.6	106.0
Amortization of intangibles	71.2	-
Amortization of debt market value adjustments	(14.2)	-
Deferred income taxes	(10.5)	70.5
Charge for early redemption of debt	-	15.3
Goodwill impairment	1,850.0	-
Recognition of deferred SECA revenue	(17.8)	-
Changes in certain assets and liabilities:		
Accounts receivable	(10.2)	21.1
Inventories	29.5	(9.1)
Prepaid taxes	0.6	(27.0)
Taxes applicable to subsequent years	59.9	47.7
Deferred regulatory costs, net	2.7	7.9
Accounts payable	(16.7)	(13.4)
Accrued taxes payable	(49.4)	(58.2)
Accrued interest payable	25.2	(3.1)
Pension, retiree and other benefits	24.4	(31.7)
Unamortized investment tax credit	(0.2)	(2.1)
Insurance and claims costs	(1.3)	4.1
Other	(11.8)	3.6
Net cash provided by operating activities	249.7	273.9
Cash flows from investing activities:		
Capital expenditures	(163.1)	(141.3)
Purchase of MC Squared	-	(8.3)
Increase in restricted cash	(0.4)	(9.1)
Purchases of short-term investments and securities	-	(1.7)
Sales of short-term investments and securities	-	70.9
Other	-	1.5
Net cash from investing activities	(163.5)	(88.0)

DPL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

$ in millions	Nine Months Ended September 30, 2012 Successor	2011 Predecessor

Net cash from financing activities:				
Dividends paid on common stock		**(45.0)**		(113.8)
Contributions to additional paid-in capital from parent		**0.3**		-
Payment to former warrant holders		**(9.0)**		-
Deferred finance costs		**(0.3)**		-
Issuance of long-term debt		-		300.0
Retirement of long-term debt		**(0.1)**		(297.4)
Early redemption of Capital Trust II debt		-		(122.0)
Premium paid for early redemption of debt		-		(12.2)
Payment of MC Squared debt		-		(13.5)
Withdrawals from revolving credit facilities		-		50.0
Repayment of borrowing from revolving credit facilities		-		(50.0)
Exercise of stock options		-		1.6
Exercise of warrants		-		14.7
Tax impact related to exercise of stock options		-		0.3
Net cash from financing activities		**(54.1)**		(242.3)
Cash and cash equivalents:				
Net change		**32.1**		(56.4)
Balance at beginning of period		**173.5**		124.0
Cash and cash equivalents at end of period	**$**	**205.6**	$	67.6
Supplemental cash flow information:				
Interest paid, net of amounts capitalized	**$**	**78.1**	$	49.4
Income taxes paid, net	**$**	**43.0**	$	25.5
Non-cash financing and investing activities:				
Accruals for capital expenditures	**$**	**12.5**	$	14.8
Long-term liability incurred for purchase of plant assets	**$**	-	$	18.7

See Notes to Condensed Consolidated Financial Statements.
These interim statements are unaudited.

DPL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

$ in millions		At September 30, 2012		At December 31, 2011
		Successor		
ASSETS				
Current assets:				
Cash and cash equivalents	**$**	**205.6**	$	173.5

Restricted cash	**22.6**	22.2
Accounts receivable, net (Note 3)	**233.0**	219.1
Inventories (Note 3)	**96.3**	125.8
Taxes applicable to subsequent years	**16.6**	76.5
Regulatory assets, current (Note 4)	**21.8**	20.8
Other prepayments and current assets	**26.4**	30.4
Total current assets	**622.3**	668.3
Property, plant & equipment:		
Property, plant & equipment	**2,629.1**	2,360.3
Less: Accumulated depreciation and amortization	**(173.8)**	(7.5)
	2,455.3	2,352.8
Construction work in process	**100.1**	152.3
Total net property, plant & equipment	**2,555.4**	2,505.1
Other noncurrent assets:		
Regulatory assets, non-current (Note 4)	**181.3**	193.2
Goodwill	**726.3**	2,576.3
Intangible assets, net of amortization	**75.0**	142.4
Other deferred assets	**33.9**	51.9
Total other noncurrent assets	**1,016.5**	2,963.8
Total assets	**$ 4,194.2**	$ 6,137.2

See Notes to Condensed Consolidated Financial Statements.
These interim statements are unaudited.

DPL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

$ in millions	**At September 30, 2012**	At December 31, 2011
	Successor	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion - long-term debt (Note 6)	**$ 0.4**	$ 0.4
Accounts payable	**78.6**	111.1

Accrued taxes	**88.9**	63.2
Accrued interest	**55.7**	30.2
Customer security deposits	**15.9**	15.9
Regulatory liabilities, current (Note 4)	**-**	0.5
Dividends payable	**25.0**	-
Insurance and claims costs	**12.9**	14.2
Other current liabilities	**68.9**	68.4
Total current liabilities	**346.3**	303.9
Noncurrent liabilities:		
Long-term debt (Note 6)	**2,614.5**	2,628.9
Deferred taxes (Note 7)	**523.3**	542.4
Taxes payable	**24.5**	96.9
Regulatory liabilities, non-current (Note4)	**117.5**	118.6
Pension, retiree and other benefits	**55.7**	47.5
Derivative liability	**41.1**	46.1
Unamortized investment tax credit	**3.4**	3.6
Other deferred credits	**73.3**	100.2
Total noncurrent liabilities	**3,453.3**	3,584.2
Redeemable preferred stock of subsidiary	**18.4**	18.4
Commitments and contingencies (Note 13)		
Common shareholder's equity:		
Common stock:		
1,500 shares authorized; 1 share issued and outstanding at September 30, 2012 and December 31, 2011		
Other paid-in capital	**2,235.9**	2,237.3
Accumulated other comprehensive loss	**(6.3)**	(0.4)
Retained deficit	**(1,853.4)**	(6.2)
Total common shareholder's equity	**376.2**	2,230.7
Total liabilities and shareholder's equity	**$ 4,194.2**	$ 6,137.2

See Notes to Condensed Consolidated Financial Statements.
These interim statements are unaudited.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Overview and Summary of Significant Accounting Policies

Description of Business
DPL is a diversified regional energy company organized in 1985 under the laws of Ohio. **DPL's** two reportable segments are the Utility segment, comprised of its **DP&L** subsidiary, and the Competitive

Retail segment, comprised of its DPLER operations, which include the operations of DPLER's wholly owned subsidiary MC Squared. Refer to Note 14 for more information relating to these reportable segments.

On November 28, 2011, **DPL** was acquired by AES in the Merger and **DPL** became a wholly owned subsidiary of AES. See Note 2.

DP&L is a public utility incorporated in 1911 under the laws of Ohio. **DP&L** is engaged in the generation, transmission, distribution and sale of electricity to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio. Electricity for **DP&L's** 24 county service area is primarily generated at eight coal-fired power plants and is distributed to more than 500,000 retail customers. Principal industries served include automotive, food processing, paper, plastic manufacturing and defense.

DP&L's sales reflect the general economic conditions and seasonal weather patterns of the area. **DP&L** sells any excess energy and capacity into the wholesale market.

DPLER sells competitive retail electric service, under contract, to residential, commercial and industrial customers. DPLER's operations include those of its wholly owned subsidiary, MC Squared, which was acquired on February 28, 2011. DPLER has approximately 175,000 customers currently located throughout Ohio and Illinois. DPLER does not own any transmission or generation assets, and all of DPLER's electric energy was purchased from **DP&L** or PJM to meet its sales obligations. DPLER's sales reflect the general economic conditions and seasonal weather patterns of the areas it serves.

DPL's other significant subsidiaries include DPLE, which owns and operates peaking generating facilities from which it makes wholesale sales of electricity and MVIC, our captive insurance company that provides insurance services to us and our subsidiaries. All of **DPL's** subsidiaries are wholly owned.

DPL also has a wholly owned business trust, DPL Capital Trust II, formed for the purpose of issuing trust capital securities to investors.

DP&L's electric transmission and distribution businesses are subject to rate regulation by federal and state regulators while its generation business is deemed competitive under Ohio law. Accordingly, **DP&L** applies the accounting standards for regulated operations to its electric transmission and distribution businesses and records regulatory assets when incurred costs are expected to be recovered in future customer rates, and regulatory liabilities when current cost recoveries in customer rates relate to expected future costs.

DPL and its subsidiaries employed 1,501 people as of September 30, 2012, of which 1,443 employees were employed by **DP&L**. Approximately 52% of all employees are under a collective bargaining agreement which expires on October 31, 2014.

Financial Statement Presentation

DPL's Condensed Consolidated Financial Statements include the accounts of **DPL** and its wholly owned subsidiaries except for DPL Capital Trust II which is not consolidated, consistent with the provisions of GAAP. **DP&L's** undivided ownership interests in certain coal-fired generating plants are included in the financial statements at amortized cost, which was adjusted to fair value at the Merger date for **DPL Inc**. Operating revenues and expenses of these generating plants are included on a pro rata basis in the corresponding lines in the Condensed Consolidated Statement of Operations. See Note 5 for more information.

Certain excise taxes collected from customers have been reclassified out of operating expenses in the 2011 presentation to conform to AES' presentation of these items. These taxes are presented net

within revenue. Certain immaterial amounts from prior periods have been reclassified to conform to the current reporting presentation.

All material intercompany accounts and transactions are eliminated in consolidation.

These financial statements have been prepared in accordance with GAAP for interim financial statements, the instructions of Form 10-Q and Regulation S-X. Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with GAAP have been omitted from this interim report. Therefore, our interim financial statements in this report should be read along with the annual financial statements included in our Form 10-K for the fiscal year ended December 31, 2011.

In the opinion of our management, the Condensed Consolidated Financial Statements presented in this report contain all adjustments necessary to fairly state our financial condition as of September 30, 2012; our results of operations for the three and nine months ended September 30, 2012 and our cash flows for the nine months ended September 30, 2012 and 2011. Unless otherwise noted, all adjustments are normal and recurring in nature. Due to various factors, including but not limited to, seasonal weather variations, the timing of outages of electric generating units, changes in economic conditions involving commodity prices and competition, and other factors, interim results for the three and nine months ended September 30, 2012 may not be indicative of our results that will be realized for the full year ending December 31, 2012.

The preparation of financial statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the revenues and expenses of the periods reported. Actual results could differ from these estimates. Significant items subject to such estimates and judgments include: the carrying value of property, plant and equipment; unbilled revenues; the valuation of derivative instruments; the valuation of insurance and claims liabilities; the valuation of allowances for receivables and deferred income taxes; regulatory assets and liabilities; reserves recorded for income tax exposures; litigation; contingencies; the valuation of AROs; assets and liabilities related to employee benefits; goodwill; and intangibles.

On November 28, 2011, AES completed the Merger with **DPL**. As a result of the Merger, **DPL** is an indirectly wholly owned subsidiary of AES. **DPL's** basis of accounting incorporates the application of FASC 805, "Business Combinations" (FASC 805) as of the date of the Merger. FASC 805 requires the acquirer to recognize and measure identifiable assets acquired and liabilities assumed at fair value as of the Merger date. **DPL's** Condensed Consolidated Financial Statements and accompanying footnotes have been segregated to present pre-merger activity as the "Predecessor" Company and post-merger activity as the "Successor" Company. Purchase accounting impacts, including goodwill recognition, have been "pushed down" to **DPL**, resulting in the assets and liabilities of **DPL** being recorded at their respective fair values as of November 28, 2011. The purchase price allocation was finalized in the third quarter of 2012.

As a result of the push down accounting, **DPL's** Condensed Consolidated Statements of Operations subsequent to the Merger include amortization expense relating to purchase accounting adjustments and depreciation of fixed assets based upon their fair value. Therefore, the **DPL** financial data prior to the Merger will not generally be comparable to its financial data subsequent to the Merger.

In connection with the Merger, **DPL** remeasured the carrying amount of all of its assets and liabilities to fair value, which resulted in the recognition of approximately $2,576.3 million of goodwill (see Note 2), assigned to **DPL's** two reporting units, DPLER and the **DP&L** Reporting Unit, which includes **DP&L** and other entities. FASC 350, "Intangibles – Goodwill and Other," requires that goodwill be tested for impairment at the reporting unit level at least annually or more frequently if impairment indicators are present. In evaluating the potential impairment of goodwill, we make estimates and assumptions about revenue, operating cash flows, capital expenditures, growth rates and discount rates based on our budgets and long term forecasts, macroeconomic projections, and current market expectations of returns on similar assets. There are inherent uncertainties related to these factors and management's judgment in applying these factors. Generally, the fair value of a reporting unit is determined using a discounted cash flow valuation model. We could be required to evaluate the potential impairment of goodwill outside of the required annual assessment process if we experience situations, including but not limited to: deterioration in general economic conditions; changes to our operating or regulatory environment; increased competitive environment; increase in fuel costs particularly when we are unable to pass its effect to customers; negative or declining cash flows; loss of a key contract or customer, particularly when we are unable to replace it on equally favorable terms; or adverse actions or assessments by a regulator. These types of events and the resulting analyses could result in goodwill impairment expense, which could substantially affect our results of operations for those periods. In the third quarter of 2012, we recorded an impairment charge of $1,850.0 million against the goodwill at **DPL's DP&L** Reporting Unit. See Note 15 for more information.

As part of the purchase accounting, values were assigned to various intangible assets, including customer relationships, customer contracts and the value of our ESP.

Sale of Receivables

In the first quarter of 2012, DPLER began selling receivables from DPLER customers in Duke Energy's territory to Duke Energy. These sales are at face value for cash at the billed amounts for DPLER customers' use of energy. There is no recourse or any other continuing involvement associated with the sold receivables. Total receivables sold during the three and nine months ended September 30, 2012 were $6.1 million and $11.3 million, respectively.

Property, Plant and Equipment

We record our ownership share of our undivided interest in jointly-held plants as an asset in property, plant and equipment. Property, plant and equipment are stated at cost. For regulated transmission and distribution property, cost includes direct labor and material, allocable overhead expenses and an allowance for funds used during construction (AFUDC). AFUDC represents the cost of borrowed

funds and equity used to finance regulated construction projects. For non-regulated property, cost also includes capitalized interest. Capitalization of AFUDC and interest ceases at either project completion or at the date specified by regulators. AFUDC and capitalized interest was $0.9 million and $1.1 million during the three months and $3.4 million and $3.5 million during the nine months ended September 30, 2012 and 2011, respectively.

For unregulated generation property, cost includes direct labor and material, allocable overhead expenses and interest capitalized during construction using the provisions of GAAP relating to the accounting for capitalized interest.

For substantially all depreciable property, when a unit of property is retired, the original cost of that property less any salvage value is charged to Accumulated depreciation and amortization.

Property is evaluated for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable.

Intangibles
Intangibles include emission allowances, renewable energy credits, customer relationships, customer contracts and the value of our ESP. Emission allowances are carried on a first-in, first-out (FIFO) basis for purchased emission allowances. In addition, we recorded emission allowances at their fair value as of the Merger date. Net gains or losses on the sale of excess emission allowances, representing the difference between the sales proceeds and the cost of emission allowances, are recorded as a component of our fuel costs and are reflected in Operating income when realized. During the nine months ended September 30, 2012 and 2011, **DPL** had no gains from the sale of emission allowances. Beginning in January 2010, part of the gains on emission allowances were used to reduce the overall fuel rider charged to our SSO retail customers.

Customer relationships recognized as part of the purchase accounting associated with the Merger are amortized over ten to seventeen years and customer contracts are amortized over the average length of the contracts. The ESP is amortized over one year on a straight-line basis. Emission allowances are amortized as they are used in our operations on a FIFO basis. Renewable energy credits are amortized as they are used or retired.

Prior to the Merger date, emission allowances and renewable energy credits were carried as inventory. Emission allowances and renewable energy credits are now carried as intangibles in accordance with AES' policy. The amounts for 2011 have been reclassified to reflect this change in presentation.

Accounting for Taxes Collected from Customers and Remitted to Governmental Authorities
DPL collects certain excise taxes levied by state or local governments from its customers. Prior to the Merger date, certain excise and other taxes were recorded gross. Effective on the Merger date, these taxes are accounted for on a net basis and recorded as a reduction in revenues for presentation in accordance with AES policy. The amounts for the three months ended September 30, 2012 and 2011 were $13.8 million and $14.3 million, respectively. The amounts for the nine months ended September 30, 2012 and 2011 were $38.5 million and $39.9 million, respectively. The 2011 amounts were reclassified to conform to this presentation.

Share-Based Compensation
We measure the cost of employee services received and paid with equity instruments based on the fair-value of such equity instrument on the grant date. This cost is recognized in results of operations over the period that employees are required to provide service. Liability awards are initially recorded based on the fair-value of equity instruments and are to be re-measured for the change in stock price at each subsequent reporting date until the liability is ultimately settled. The fair-value for employee share options and other similar instruments at the grant date are estimated using option-pricing models and any excess tax benefits are recognized as an addition to paid-in capital. The reduction in income taxes payable from the excess tax benefits is presented in the Condensed Consolidated Statements of Cash Flows within Cash flows from financing activities. As a result of the Merger (see Note 2), vesting of all DPL share-based awards was accelerated as of the Merger date, and none are in existence at September 30, 2012.

Recently Issued Accounting Standards

Offsetting Assets and Liabilities
In December 2011, the FASB issued ASU 2011-11 "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11) effective for interim and annual reporting periods beginning on or after January 1, 2013. We expect to adopt this ASU on January 1, 2013. This standard updates FASC Topic 210, "Balance Sheet." ASU 2011-11 updates the disclosures for financial instruments and derivatives to provide more transparent information around the offsetting of assets and liabilities. Entities are required to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and/or subject to an agreement similar to a master netting agreement. We do not expect these new rules to have a material impact on our overall results of operations, financial position or cash flows.

Testing Indefinite-Lived Intangible Assets for Impairments
In July 2012, the FASB issued ASU 2012-02 "Testing Indefinite-Lived Intangible Assets for Impairment" (ASU 2012-02) effective for interim and annual impairment tests performed for fiscal years beginning after September 15, 2012. We expect to adopt this ASU on January 1, 2013. This standard updates FASC Topic 350, "Intangibles-Goodwill and Other." ASU 2012-02 permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with FASC Subtopic 350-30. After adoption, we do not expect these new rules to have a material impact on our overall results of operations, financial position or cash flows.

Recently Adopted Accounting Standards

Fair Value Disclosures
In May 2011, the FASB issued ASU 2011-04 "Fair Value Measurements" (ASU 2011-04) effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this ASU on January 1, 2012. This standard updates FASC 820, "Fair Value Measurements." ASU 2011-04 essentially converges US GAAP guidance on fair value with the IFRS guidance. The ASU requires more disclosures around Level 3 inputs. It also increases reporting for financial instruments disclosed at fair value but not recorded at fair value and provides clarification of blockage factors and other premiums and discounts. These new rules did not have a material effect on our overall results of operations, financial position or cash flows.

Comprehensive Income
In June 2011, the FASB issued ASU 2011-05 "Presentation of Comprehensive Income" (ASU 2011-05) effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this ASU on January 1, 2012. This standard updates FASC 220, "Comprehensive Income." ASU 2011-05 essentially converges US GAAP guidance on the presentation of comprehensive income with the IFRS guidance. The ASU requires the presentation of comprehensive income in one continuous financial statement or two separate but consecutive statements. Any

reclassification adjustments from other comprehensive income to net income are required to be presented on the face of the Statement of Comprehensive Income. These new rules did not have a material effect on our overall results of operations, financial position or cash flows.

Goodwill Impairment
In September 2011, the FASB issued ASU 2011-08 "Testing Goodwill for Impairment" (ASU 2011-08) effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this ASU on January 1, 2012. This standard updates FASC 350, "Intangibles-Goodwill and Other." ASU 2011-08 allows an entity to first test Goodwill using qualitative factors to determine if it is more likely than not that the fair value of a

reporting unit has been impaired; if so, then the two-step impairment test is performed. We will incorporate these new requirements in our future goodwill impairment testing.

Derivative gross vs. net presentation – Following the acquisition of DPL in November 2011 by AES, DPL began presenting its derivative positions on a gross basis in accordance with AES policy. This change has been reflected in the 2011 balance sheet contained in these statements.

2. Business Combination

On November 28, 2011, AES completed its acquisition of **DPL**. AES paid cash consideration of approximately $3,483.6 million. The allocation of the purchase price was based on the estimated fair value of assets acquired and liabilities assumed. In addition, Dolphin Subsidiary II, Inc. (a wholly owned subsidiary of AES) issued $1,250.0 million of debt, which, as a result of the merger of **DPL** and Dolphin Subsidiary II, Inc. was assumed by **DPL**. The assets acquired and liabilities assumed in the acquisition were recorded at estimated amounts based on the purchase price allocation. We finalized the allocation of the purchase price in the third quarter of 2012.

From November 28, 2011 through September 30, 2012, we recognized the following changes to our preliminary purchase price allocation:

	Decrease / (increase) to preliminary goodwill	
$ in millions	Change before deferred income tax effect	Deferred income tax effect
Property, plant and equipment [1]	$ (70.7)	$ 25.5
DPLER intangibles [2]	(19.1)	6.7
Out of market coal contract [3]	(34.2)	12.0
Deferred tax liabilities [4]	-	(20.7)
Regulatory assets [5]	15.4	-
Taxes payable [6]	13.1	(16.0)
Other	1.0	-
	$ (94.5)	$ 7.5

Net (increase) in goodwill	$ (87.0)

(1) related to refined information associated with certain contractual arrangements, growth and ancillary revenue assumptions.
(2) related to refined market and contractual information.
(3) related to a change in certain assumptions related to an out of market coal contract.
(4) related to an assessment of our overall deferred tax liabilities on regulated property, plant and equipment.
(5) related to the increase in deferred taxes discussed in *(4)* above.
(6) related to the final DPL Inc. standalone federal tax return.

These purchase price adjustments increased the provisionally recognized goodwill by $87.0 million and have been reflected retrospectively as of December 31, 2011 in the accompanying Condensed Consolidated Balance Sheets. The effect on net income for the nine months ended September 30, 2012 of $8.7 million was recorded in the second and third quarters. The effect on net income for the period November 28, 2011 through December 31, 2011 was not material.

Estimated preliminary and final fair value of assets acquired and liabilities assumed as of the Merger date are as follows:

$ in millions	Final purchase price allocation	Preliminary purchase price allocation
Cash	$ 116.4	$ 116.4
Restricted cash	18.5	18.5
Accounts receivable	277.6	277.6
Inventory	123.7	123.7
Other current assets	37.3	37.3
Property, plant and equipment	2,477.8	2,548.5
Intangible assets subject to amortization	147.2	166.3
Intangible assets - indefinite-lived	5.0	5.0
Regulatory assets	217.1	201.1
Other non-current assets	58.3	58.3
Current liabilities	(413.1)	(408.2)
Debt	(1,255.1)	(1,255.1)
Deferred taxes	(551.2)	(558.2)
Regulatory liabilities	(117.0)	(117.0)
Other non-current liabilities	(216.8)	(201.5)
Redeemable preferred stock	(18.4)	(18.4)
Net identifiable assets acquired	907.3	994.3
Goodwill	2,576.3	2,489.3
Net assets acquired	$ 3,483.6	$ 3,483.6

3. Supplemental Financial Information

$ in millions	At September 30, 2012	At December 31, 2011
	Successor	
Accounts receivable, net:		
Unbilled revenue	$ 62.0	$ 72.4
Customer receivables	131.8	113.2
Amounts due from partners in jointly-owned plants	16.5	29.2
Coal sales	4.5	1.0
Other	19.4	4.4
Provision for uncollectible accounts	(1.2)	(1.1)
Total accounts receivable, net	$ 233.0	$ 219.1
Inventories, at average cost:		
Fuel, limestone and emission allowances	$ 53.6	$ 84.2
Plant materials and supplies	40.7	39.8
Other	2.0	1.8
Total inventories, at average cost	$ 96.3	$ 125.8

Accumulated Other Comprehensive Income / (Loss)

AOCI is included on our balance sheets within the Common shareholders' equity sections. The following table provides the components that constitute the balance sheet amounts in AOCI at September 30, 2012 and December 31, 2011 :

$ in millions	At September 30, 2012	At December 31, 2011
	Successor	
Financial Instruments	$ 0.5	$ -
Cash flow hedges	(6.8)	(0.5)
Pension and postretirement benefits	-	0.1
Total	$ (6.3)	$ (0.4)

4. Regulatory Assets and Liabilities

In accordance with GAAP, regulatory assets and liabilities are recorded in the Condensed Consolidated Balance Sheets for our regulated electric transmission and distribution businesses. Regulatory assets are the deferral of costs expected to be recovered in future customer rates and regulatory liabilities represent current recovery of expected future costs or gains probable of being reflected in future rates.

We evaluate our regulatory assets each period and believe that recovery of these assets is probable. We have received or requested a return on certain regulatory assets for which we are currently recovering or seeking recovery through rates. We record a return after it has been authorized in an order by a regulator.

Regulatory assets and liabilities are classified as current or non-current based on the term in which recovery is expected.

The following table presents **DPL's** regulatory assets and liabilities:

$ in millions	Type of Recovery (a)	Amortization through	At September 30, 2012	At December 31, 2011
			Successor	
Current regulatory assets:				
TCRR, transmission, ancillary and other PJM-related costs	F	Ongoing	$ 6.3	$ 4.7
Power plant emission fees	C	Ongoing	(0.3)	4.8
Fuel and purchased power recovery costs	C	Ongoing	15.8	11.3
Total regulatory assets - current			$ 21.8	$ 20.8
Non-current regulatory assets:				
Deferred recoverable income taxes	B/C	Ongoing	$ 37.0	$ 39.5
Pension benefits	C	Ongoing	87.1	92.1
Unamortized loss on reacquired debt	C	Ongoing	12.2	13.0
Regional transmission organization costs	D	2014	3.0	4.1
Deferred storm costs - 2008	D		18.7	17.9
CCEM smart grid and advanced metering infrastructure costs	D		6.6	6.6
CCEM energy efficiency program costs	F	Ongoing	5.9	8.8
Consumer education campaign	D		3.0	3.0
Retail settlement system costs	D		3.1	3.1
Other costs			4.7	5.1
Total regulatory assets - non-current			$ 181.3	$ 193.2

Current regulatory liabilities:		
Other	$ -	$ 0.5
Total regulatory liabilities - current	$ -	$ 0.5
Non-current regulatory liabilities:		
Estimated costs of removal - regulated property	$ 111.6	$ 112.4
Postretirement benefits	5.6	6.2
Other	0.3	-
Total regulatory liabilities - non-current	$ 117.5	$ 118.6

(a) *B – Balance has an offsetting liability resulting in no effect on rate base.*
C – Recovery of incurred costs without a rate of return.
D – Recovery not yet determined, but is probable of occurring in future rate proceedings.
F – Recovery of incurred costs plus rate of return.

Regulatory Assets

TCRR, transmission, ancillary and other PJM-related costs represent the costs related to transmission, ancillary service and other PJM-related charges that have been incurred as a member of PJM. On an annual basis, retail rates are adjusted to true-up costs with recovery in rates.

Power plant emission fees represent costs paid to the State of Ohio since 2002. As part of the fuel factor settlement agreement in November 2011, these costs are being recovered through the fuel factor.

Fuel and purchased power recovery costs represent prudently incurred fuel, purchased power, derivative, emission and other related costs which will be recovered from or returned to customers in the future through the operation of the fuel and purchased power recovery rider. The fuel and purchased power recovery rider fluctuates based on actual costs and recoveries and is modified at the start of each seasonal quarter. **DP&L** implemented the fuel and purchased power recovery rider on January 1, 2010. As part of the PUCO approval process, an outside auditor is hired to review fuel costs and the fuel procurement process. We received the audit report for 2011 on April 27, 2012. The auditor has recommended that the PUCO consider reducing **DP&L's** recovery of fuel costs by approximately $3.3 million from certain transactions. On October 4, 2012, we filed testimony on this issue and a hearing is scheduled in November 2012 before a hearing examiner. A decision is expected

in the fourth quarter of 2012. As of September 30, 2012, we believe the entire amount is recoverable.

Deferred recoverable income taxes represent deferred income tax assets recognized from the normalization of flow through items as the result of tax benefits previously provided to customers. This is the cumulative flow through benefit given to regulated customers that will be collected from them in future years. Since currently existing temporary differences between the financial statements and the related tax basis of assets will reverse in subsequent periods, these deferred recoverable income taxes will decrease over time.

Pension benefits represent the qualifying FASC 715 "Compensation – Retirement Benefits" costs of our regulated operations that for ratemaking purposes are deferred for future recovery. We recognize an asset for a plan's overfunded status or a liability for a plan's underfunded status, and recognize, as a component of other comprehensive income (OCI), the changes in the funded status of the plan that arise during the year that are not recognized as a component of net periodic benefit cost. This regulatory asset represents the regulated portion that would otherwise be charged as a loss to OCI.

Unamortized loss on reacquired debt represents losses on long-term debt reacquired or redeemed in prior periods. These costs are being amortized over the lives of the original issues in accordance with FERC and PUCO rules.

Regional transmission organization costs represent costs incurred to join an RTO. The recovery of these costs will be requested in a future FERC rate case. In accordance with FERC precedence, we are amortizing these costs over a 10-year period that began in 2004 when we joined the PJM RTO.

Deferred storm costs – 2008 relate to costs incurred to repair the damage caused by hurricane force winds in September 2008, as well as other major 2008 storms. On January 14, 2009, the PUCO granted **DP&L** the authority to defer these costs with a return until such time that **DP&L** seeks recovery in a future rate proceeding.

CCEM smart grid and AMI costs represent costs incurred as a result of studying and developing distribution system upgrades and implementation of AMI. On October 19, 2010, **DP&L** elected to withdraw its case pertaining to the Smart Grid and AMI programs. The PUCO accepted the withdrawal in an order issued on January 5, 2011. The PUCO also indicated that it expects **DP&L** to continue to monitor other utilities' Smart Grid and AMI programs and to explore the potential benefits of investing in Smart Grid and AMI programs and that **DP&L** will, when appropriate, file new Smart Grid and/or AMI business cases in the future. We plan to file to recover these deferred costs in a future regulatory rate proceeding. Based on past PUCO precedent, we believe these costs are probable of future recovery in rates.

CCEM energy efficiency program costs represent costs incurred to develop and implement various new customer programs addressing energy efficiency. These costs are being recovered through an energy efficiency rider (EER) that began July 1, 2009 and is subject to a two-year true-up for any over/under recovery of costs. On April 29, 2011, **DP&L** filed to true-up the EER which was approved by the PUCO on October 18, 2011. **DP&L** plans to make its next true-up filing on or before April 30, 2013.

Consumer education campaign represents costs for consumer education advertising regarding electric deregulation. **DP&L** will be seeking recovery of these costs as part of our next distribution rate case filing at the PUCO. The timing of such a filing has not yet been determined.

Retail settlement system costs represent costs to implement a retail settlement system that reconciles the energy a CRES supplier delivers to its customers and what its customers actually use. Based on case precedent in other utilities' cases, the costs are recoverable through a future **DP&L** rate proceeding.

Other costs primarily include RPM capacity, other PJM and rate case costs and alternative energy costs that are or will be recovered over various periods.

Regulatory Liabilities

Estimated costs of removal – regulated property reflect an estimate of amounts collected in customer rates for costs that are expected to be incurred in the future to remove existing transmission and distribution property from service when the property is retired.

Postretirement benefits represent the qualifying FASC 715 "Compensation – Retirement Benefits" gains related to our regulated operations that, for ratemaking purposes, are probable of being reflected in future rates. We recognize an asset for a plan's overfunded status or a liability for a plan's underfunded status, and recognize, as a component of OCI, the changes in the funded status of the plan that arise during the year that are not recognized as a component of net periodic benefit cost. This regulatory liability represents the regulated portion that would otherwise be reflected as a gain to OCI.

Pending Regulatory Activity

On August 10, 2012, **DP&L** filed with the PUCO for an accounting order for permission to defer operation and maintenance costs as a result of damage caused by storms occurring during the final weekend of June 2012. The deferral request is for distribution expense incurred for these storms. The deferral would earn a return equal to the carrying cost of debt (5.86%) until these costs are recovered from customers. On October 19, 2012, DP&L amended its filing to change the method of calculating the deferral. If PUCO approval is received, **DP&L** will defer approximately $5.8 million of costs associated with these storms.

5. Ownership of Coal-fired Facilities

DP&L has undivided ownership interests in seven coal-fired electric generating facilities and numerous transmission facilities with certain other Ohio utilities. Certain expenses, primarily fuel costs for the generating stations, are allocated to the owners based on their energy usage. The remaining expenses, investments in fuel inventory, plant materials and operating supplies, and capital additions are allocated to the owners in accordance with their respective ownership interests. As of September 30, 2012, **DP&L** had $31.0 million of construction work in process at such jointly-owned facilities. **DP&L's** share of the operating cost of such facilities is included within the corresponding line in the Condensed Consolidated Statements of Results of Operations and **DP&L's** share of the investment in the facilities is included within Total net property, plant and equipment in the Condensed Consolidated Balance Sheets. Each joint owner provides their own financing for their share of the operations and capital expenditures of the jointly owned station.

DP&L's undivided ownership interest in such facilities as well as our wholly owned coal-fired Hutchings station at September 30, 2012 is as follows:

	DP&L Share		DP&L Investment (adjusted to fair value at Merger date)			
Jointly-owned production stations:	Ownership (%)	Summer Production Capacity (MW)	Gross Plant in Service ($ in millions)	Accumulated Depreciation ($ in millions)	Construction Work in Process ($ in millions)	SCR and FGD Equipment Installed and in Service (Yes/No)
Beckjord Unit 6	50.0	207	$ 1	$ 1	$ -	No
Conesville Unit 4	16.5	129	42	4	8	Yes
East Bend Station	31.0	186	11	6	1	Yes
Killen Station	67.0	402	316	15	4	Yes
Miami Fort Units 7 and 8	36.0	368	217	9	3	Yes
Stuart Station	35.0	808	206	16	12	Yes
Zimmer Station	28.1	365	182	27	3	Yes
Transmission (at varying percentages)		n/a	35	2	-	
Total		2,465	$ 1,010	$ 80	$ 31	
Wholly-owned production station:						
Hutchings Station	100.0	365	$ -	$ -	$ -	No

Currently, our coal-fired generation units at Hutchings and Beckjord do not have SCR and FGD emission-control equipment installed. **DP&L** owns 100% of the Hutchings station and has a 50% interest in Beckjord Unit 6. On July 15, 2011, Duke Energy, a co-owner at the Beckjord Unit 6 facility, filed their Long-term Forecast Report with the PUCO. The plan indicated that Duke Energy plans to cease production at the Beckjord station, including our jointly owned Unit 6, in December 2014. This was followed by a notification by Duke Energy to PJM, dated February 1, 2012, of a planned April 1, 2015 deactivation of this unit. **DP&L** does not object to Duke's decision. Beckjord Unit 6 was valued at zero at the Merger date.

We are considering options for the Hutchings station, but have not yet made a final decision. **DP&L** has informed PJM that Hutchings Unit 4 has incurred damage to a rotor and will be deactivated and unavailable for service until at least June 1, 2014, if not indeterminately. In addition, **DP&L** has notified PJM that Hutchings Units 1 and 2 will be deactivated by June 1, 2015. The decision to deactivate Units 1 and 2 has been made because these two units are not equipped with the advanced environmental control technologies needed to comply with the MACT standard, which was renamed MATS (Mercury Air Toxics Standard) when the rule was issued final on December 16, 2011, and the cost of compliance with the MATS standard or conversion to natural gas for these units would likely exceed the expected return. **DP&L** is still studying the option of converting two or more of Hutchings Units 3-6 to natural gas in order to comply with environmental requirements.

DPL revalued **DP&L's** investment in the above plants at the estimated fair value for each plant at the Merger date.

6. Debt Obligations

All debt outstanding at the Merger date was revalued at the estimated fair value.

Long-term debt

$ in millions	At September 30, 2012	At December 31, 2011
First mortgage bonds maturing in October 2013 - 5.125%	$ 489.4	$ 503.6
Pollution control series maturing in January 2028 - 4.70%	36.1	36.1
Pollution control series maturing in January 2034 - 4.80%	179.6	179.6
Pollution control series maturing in September 2036 - 4.80%	96.2	96.2
Pollution control series maturing in November 2040 - variable rates: 0.04% - 0.26% and 0.06% - 0.32% (a)	100.0	100.0
U.S. Government note maturing in February 2061 - 4.20%	18.4	18.5
Capital lease obligation	0.2	0.4
Total long-term debt at subsidiary	919.9	934.4
Bank Term Loan - variable rates: 2.22% - 2.30% and 1.48% - 4.25% (b)	425.0	425.0
Senior unsecured bonds maturing October 2016 - 6.50%	450.0	450.0
Senior unsecured bonds maturing October 2021 - 7.25%	800.0	800.0
Note to DPL Capital Trust II maturing in September 2031 - 8.125%	19.6	19.5
Total long-term debt	$ 2,614.5	$ 2,628.9

Current portion - long-term debt

$ in millions	At September 30, 2012	At December 31, 2011
U.S. Government note maturing in February 2061 - 4.20%	$ 0.1	$ 0.1
Capital lease obligation	0.3	0.3
Total current portion - long-term debt - DPL	$ 0.4	$ 0.4

(a) Range of interest rates for the nine months ended September 30, 2012 and the twelve months ended December 31, 2011, respectively.
(b) Range of interest rates for the nine months ended September 30, 2012 and from the draw-down of the loan in August 2011 through December 31, 2011, respectively.

At September 30, 2012, maturities of long-term debt, including capital lease obligations, are summarized as follows:

$ in millions		
Due within one year	$	0.4
Due within two years		895.3
Due within three years		0.1
Due within four years		0.1
Due within five years		450.1
Thereafter		1,252.9
Total maturities		2,598.9
Unamortized adjustments to market value from purchase accounting		16.0
Total long-term debt	$	2,614.9

Premiums or discounts recognized at the Merger date are amortized over the life of the debt using the effective interest method.

On December 4, 2008, the OAQDA issued $100.0 million of collateralized, variable rate Revenue Refunding Bonds Series A and B due November 1, 2040. In turn, **DP&L** borrowed these funds from the OAQDA and issued corresponding First Mortgage Bonds to support repayment of the funds. The payment of principal and interest on each series of the bonds when due is backed by a standby letter of credit issued by JPMorgan Chase Bank, N.A. This letter of credit facility, which expires in December 2013, is irrevocable and has no subjective acceleration clauses. Fees associated with this letter of credit facility were not material during the three and nine months ended September 30, 2012 and 2011.

On April 20, 2010, **DP&L** entered into a $200.0 million unsecured revolving credit agreement with a syndicated bank group. This agreement is for a three year term expiring on April 20, 2013 and provides **DP&L** with the ability to increase the size of the facility by an additional $50.0 million. **DP&L** had no outstanding borrowings under this credit facility at September 30, 2012 and December 31, 2011. Fees associated with this revolving credit facility were not material during the three and nine months ended September 30, 2012 and 2011. This facility also contains a $50.0 million letter of credit sublimit. As of September 30, 2012, **DP&L** had no outstanding letters of credit against this facility.

On February 23, 2011, **DPL** purchased $122.0 million principal amount of DPL Capital Trust II 8.125% capital securities in a privately negotiated transaction. As part of this transaction, **DPL** paid a premium of $12.2 million, or 10%. Debt issuance costs and unamortized debt discount totaling $3.1 million associated with this debt were expensed in February 2011 in conjunction with this transaction.

On March 1, 2011, **DP&L** completed the purchase of $18.7 million of electric transmission and distribution assets from the federal government that are located at the Wright-Patterson Air Force Base. **DP&L** financed the acquisition of these assets with a note payable to the federal government that is payable monthly over 50 years and bears interest at 4.2% per annum.

On August 24, 2011, **DP&L** entered into a $200.0 million unsecured revolving credit agreement with a syndicated bank group. This agreement is for a four year term expiring on August 24, 2015 and provides **DP&L** with the ability to increase the size of the facility by an additional $50.0 million. **DP&L** had no outstanding borrowings under this credit facility at September 30, 2012 and December 31, 2011. Fees associated with this revolving credit facility were not material during the three and nine months ended September 30, 2012 and 2011. This facility also contains a $50.0 million letter of credit sublimit. As of September 30, 2012, **DP&L** had no outstanding letters of credit against this facility.

On August 24, 2011, **DPL** entered into a $125.0 million unsecured revolving credit agreement with a syndicated bank group. This agreement is for a three year term expiring on August 24, 2014. The size of the facility was reduced from $125.0 million to $75.0 million as part of an amendment dated October 19, 2012 that was negotiated between DPL and the syndicated bank group. **DPL** had no outstanding borrowings under this credit

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facility at September 30, 2012 and December 31, 2011. Fees associated with this revolving credit facility were not material during the three and nine months ended September 30, 2012. This facility may also be used to issue letters of credit up to the $75.0 million limit. As of September 30, 2012, **DPL** had no outstanding letters of credit against this facility.

On August 24, 2011, **DPL** entered into a $425.0 million unsecured term loan agreement with a syndicated bank group. This agreement is for a three year term expiring on August 24, 2014. On October 19, 2012, **DPL** and the syndicated bank group approved an amendment, which reduced the size of the facility from $125.0 million to $75 million and modified certain covenants in the facility. **DPL** has borrowed the entire $425.0 million available under the facility at September 30, 2012. Fees associated with this term loan were not material during the three and nine months ended September 30, 2012.

DPL's unsecured revolving credit agreement and **DPL's** unsecured term loan each have two financial covenants, one of which was changed as part of amendments, dated October 19, 2012, to the facilities negotiated between **DPL** and the syndicated bank groups. The first financial covenant, originally a Total Debt to Capitalization ratio, was changed, effective September 30, 2012, to a Total Debt to EBITDA ratio. The Total Debt to EBITDA ratio is calculated, at the end of each fiscal quarter, by dividing total debt at the end of the current quarter by consolidated EBITDA for the four prior fiscal quarters.

The second financial covenant is an EBITDA to Interest Expense ratio. The EBITDA to Interest Expense ratio is calculated, at the end of each fiscal quarter, by dividing consolidated earnings before

interest, taxes, depreciation and amortization (EBITDA) for the four prior fiscal quarters by the consolidated interest charges for the same period.

The amendments, dated October 19, 2012, to the facilities negotiated between **DPL** and the syndicated bank groups, restrict dividend payments from **DPL** to AES and adjust the cost of borrowing under the facilities.

In connection with the closing of the Merger (see Note 2), **DPL** assumed $1,250.0 million of debt that Dolphin Subsidiary II, Inc., a subsidiary of AES, issued on October 3, 2011 to partially finance the Merger. The $1,250.0 million was issued in two tranches. The first tranche was $450.0 million of five year senior unsecured notes issued with a 6.50% coupon maturing on October 15, 2016. The second tranche was $800.0 million of ten year senior unsecured notes issued with a 7.25% coupon maturing on October 15, 2021.

Substantially all property, plant and equipment of **DP&L** is subject to the lien of the mortgage securing **DP&L**'s First and Refunding Mortgage, dated October 1, 1935, with the Bank of New York Mellon as Trustee.

7. Income Taxes

The following table details the effective tax rates for the three and nine months ended September 30, 2012 and 2011.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	Successor	Predecessor	Successor	Predecessor
DPL	**(1.2)%**	29.9%	**(2.3)%**	32.9%

Income tax expense for the three and nine months ended September 30, 2012 and 2011 was calculated using the estimated annual effective income tax rates of (2.2)% and 33.2% for 2012 and 2011, respectively. For the three and nine months ended September 30, 2011, management estimated the annual effective tax rate based upon its forecast of annual pre-tax income.

For the three and nine months ended September 30, 2012, management estimated the annual effective tax rate based upon actual pre-tax income for the period.

For the three months ended September 30, 2012, **DPL**'s current period effective rate is greater than the estimated annual effective rate due to certain current period tax adjustments. These current period adjustments include a revision to the estimated annual effective rate resulting in a reduction in tax expense of $16.7 million as well as a reduction in tax expense of $0.9 million due to the effect of estimate-to-actual income tax provision adjustments related to non-deductible merger costs as well as non-deductible officers compensation.

For the nine months ended September 30, 2012, **DPL's** current period effective rate is less than the estimated annual effective rate due to certain current period tax adjustments. These current period adjustments include an increase in deferred state income tax expense of $3.6 million and an increase in other estimated tax liabilities of $0.2 million. These increases to tax expense are partially offset by a reduction in tax expense of $0.9 million due to the effect of estimate-to-actual income tax provision adjustments related to non-deductible merger costs as well as non-deductible officers compensation

For the three and nine months ended September 30, 2012, the decrease in **DPL's** effective tax rate compared to the same period in 2011 primarily reflects decreased pre-tax earnings related to the goodwill impairment during the third quarter of 2012.

Deferred tax liabilities for **DPL** decreased by approximately $25.4 million during the three months ended September 30, 2012 primarily related to purchase accounting adjustments and decreased $19.1 million during the nine months ended September 30, 2012 primarily related to purchase accounting adjustments, amortization and depreciation.

The Internal Revenue Service began an examination of our 2008 Federal income tax return during the second quarter of 2010 and has continued through the current quarter. At this time, we do not expect the results of this examination to have a material effect on our financial statements.

8. Pension and Postretirement Benefits

DP&L sponsors a defined benefit pension plan for the vast majority of its employees.

We generally fund pension plan benefits as accrued in accordance with the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and, in addition, make voluntary contributions from time to time. There were no contributions made during the nine months ended September 30, 2012. **DP&L** made a discretionary contribution of $40.0 million to the defined benefit plan during the nine months ended September 30, 2011.

The amounts presented in the following tables for pension include both the collective bargaining plan formula, the traditional management plan formula, the cash balance plan formula and the SERP in the aggregate. The amounts presented for postretirement include both health and life insurance.

The net periodic benefit cost/(income) of the pension and postretirement benefit plans for the three months ended September 30, 2012 and 2011 was:

Net Periodic Benefit Cost / (Income)	**Pension**		**Postretirement**	
	Successor	Predecessor	**Successor**	Predecessor
$ in millions	**2012**	2011	**2012**	2011
Service cost	**$ 1.5**	$ 0.8	**$ -**	$ -
Interest cost	**4.3**	4.1	**0.2**	0.2
Expected return on assets *(a)*	**(5.7)**	(6.2)	**(0.1)**	(0.1)
Amortization of unrecognized:				
Actuarial loss / (gain)	**1.3**	1.7	**(0.1)**	(0.5)
Prior service cost	**0.4**	0.5	**-**	0.1
Net periodic benefit cost / (income) before adjustments	**1.8**	0.9	**-**	(0.3)
Settlement cost *(b)*	**0.2**	-	**-**	-
Net periodic benefit cost / (income)	**$ 2.0**	$ 0.9	**$ -**	$ (0.3)

(a) *For purposes of calculating the expected return on pension plan assets, under GAAP, the market-related value of assets (MRVA) is used. GAAP requires that the difference between actual plan asset returns and estimated plan asset returns be included in the MRVA equally over a period not to exceed five years. We use a methodology under which we include the difference between actual and estimated asset returns in the MRVA equally over a three year period. The MRVA used in the calculation of expected return on pension plan assets for the 2012 and 2011 net periodic benefit cost was approximately $336.0 million and $316.0 million, respectively.*

(b) *The settlement cost relates to a former officer who has elected to receive a lump sum distribution in 2012 from the Supplemental Executive Retirement Plan.*

The net periodic benefit cost/(income) of the pension and postretirement benefit plans for the nine months ended September 30, 2012 and 2011 was:

Net Periodic Benefit Cost / (Income)	**Pension**		**Postretirement**	
	Successor	Predecessor	**Successor**	Predecessor
$ in millions	**2012**	2011	**2012**	2011
Service cost	**$ 4.6**	$ 3.7	**$ 0.1**	$ 0.1
Interest cost	**12.9**	12.7	**0.6**	0.7
Expected return on assets *(a)*	**(17.0)**	(18.4)	**(0.2)**	(0.2)
Amortization of unrecognized:				
Actuarial loss / (gain)	**3.7**	6.2	**(0.5)**	(0.9)
Prior service cost	**1.1**	1.6	**-**	0.1
Net periodic benefit cost / (income) before adjustments	**5.3**	5.8	**-**	(0.2)
Settlement cost *(b)*	**0.2**	-	**-**	-
Net periodic benefit cost / (income)	**$ 5.5**	$ 5.8	**$ -**	$ (0.2)

(a) *For purposes of calculating the expected return on pension plan assets, under GAAP, the market-related value of assets (MRVA) is used. GAAP requires that the difference between actual plan asset returns and estimated plan asset returns be included in the MRVA equally over a period not to exceed five years. We use a methodology under which we include the difference between actual and estimated asset returns in the MRVA equally over a three year period. The MRVA used in the calculation of expected return on pension plan assets for the 2012 and 2011 net periodic benefit cost was approximately $336.0 million and $316.0 million, respectively.*

(b) *The settlement cost relates to a former officer who has elected to receive a lump sum distribution in 2012 from the Supplemental Executive Retirement Plan.*

Benefit payments, which reflect future service, are expected to be paid as follows:

Estimated Future Benefit Payments and Medicare Part D Reimbursements

$ in millions	Pension	Postretirement
2012	$ 5.8	$ 0.6
2013	22.7	2.3
2014	23.2	2.2
2015	23.8	2.0
2016	24.0	1.9
2017 - 2021	124.4	7.5

9. Fair Value Measurements

The fair values of our financial instruments are based on published sources for pricing when possible. We rely on valuation models only when no other methods exist. The value of our financial instruments represents our best estimates of the fair value, which may not be the value realized in the future.

The table below presents the fair value and cost of our non-derivative instruments at September 30, 2012 and December 31, 2011. See also Note 10 of Notes to Condensed Consolidated Financial Statements for the fair values of our derivative instruments.

	Successor			
	At September 30, 2012		At December 31, 2011	
$ in millions	Cost	Fair Value	Cost	Fair Value
Assets				
Money Market Funds	$ 0.2	$ 0.2	$ 0.2	$ 0.2
Equity Securities	3.9	5.2	3.9	4.4
Debt Securities	5.0	5.5	5.0	5.5
Multi-Strategy Fund	0.3	0.3	0.3	0.2
Total Assets	$ 9.4	$ 11.2	$ 9.4	$ 10.3
Liabilities				
Debt	$ 2,614.9	$ 2,769.4	$ 2,629.3	$ 2,710.6

Debt

The carrying value of **DPL's** debt was adjusted to fair value at the Merger date. Unrealized gains or losses are not recognized in the financial statements because debt is presented at the value established at the Merger date, less amortized premium or discount. The debt amounts include the current portion payable in the next twelve months and have maturities that range from 2013 to 2061.

Master Trust Assets

DP&L established a Master Trust to hold assets that could be used for the benefit of employees participating in employee benefit plans. These assets are primarily comprised of open-ended mutual funds which are valued using the net asset value per unit. These investments are recorded at fair value within Other deferred assets on the balance sheets and classified as available for sale. Any unrealized gains or losses are recorded in AOCI until the securities are sold.

DP&L had $0.8 million ($0.5 million after tax) of unrealized gains and immaterial losses on the Master Trust assets in AOCI at September 30, 2012 and immaterial unrealized gains and losses in AOCI at December 31, 2011.

Due to the liquidation of the **DPL Inc.** common stock held in the Master Trust, there is sufficient cash to cover the next twelve months of benefits payable to employees covered under the benefit plans. Therefore, no unrealized gains or losses are expected to be transferred to earnings since we will not need to sell any investments in the next twelve months.

Net Asset Value (NAV) per Unit

The following table discloses the fair value and redemption frequency for those assets whose fair value is estimated using the NAV per unit as of September 30, 2012 and December 31, 2011. These assets are part of the Master Trust. Fair values estimated using the NAV per unit are considered Level 2 inputs within the fair value hierarchy, unless they cannot be redeemed at the NAV per unit on the reporting date. Investments that have restrictions on the redemption of the investments are Level 3 inputs. As of September 30, 2012, **DPL** did not have any investments for sale at a price different from the NAV per unit.

Fair Value Estimated Using Net Asset Value per Unit (Successor)

$ in millions	**Fair Value at September 30, 2012**	Fair Value at December 31, 2011	Unfunded Commitments
Equity Securities (a)	**$ 5.2**	$ 4.4	$ -
Debt Securities (b)	**5.5**	5.5	-
Multi-Strategy Fund (c)	**0.3**	0.2	-
Total	**$ 11.0**	$ 10.1	$ -

(a)*This category includes investments in hedge funds representing an S&P 500 Index and the Morgan Stanley Capital International (MSCI) U.S. Small Cap 1750 Index. Investments in this category can be redeemed immediately at the current net asset value per unit.*

(b)*This category includes investments in U.S. Treasury obligations and U.S. investment grade bonds. Investments in this category ca redeemed immediately at the current net asset value per unit.*

(c)*This category includes a mix of actively managed funds holding investments in stocks, bonds and short-term investments in a mix o actively managed funds. Investments in this category can be redeemed immediately at the current net asset value per unit.*

Fair Value Hierarchy

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. These inputs are then categorized as Level 1 (quoted prices in active markets for identical assets or liabilities); Level 2 (observable inputs such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active); or Level 3 (unobservable inputs).

Valuations of assets and liabilities reflect the value of the instrument including the values associated with counterparty risk. We include our own credit risk and our counterparty's credit risk in our calculation of fair value using global average default rates based on an annual study conducted by a large rating agency.

We transferred a money market account to Level 1 from Level 2 of the fair value hierarchy, as it was determined that this fund is a cash equivalent where quoted prices are generally equal to par value.

The fair value of assets and liabilities at September 30, 2012 and December 31, 2011 measured on a recurring basis and the respective category within the fair value hierarchy for **DPL** was determined as follows:

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Successor)

$ in millions	Fair Value at September 30, 2012	Level 1 Based on Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Unobservable Inputs
Assets				
Master Trust Assets				
Money Market Funds	$ 0.2	$ 0.2	$ -	$ -
Equity Securities	5.2	-	5.2	-
Debt Securities	5.5	-	5.5	-
Multi-Strategy Fund	0.3	-	0.3	-
Total Master Trust Assets	11.2	0.2	11.0	-
Derivative Assets				
FTRs	0.1	-	-	0.1
Heating Oil Futures	0.4	0.4	-	-
Forward Power Contracts	16.8	-	16.8	-
Total Derivative Assets	17.3	0.4	16.8	0.1

Total Assets	$ 28.5	$ 0.6	$ 27.8	$ 0.1
Liabilities				
Derivative Liabilities				
Interest Rate Hedge	$ (35.7)	$ -	$ (35.7)	$ -
FTRs	(0.1)	-	-	(0.1)
Forward NYMEX Coal Contracts	(1.1)	-	(1.1)	-
Forward Power Contracts	(21.0)	-	(21.0)	-
Total Derivative Liabilities	(57.9)	-	(57.8)	(0.1)
Long-term Debt	(2,769.4)	-	(2,750.4)	(19.0)
Total Liabilities	$ (2,827.3)	$ -	$ (2,808.2)	$ (19.1)

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Successor)

$ in millions	Fair Value as of December 31, 2011	Level 1 Based on Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Unobservable Inputs
Assets				
Master Trust Assets				
Money Market Funds	$ 0.2	$ -	$ 0.2	$ -
Equity Securities	4.4	-	4.4	-
Debt Securities	5.5	-	5.5	-
Multi-Strategy Fund	0.2	-	0.2	-
Total Master Trust Assets	10.3	-	10.3	-
Derivative Assets				
FTRs	0.1	-	0.1	-
Heating Oil Futures	1.8	1.8	-	-
Forward Power Contracts	17.3	-	17.3	-
Total Derivative Assets	19.2	1.8	17.4	-
Total Assets	$ 29.5	$ 1.8	$ 27.7	$ -
Liabilities				

Derivative Liabilities				
Interest Rate Hedge	$ (32.5)	$ -	$ (32.5)	$ -
Forward NYMEX Coal Contracts	(14.5)	-	(14.5)	-
Forward Power Contracts	(13.3)	-	(13.3)	-
Total Derivative Liabilities	(60.3)	-	(60.3)	-
Total Liabilities	$ (60.3)	$ -	$ (60.3)	$ -

We use the market approach to value our financial instruments. Level 1 inputs are used for derivative contracts such as heating oil futures and for money market accounts that are considered cash equivalents. The fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Level 2 inputs are used to value derivatives such as forward power contracts and forward NYMEX-quality coal contracts (which are traded on the OTC market but which are valued using prices on the NYMEX for similar contracts on the OTC market). Other Level 2 assets include: open-ended mutual funds that are in the Master Trust, which are valued using the end of day NAV per unit; and interest rate hedges, which use observable inputs to populate a pricing model. Financial transmission rights are considered a Level 3 input, beginning April 1, 2012, because the monthly auctions are considered inactive.

Our Level 3 inputs are immaterial to our derivative balances as a whole and as such no further disclosures are presented.

Our debt is fair valued for disclosure purposes only and most of the fair values are determined using quoted market prices in inactive markets. These fair value inputs are considered Level 2 in the fair value hierarchy. Our long-term leases and the WPAFB loan are not publicly traded. Fair value is assumed to equal carrying value. These fair value inputs are considered Level 3 in the fair value hierarchy as there are no observable inputs. Additional Level 3 disclosures were not presented since debt is not recorded at fair value.

Approximately 99% of the inputs to the fair value of our derivative instruments are from quoted market prices.

Non-recurring Fair Value Measurements

We use the cost approach to determine the fair value of our AROs which are estimated by discounting expected cash outflows to their present value at the initial recording of the liability. Cash outflows are based on the approximate future disposal cost as determined by market information, historical information or other management estimates. These inputs to the fair value of the AROs would be considered Level 3 inputs under the fair value hierarchy. Additions to AROs were not material during the nine months ended September 30, 2012 and 2011.

Cash Equivalents

DPL had $125.0 million and $125.0 million in money market funds classified as cash and cash equivalents in its Condensed Consolidated Balance Sheets at September 30, 2012 and December 31, 2011, respectively. The money market funds have quoted prices that are generally equivalent to par and are considered Level 1.

10. Derivative Instruments and Hedging Activities

In the normal course of business, **DPL** enters into various financial instruments, including derivative financial instruments. We use derivatives principally to manage the risk of changes in market prices for commodities and interest rate risk associated with our long-term debt. The derivatives that we use to economically hedge these risks are governed by our risk management policies for forward and futures contracts. Our net positions are continually assessed within our structured hedging programs to determine whether new or offsetting transactions are required. The objective of the hedging program is to mitigate financial risks while ensuring that we have adequate resources to meet our requirements. We monitor and value derivative positions monthly as part of our risk management processes. We use published sources for pricing, when possible, to mark positions to market. All of our derivative instruments are used for risk management purposes and are designated as cash flow hedges or marked to market each reporting period.

At September 30, 2012, **DPL** had the following outstanding derivative instruments:

Commodity	Accounting Treatment	Unit	Purchases (in thousands)	Sales (in thousands)	Net Purchases/ (Sales) (in thousands)
FTRs	Mark to Market	MWh	11.1	-	11.1
Heating Oil Futures	Mark to Market	Gallons	1,932.0	-	1,932.0
Forward Power Contracts	Cash Flow Hedge	MWh	886.2	(3,194.1)	(2,307.9)
Forward Power Contracts	Mark to Market	MWh	2,688.0	(4,877.6)	(2,189.6)
NYMEX-quality Coal Contracts*	Mark to Market	Tons	46.5	-	46.5
Interest Rate Swaps	Cash Flow Hedge	USD	$ 160,000.0	$ -	$ 160,000.0

*Includes our partners' share for the jointly-owned plants that **DP&L** operates.

At December 31, 2011, **DPL** had the following outstanding derivative instruments:

Commodity	Accounting Treatment	Unit	Purchases (in thousands)	Sales (in thousands)	Net Purchases/ (Sales) (in thousands)
FTRs	Mark to Market	MWh	7.1	(0.7)	6.4
Heating Oil Futures	Mark to Market	Gallons	2,772.0	-	2,772.0
Forward Power Contracts	Cash Flow Hedge	MWh	886.2	(341.6)	544.6
Forward Power Contracts	Mark to Market	MWh	1,769.4	(1,739.5)	29.9
NYMEX-quality Coal Contracts*	Mark to Market	Tons	2,015.0	-	2,015.0
Interest Rate Swaps	Cash Flow Hedge	USD	$ 160,000.0	$ -	$ 160,000.0

*Includes our partners' share for the jointly-owned plants that **DP&L** operates.

Cash Flow Hedges

As part of our risk management processes, we identify the relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. The fair value of cash flow hedges as determined by observable market prices available as of the balance sheet dates and will continue to fluctuate with changes in market prices up to contract expiration. The effective portion of the hedging transaction is recognized in AOCI and transferred to earnings using specific identification of each contract when the forecasted hedged transaction takes place or when the forecasted hedged transaction is probable of not occurring. The ineffective portion of the cash flow hedge is recognized in earnings in the current period. All risk components were taken into account to determine the hedge effectiveness of the cash flow hedges.

We enter into forward power contracts to manage commodity price risk exposure related to our generation of electricity. We do not hedge all commodity price risk. We reclassify gains and losses on forward power contracts from AOCI into earnings in those periods in which the contracts settle.

We also enter into interest rate derivative contracts to manage interest rate exposure related to anticipated borrowings of fixed-rate debt. Our anticipated fixed-rate debt offerings have a high probability of occurrence as the proceeds will be used to fund existing debt maturities and projected capital expenditures. We do not hedge all interest rate exposure. During 2011, interest rate hedging relationships with a notional amount of $200.0 million settled resulting in **DPL** making a cash payment of $48.1 million ($31.3 million net of tax). As part of the Merger discussed in Note 2, **DPL** entered into a $425.0 million unsecured term loan agreement with a syndicated bank group on August 24, 2011, in part, to pay the approximately $297.4 million principal amount of **DPL's** 6.875% debt that was due in September 2011. The remainder was drawn for other corporate purposes. This agreement is for a three year term expiring on August 24, 2014. As a result, some of the forecasted transactions originally being hedged are probable of not occurring and therefore approximately $5.1 million ($3.3 million net of tax) has been reclassified to earnings during the period January 1, 2011 through November 27, 2011. Because the interest rate swap had already cash settled as of the Merger date, this hedge had no future value and was not valued as a part of the purchase accounting (See Note 2 for more information). We reclassify gains and losses on interest rate derivative hedges related to debt financings from AOCI into earnings in those periods in which hedged interest payments occur.

The following table provides information for **DPL** concerning gains or losses recognized in AOCI for the cash flow hedges for the three months ended September 30, 2012 and 2011:

Three Months Ended September 30, 2012	Three Months Ended September 30, 2011
Successor	Predecessor
Interest	Interest

$ in millions (net of tax)	Power	Rate Hedge	Power	Rate Hedge
Beginning accumulated derivative gain / (loss) in AOCI	$ (2.4)	$ (4.7)	$ (1.5)	$ 12.3
Net gains / (losses) associated with current period hedging transactions	(2.2)	2.5	1.8	(49.8)
Net gains reclassified to earnings				
Interest Expense	-	-	-	1.4
Revenues	(0.1)	-	0.1	-
Purchased Power	0.1	-	-	-
Ending accumulated derivative gain / (loss) in AOCI	$ (4.6)	$ (2.2)	$ 0.4	$ (36.1)
Net gains / (losses) associated with the ineffective portion of the hedging transaction				
Interest Expense	$ -	$ -	$ -	$ 3.1
Revenues	$ -	$ -	$ -	$ -
Purchased Power	$ -	$ -	$ -	$ -
Portion expected to be reclassified to earnings in the next twelve months*	$ (7.9)	$ -		
Maximum length of time that we are hedging our exposure to variability in future cash flows related to forecasted transactions (in months)	27	12		

*The actual amounts that we reclassify from AOCI to earnings related to power can differ from the estimate above due to market price changes.

The following table provides information for **DPL** concerning gains or losses recognized in AOCI for the cash flow hedges for the nine months ended September 30, 2012 and 2011:

	Nine Months Ended September 30, 2012		Nine Months Ended September 30, 2011	
	Successor		Predecessor	
$ in millions (net of tax)	Power	Interest Rate Hedge	Power	Interest Rate Hedge
Beginning accumulated derivative gain	$ 0.3	$ (0.8)	$ (1.8)	$ 21.4

/ (loss) in AOCI				
Net gains / (losses) associated with current period hedging transactions	(3.8)	(1.7)	0.8	(59.0)
Net gains reclassified to earnings				
Interest Expense	-	0.3	-	1.5
Revenues	(0.1)	-	0.8	-
Purchased Power	(1.0)	-	0.6	-
Ending accumulated derivative gain / (loss) in AOCI	$ (4.6)	$ (2.2)	$ 0.4	$ (36.1)
Net gains / (losses) associated with the ineffective portion of the hedging transaction				
Interest Expense	$ -	$ (1.2)	$ -	$ 5.1
Revenues	$ -	$ -	$ -	$ -
Purchased Power	$ -	$ -	$ -	$ -
Portion expected to be reclassified to earnings in the next twelve months*	$ (7.9)	$ -		
Maximum length of time that we are hedging our exposure to variability in future cash flows related to forecasted transactions (in months)	27	12		

*The actual amounts that we reclassify from AOCI to earnings related to power can differ from the estimate above due to market price changes.

The following tables show the fair value and balance sheet classification of **DPL's** derivative instruments
designated as hedging instruments at September 30, 2012 and December 31, 2011:

Fair Values of Derivative Instruments Designated as Hedging Instruments
At September 30, 2012 (Successor)

$ in millions	Fair Value	Balance Sheet Location
Short-term Derivative Positions		
Forward Power Contracts in an Asset Position	$ 0.4	Other prepayments and current assets
Forward Power Contracts in a Liability Position	(7.3)	Other current liabilities

Total Short-term Cash Flow Hedges	(6.9)	
Long-term Derivative Positions		
Forward Power Contracts in an Asset Position	0.7	Other deferred assets
Forward Power Contracts in a Liability Position	(3.0)	Other deferred credits
Interest Rate Hedges in a Liability Position	(35.7)	Other deferred credits
Total Long-term Cash Flow Hedges	(38.0)	
Total Cash Flow Hedges	$ (44.9)	

Fair Values of Derivative Instruments Designated as Hedging Instruments at December 31, 2011 (Successor)

$ in millions	Fair Value	Balance Sheet Location
Short-term Derivative Positions		
Forward Power Contracts in an Asset Position	$ 1.5	Other prepayments and current assets
Forward Power Contracts in a Liability Position	(0.2)	Other current liabilities
Total Short-term Cash Flow Hedges	1.3	
Long-term Derivative Positions		
Forward Power Contracts in an Asset Position	0.1	Other deferred assets
Forward Power Contracts in a Liability Position	(2.6)	Other deferred credits
Interest Rate Hedges in a Liability Position	(32.5)	Other deferred credits
Total Long-term Cash Flow Hedges	(35.0)	
Total Cash Flow Hedges	$ (33.7)	

Mark to Market Accounting

Certain derivative contracts are entered into on a regular basis as part of our risk management program but do not qualify for hedge accounting or the normal purchase and sales exceptions under FASC Topic 815. Accordingly, such contracts are recorded at fair value with changes in the fair value charged or credited to the Condensed Consolidated Statements of Results of Operations in the period in which the change occurred. This is commonly referred to as "MTM accounting." Contracts we enter into as part of our risk management program may be settled financially, by physical delivery or net settled with the counterparty. We currently mark to market Financial Transmission Rights (FTRs), heating oil futures, forward NYMEX-quality coal contracts and certain forward power contracts.

Certain qualifying derivative instruments have been designated as normal purchases or normal sales contracts, as provided under GAAP. Derivative contracts that have been designated as normal

purchases or normal sales under GAAP are not subject to MTM accounting treatment and are recognized in the Condensed Consolidated Statements of Results of Operations on an accrual basis.

Regulatory Assets and Liabilities

In accordance with regulatory accounting under GAAP, a cost that is probable of recovery in future rates should be deferred as a regulatory asset and a gain that is probable of being returned to customers should be deferred as a regulatory liability. Portions of the derivative contracts that are marked to market each reporting period and are related to the retail portion of **DP&L's** load requirements are included as part of the fuel and purchased power recovery rider approved by the PUCO which began January 1, 2010. Therefore, the Ohio retail customers' portion of the heating oil futures and the NYMEX-quality coal contracts are deferred as a regulatory asset or liability until the contracts settle. If these unrealized gains and losses are no longer deemed to be probable of recovery through our rates, they will be reclassified into earnings in the period such determination is made.

The following tables show the amount and classification within the Condensed Consolidated Statements of Results of Operations or Condensed Consolidated Balance Sheets of the gains and losses on **DPL's** derivatives not designated as hedging instruments for the three and nine months ended September 30, 2012 and 2011.

For the three months ended September 30, 2012 (Successor)

$ in millions	NYMEX Coal	Heating Oil	FTRs	Power	Total
Change in unrealized gain / (loss)	$ 15.5	$ -	$ 0.1	$ (2.9)	$ 12.7
Realized gain / (loss)	(12.8)	0.5	0.1	0.1	(12.1)
Total	$ 2.7	$ 0.5	$ 0.2	$ (2.8)	$ 0.6
Recorded on Balance Sheet:					
Partners' share of gain / (loss)	$ 4.7	$ -	$ -	$ -	$ 4.7
Regulatory (asset) / liability	1.2	(0.1)	-	-	1.1
Recorded in Income Statement: gain / (loss)					
Revenue	-	-	-	(2.4)	(2.4)
Purchased Power	-	-	0.2	(0.4)	(0.2)
Fuel	(3.2)	0.5	-	-	(2.7)
O&M	-	0.1	-	-	0.1
Total	$ 2.7	$ 0.5	$ 0.2	$ (2.8)	$ 0.6

For the three months ended September 30, 2011 (Predecessor)

$ in millions	NYMEX Coal	Heating Oil	FTRs	Power	Total
Change in unrealized gain / (loss)	$ (27.9)	$ (1.6)	$ (0.1)	$ (0.3)	$ (29.9)
Realized gain / (loss)	4.3	0.5	-	1.2	6.0
Total	$ (23.6)	$ (1.1)	$ (0.1)	$ 0.9	$ (23.9)
Recorded on Balance Sheet:					
Partners' share of gain / (loss)	$ (13.8)	$ -	$ -	$ -	$ (13.8)
Regulatory (asset) / liability	(4.0)	(0.6)	-	-	(4.6)

Recorded in Income Statement: gain / (loss)					
Revenue	-	-	-	(1.6)	(1.6)
Purchased Power	-	-	(0.1)	2.5	2.4
Fuel	(5.8)	(0.5)	-	-	(6.3)
O&M	-	-	-	-	-
Total	$ (23.6)	$ (1.1)	$ (0.1)	$ 0.9	$ (23.9)

For the nine months ended September 30, 2012 (Successor)

$ in millions	NYMEX Coal	Heating Oil	FTRs	Power	Total
Change in unrealized gain / (loss)	$ 13.4	$ (1.5)	$ (0.1)	$ (0.6)	$ 11.2
Realized gain / (loss)	(27.2)	1.9	0.5	(4.2)	(29.0)
Total	$ (13.8)	$ 0.4	$ 0.4	$ (4.8)	$ (17.8)
Recorded on Balance Sheet:					
Partners' share of gain / (loss)	$ 3.5	$ -	$ -	$ -	$ 3.5
Regulatory (asset) / liability	0.9	(0.6)	-	-	0.3
Recorded in Income Statement: gain / (loss)					
Revenue	-	-	-	(1.7)	(1.7)
Purchased Power	-	-	0.4	(3.1)	(2.7)
Fuel	(18.2)	0.8	-	-	(17.4)
O&M	-	0.2	-	-	0.2
Total	$ (13.8)	$ 0.4	$ 0.4	$ (4.8)	$ (17.8)

For the nine months ended September 30, 2011 (Predecessor)

$ in millions	NYMEX Coal	Heating Oil	FTRs	Power	Total
Change in unrealized gain / (loss)	$ (41.6)	$ -	$ (0.1)	$ 0.6	$ (41.1)
Realized gain / (loss)	8.1	1.5	(0.6)	(0.8)	8.2
Total	$ (33.5)	$ 1.5	$ (0.7)	$ (0.2)	$ (32.9)
Recorded on Balance Sheet:					
Partners' share of gain / (loss)	$ (21.2)	$ -	$ -	$ -	$ (21.2)
Regulatory (asset) / liability	(5.9)	0.1	-	-	(5.8)
Recorded in Income Statement: gain / (loss)					

Revenue	-	-	-	(6.3)	(6.3)
Purchased Power	-	-	(0.7)	6.1	5.4
Fuel	(6.4)	1.3	-	-	(5.1)
O&M	-	0.1	-	-	0.1
Total	$ (33.5)	$ 1.5	$ (0.7)	$ (0.2)	$ (32.9)

The following table shows the fair value and balance sheet classification of **DPL**'s derivative instruments not designated as hedging instruments at September 30, 2012:

Fair Values of Derivative Instruments Not Designated as Hedging Instruments
At September 30, 2012 (Successor)

$ in millions	Fair Value	Balance Sheet Location
Short-term Derivative Positions		
FTRs in an Asset Position	$ **0.1**	Other prepayments and current assets
FTRs in a Liability Position	**(0.1)**	Other current liabilities
Forward Power Contracts in an Asset Position	**12.0**	Other prepayments and current assets
Forward Power Contracts in a Liability Position	**(8.3)**	Other current liabilities
NYMEX-quality Coal Forwards in a Liability Position	**(1.1)**	Other current liabilities
Heating Oil Futures in an Asset Position	**0.3**	Other prepayments and current assets
Total Short-term Derivative MTM Positions	**2.9**	
Long-term Derivative Positions		
Forward Power Contracts in an Asset Position	**3.7**	Other deferred assets
Forward Power Contracts in a Liability Position	**(2.4)**	Other deferred credits
NYMEX-quality Coal Forwards in a Liability Position	**-**	Other deferred credits
Heating Oil Futures in an Asset Position	**0.1**	Other deferred assets
Total Long-term Derivative MTM Positions	**1.4**	
Net MTM Position	$ **4.3**	

The following table shows the fair value and balance sheet classification of **DPL's** derivative instruments not designated as hedging instruments at December 31, 2011:

Fair Values of Derivative Instruments Not Designated as Hedging Instruments at December 31, 2011 (Successor)

$ in millions	Fair Value	Balance Sheet Location
Short-term Derivative Positions		
FTRs in an Asset Position	$ 0.1	Other current liabilities
Forward Power Contracts in an Asset Position	9.9	Other prepayments and current assets
Forward Power Contracts in a Liability Position	(6.5)	Other current liabilities
NYMEX-quality Coal Forwards in a Liability Position	(8.3)	Other current liabilities
Heating Oil Futures in an Asset Position	1.8	Other prepayments and current assets
Total Short-term Derivative MTM Positions	(3.0)	
Long-term Derivative Positions		
Forward Power Contracts in an Asset Position	5.8	Other deferred assets
Forward Power Contracts in a Liability Position	(4.0)	Other deferred credits
NYMEX-quality Coal Forwards in a Liability Position	(6.2)	Other deferred credits
Total Long-term Derivative MTM Positions	(4.4)	
Net MTM Position	$ (7.4)	

Certain of our OTC commodity derivative contracts are under master netting agreements that contain provisions that require our debt to maintain an investment grade credit rating from credit rating agencies. Even though our debt has fallen below investment grade, our counterparties to the derivative instruments have not requested immediate payment or demanded immediate and ongoing full overnight collateralization of the MTM loss.

The aggregate fair value of **DPL's** commodity derivative instruments that are in a MTM loss position at September 30, 2012 is $22.2 million. This amount is offset by $12.6 million of collateral posted directly with third parties and in a broker margin account which offsets our loss positions on the forward contracts. This liability position is further offset by the asset position of counterparties with master netting agreements of $4.4 million. If our counterparties were to call for collateral, we could have to post collateral for the remaining $5.2 million.

11. Common Shareholder's Equity

Effective on the Merger date, **DPL** adopted Amended Articles of Incorporation providing for 1,500 authorized common shares, of which one share is outstanding at September 30, 2012.

On October 28, 2009, the **DPL** Board of Directors approved a Stock Repurchase Program that permitted **DPL** to use proceeds from the exercise of **DPL** warrants by warrant holders to repurchase other outstanding **DPL** warrants or its common stock from time to time in the open market, through private transactions or otherwise. This 2009 Stock Repurchase Program was scheduled to run through June 30, 2012, but was suspended in connection with the Merger with The AES Corporation, discussed in Note 2. In June 2011, 0.7 million warrants were exercised with proceeds of $14.7

million. Since the Stock Repurchase Program was suspended, the proceeds from the June 2011 exercise of warrants were not used to repurchase stock.

As a result of the Merger involving **DPL** and AES, the outstanding shares of **DPL** common stock were converted into the right to receive merger consideration of $30.00 per share. When the remaining warrants were exercised in March 2012, **DPL** paid the warrant holders an amount equal to $9.00 per warrant, which was

the difference between the merger consideration of $30.00 per share of **DPL** common stock and the exercise price of $21.00 per share. This amount was recorded as a $9.0 million liability at the Merger date. At December 31, 2011, **DPL** had 1.0 million outstanding warrants which were exercised in March 2012. At September 30, 2012, there are no remaining warrants outstanding.

ESOP

In October 1992, our Board of Directors approved the formation of a Company-sponsored ESOP to fund matching contributions to **DP&L's** 401(k) retirement savings plan and certain other payments to eligible full-time employees. ESOP shares used to fund matching contributions to **DP&L's** 401(k) vested after two, three or five years of service in accordance with the match formula effective for the respective plan match year; other compensation shares awarded vested immediately.

During December 2011, the ESOP Plan was terminated and participant balances were transferred to one of the two **DP&L** sponsored defined contribution 401(k) plans. On December 5, 2011, the ESOP Trust paid the total outstanding principal and interest of $68.2 million on the loan with **DPL**, using the merger proceeds from unallocated **DPL** common stock held within the ESOP suspense account.

12. Earnings per Share

Basic EPS is based on the weighted-average number of **DPL** common shares outstanding during the year. Diluted EPS is based on the weighted-average number of **DPL** common and common-equivalent shares outstanding during the year, except in periods where the inclusion of such common-equivalent shares is anti-dilutive. Excluded from outstanding shares for these weighted-average computations during 2011 were shares held by **DP&L's** Master Trust Plan for deferred compensation and unreleased shares held by **DPL's** ESOP.

The common-equivalent shares excluded from the calculation of diluted EPS, because they were anti-dilutive, were not material for the three and nine months ended September 30, 2011. Effective with the Merger with AES, **DPL** is an indirectly wholly owned subsidiary of AES and earnings per share information is no longer required.

The following illustrates the reconciliation of the numerators and denominators of the basic and diluted EPS computations:

	Successor			Predecessor		
	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
$ and shares in millions except per share amounts	Income	Shares	Per Share	Income	Shares	Per Share
Basic EPS	N/A	N/A	N/A	$ 67.1	115.0	$ 0.6
Effect of Dilutive Securities:						
Warrants		N/A			0.3	
Stock options, performance and restricted shares		N/A			0.2	
Diluted EPS	N/A	N/A	N/A	$ 67.1	115.5	$ 0.6

	Successor			Predecessor		
	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011		
$ and shares in millions except per share amounts	Income	Shares	Per Share	Income	Shares	Per Share
Basic EPS	N/A	N/A	N/A	$ 142.3	114.4	$ 1.2
Effect of Dilutive Securities:						
Warrants		N/A			0.4	
Stock options, performance and restricted shares		N/A			0.2	
Diluted EPS	N/A	N/A	N/A	$ 142.3	115.0	$ 1.2

13. Contractual Obligations, Commercial Commitments and Contingencies

DPL Inc. – Guarantees

In the normal course of business, **DPL** enters into various agreements with its wholly owned subsidiaries, DPLE and DPLER and its wholly owned subsidiary, MC Squared, providing financial or performance assurance to third parties. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to these subsidiaries on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish these subsidiaries' intended commercial purposes.

At September 30, 2012, **DPL** had $24.4 million of guarantees to third parties for future financial or performance assurance under such agreements, including $24.1 million of guarantees, on behalf of DPLE and DPLER and $0.3 million of guarantees on behalf of MC Squared. The guarantee arrangements entered into by **DPL** with these third parties cover select present and future obligations of DPLE, DPLER and MC Squared to such beneficiaries and are terminable by **DPL** upon written notice within a certain time to the beneficiaries. The carrying amount of obligations for commercial transactions covered by these guarantees and recorded in our Condensed Consolidated Balance Sheets was $1.0 million at September 30, 2012.

To date, **DPL** has not incurred any losses related to the guarantees of DPLE's, DPLER's and MC Squared's obligations and we believe it is remote that **DPL** would be required to perform or incur any losses in the future associated with any of the above guarantees of DPLE's, DPLER's and MC Squared's obligations.

Equity Ownership Interest

DP&L owns a 4.9% equity ownership interest in an electric generation company which is recorded using the cost method of accounting under GAAP. As of September 30, 2012, **DP&L** could be responsible for the repayment of 4.9%, or $78.8 million, of a $1,607.8 million debt obligation that features maturities from 2013 to 2040. This would only happen if this electric generation company defaulted on its debt payments. As of September 30, 2012, we have no knowledge of such a default.

Commercial Commitments and Contractual Obligations

There have been no material changes, outside the ordinary course of business, to our commercial commitments and to the information disclosed in the contractual obligations table in our Form 10-K for the fiscal year ended December 31, 2011.

Contingencies

In the normal course of business, we are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations. We believe the amounts provided in our Condensed Consolidated Financial Statements, as prescribed by GAAP, are adequate in light of the probable and estimable contingencies. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims, tax examinations and other matters discussed below, and to comply with applicable laws and regulations, will not exceed the amounts reflected in our Condensed Consolidated Financial Statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of September 30, 2012, cannot be reasonably determined.

Environmental Matters

DPL, **DP&L** and our subsidiaries' facilities and operations are subject to a wide range of federal, state and local environmental regulations and laws. As well as imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for noncompliance, including fines, injunctive relief and other sanctions. In the normal course of business, we have investigatory and remedial activities underway at these facilities to comply, or to determine compliance, with such regulations. We record liabilities for losses that are probable of occurring and can be reasonably estimated in accordance with the provisions of GAAP. We have estimated liabilities of approximately $4.0 million for environmental matters. We evaluate the potential liability related to probable losses quarterly and may revise our estimates. Such revisions in

the estimates of the potential liabilities could have a material adverse effect on our results of operations, financial condition or cash flows.

We have several pending environmental matters associated with our power plants. Some of these matters could have material adverse impacts on our business and on the operation of the power plants; especially the plants that do not have SCR and FGD equipment installed to further control certain emissions. Currently, Hutchings and Beckjord are our only coal-fired power plants that do not have this equipment installed. **DP&L** owns 100% of the Hutchings station and a 50% interest in Beckjord Unit 6.

On July 15, 2011, Duke Energy, a co-owner at the Beckjord Unit 6 facility, filed their Long-term Forecast Report with the PUCO. The plan indicated that Duke Energy plans to cease production at the Beckjord Station, including our jointly owned Unit 6, in December 2014. This was followed by a notification by Duke Energy to PJM, dated February 1, 2012, of a planned April 1, 2015 deactivation of this unit. Beckjord Unit 6 was valued at zero at the Merger date.

We are considering options for the Hutchings station, but have not yet made a final decision. **DP&L** has informed PJM that Hutchings Unit 4 has incurred damage to a rotor and will be deactivated and unavailable for service until at least June 1, 2014, if not indeterminately. In addition, **DP&L** has notified PJM that Hutchings Units 1 and 2 will be deactivated by June 1, 2015. Hutchings was valued at zero at the Merger date.

DPL revalued **DP&L's** investment in the above plants at the estimated fair value for each plant at the Merger date.

Environmental Matters Related to Air Quality

Clean Air Act Compliance

In 1990, the federal government amended the CAA to further regulate air pollution. Under the CAA, the USEPA sets limits on, among other things, how much of certain designated pollutants can be in the ambient air anywhere in the United States. The CAA allows individual states to have stronger pollution controls than those set under the CAA, but states are not allowed to have weaker pollution controls than those set for the whole country. The CAA has a material effect on our operations and such effects are detailed below with respect to certain programs under the CAA.

Cross-State Air Pollution Rule

The USEPA promulgated the "Clean Air Interstate Rule" (CAIR) on March 10, 2005, which required allowance surrender for SO_2 and NOx emissions from existing power plants located in 28 eastern states and the District of Columbia. CAIR contemplated two implementation phases. The first phase was to begin in 2009 and 2010 for NOx and SO_2, respectively. A second phase with additional allowance surrender obligations for both air emissions was to begin in 2015. To implement the required emission reductions for this rule, the states were to establish emission allowance based "cap-and-trade" programs. CAIR was subsequently challenged in federal court, and on July 11, 2008, the United States Court of Appeals for the D.C. Circuit issued an opinion striking down much of CAIR and remanding it to the USEPA.

In response to the D.C. Circuit's opinion, on July 7, 2011, the USEPA issued a final rule titled "Federal Implementation Plans to Reduce Interstate Transport of Fine Particulate Matter and Ozone in 27 States," which is now referred to as the Cross-State Air Pollution Rule (CSAPR). Starting in 2012, CSAPR would have required significant reductions in SO_2 and NOx emissions from covered sources, such as power plants. Once fully implemented in 2014, the rule would require additional SO_2 emission reductions of 73% and additional NOx reductions of 54% from 2005 levels. Many states, utilities and other affected parties filed petitions for review, challenging the CSAPR before the U.S. Court of Appeals for the District of Columbia. A large subset of the Petitioners also sought a stay of the CSAPR. On December 30, 2011, the D.C. Circuit granted a stay of the CSAPR and directed the USEPA to continue administering CAIR. On August 21, 2012, a three-judge panel of the D.C. Circuit Court vacated CSAPR, ruling that USEPA overstepped its regulatory authority by requiring states to make reductions beyond the levels required in the CAA and failed to provide states an initial opportunity to adopt their own measures for achieving federal compliance. As a result of this ruling, the surviving provisions of CAIR will continue to serve as the governing program until USEPA takes further action or the U.S. Congress intervenes. Assuming that USEPA constructs a replacement interstate transport rule addressing the D.C. Circuit Court's ruling, it will likely take three years or more before companies would be required to comply with a replacement rule. At this time, it is not possible to predict the details of such a replacement transport rule or what impacts it may have on our consolidated financial condition, results of operations or cash flows. On October 5, 2012, USEPA, several states and cities, as well as environmental and health organizations, filed petitions with the D.C. Circuit Court requesting a rehearing by all of the judges of the D.C. Circuit Court of the case pursuant to which the three-judge panel ruled that CSAPR be vacated. As of November 6, 2012, the D.C. Circuit Court had not ruled on USEPA's petition for rehearing. We cannot predict whether the D.C. Circuit Court will grant a rehearing or, if a rehearing is granted, whether CSAPR will be ultimately reinstated and implemented in its current form or a modified form. If CSAPR were to be reinstated in its current form, we do not expect any material capital costs for **DP&L's** plants, assuming Beckjord 6 and Hutchings generating stations will not operate on coal in 2015 due to implementation of the Mercury and Air Toxics Standards. Because we cannot predict the final outcome of the CSAPR rulemaking, we cannot predict its financial impact on **DP&L's** operations.

Mercury and Other Hazardous Air Pollutants

On May 3, 2011, the USEPA published proposed Maximum Achievable Control Technology (MACT) standards for coal- and oil-fired electric generating units. The standards include new requirements for emissions of mercury and a number of other heavy metals. The USEPA Administrator signed the final rule, now called MATS (Mercury and Air Toxics Standards), on December 16, 2011, and the rule was published in the Federal Register on February 16, 2012. Affected electric generating units (EGUs) will have to come into compliance with the new requirements by April 16, 2015, but may be granted an additional year contingent on Ohio EPA approval. **DP&L** is evaluating the costs that may be incurred to comply with the new requirement; however, MATS is expected to have a material adverse effect on our uncontrolled units.

On April 29, 2010, the USEPA issued a proposed rule that would reduce emissions of toxic air pollutants from new and existing industrial, commercial and institutional boilers, and process heaters at major and area source facilities. The final rule was published in the Federal Register on March 21, 2011. This regulation affects seven auxiliary boilers used for start-up purposes at **DP&L's** generation facilities. The regulations contain emissions limitations, operating limitations and other requirements. In December 2011, the USEPA proposed additional changes to this rule and solicited comments. Compliance costs are not expected to be material to **DP&L's** operations.

On May 3, 2010, the USEPA finalized the "National Emissions Standards for Hazardous Air Pollutants" for compression ignition (CI) reciprocating internal combustion engines (RICE). The units affected at **DP&L** are 18 diesel electric generating engines and eight emergency "black start" engines. The existing CI RICE units must comply by May 3, 2013. The regulations contain emissions limitations, operating limitations and other requirements. Compliance costs for **DP&L's** operations are not expected to be material.

Carbon and Other Greenhouse Gas Emissions

In response to a U.S. Supreme Court decision that the USEPA has the authority to regulate CO_2 emissions from motor vehicles, the USEPA made a finding that CO_2 and certain other GHGs are pollutants under the CAA. Subsequently, under the CAA, USEPA determined that CO_2 and other GHGs from motor vehicles threaten the health and welfare of future generations by contributing to climate change. This finding became effective in January 2010. Numerous affected parties have petitioned the USEPA Administrator to reconsider this decision. On April 1, 2010, USEPA signed the "Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards" rule. Under USEPA's view, this is the final action that renders CO_2 and other GHGs "regulated air pollutants" under the CAA.

Under USEPA regulations finalized in May 2010 (referred to as the "Tailoring Rule"), the USEPA began regulating GHG emissions from certain stationary sources in January 2011. The Tailoring Rule sets forth criteria for determining which facilities are required to obtain permits for their GHG emissions pursuant to the CAA Prevention of Significant Deterioration and Title V operating permit programs. Under the Tailoring Rule, permitting requirements are being phased in through successive steps that may expand the scope of covered sources over time. The USEPA has issued guidance on what the best available control technology entails for the control of GHGs and individual states are required to determine what controls are required for facilities on a case-by-case basis. The ultimate impact of the Tailoring Rule to **DP&L** cannot be determined at this time, but the cost of compliance could be material.

On April 13, 2012, the USEPA published its proposed GHG standards for new electric generating units (EGUs) under CAA subsection 111(b), which would require certain new EGUs to meet a standard of 1,000 pounds of CO_2 per megawatt-hour, a standard based on the emissions limitations achievable through natural gas combined cycle generation. The proposal anticipates that affected coal-fired units would need to install carbon capture and storage or other expensive CO_2 emission control technology to meet the standard. Furthermore, the USEPA may propose and promulgate guidelines for states to address GHG standards for existing EGUs under CAA subsection 111(d). These latter rules may focus on energy efficiency improvements at power plants. We cannot predict the effect of these standards, if any, on **DP&L's** operations.

Approximately 99% of the energy we produce is generated by coal. **DP&L's** share of CO_2 emissions at generating stations we own and co-own is approximately 16 million tons annually. Further GHG legislation or regulation finalized at a future date could have a significant effect on **DP&L's** operations and costs, which could adversely affect our net income, cash flows and financial condition. However, due to the uncertainty associated with such legislation or regulation, we cannot predict the final outcome or the financial impact that such legislation or regulation may have on **DP&L**.

On September 22, 2009, the USEPA issued a final rule for mandatory reporting of GHGs from large sources that emit 25,000 metric tons per year or more of GHGs, including EGUs. **DP&L** has submitted to USEPA GHG emission reports for 2011 and 2010. While this reporting rule will guide development of policies and programs to reduce emissions, **DP&L** does not anticipate that the reporting rule will itself result in any significant cost or other effect on current operations.

Litigation, Notices of Violation and Other Matters Related to Air Quality

Litigation Involving Co-Owned Plants

On June 20, 2011, the U.S. Supreme Court ruled that the USEPA's regulation of GHGs under the CAA displaced any right that plaintiffs may have had to seek similar regulation through federal common law litigation in the court system. Although we are not named as a party to these lawsuits, **DP&L** is a co-owner of coal-fired plants with Duke Energy and AEP (or their subsidiaries) that could have been affected by the outcome of these lawsuits or similar suits that may have been filed against other electric power companies, including **DP&L**. Because the issue was not squarely before it, the U.S. Supreme Court did not rule against the portion of plaintiffs' original suits that sought relief under state law.

As a result of a 2008 consent decree entered into with the Sierra Club and approved by the U.S. District Court for the Southern District of Ohio, **DP&L** and the other owners of the J.M. Stuart generating station are subject to certain specified emission targets related to NOx, SO_2 and particulate matter. The consent decree also includes commitments for energy efficiency and renewable energy activities. An amendment to the consent decree was entered into and approved in 2010 to clarify how emissions would be computed during malfunctions. Continued compliance with the consent decree, as amended, is not expected to have a material effect on **DP&L's** results of operations, financial condition or cash flows in the future.

Notices of Violation Involving Co-Owned Plants

In November 1999, the USEPA filed civil complaints and NOVs against operators and owners of certain generation facilities for alleged violations of the CAA. Generation units operated by Duke Energy (Beckjord Unit 6) and CSP (Conesville Unit 4) and co-owned by **DP&L** were referenced in these actions. Although **DP&L** was not identified in the NOVs, civil complaints or state actions, the results of such proceedings could materially affect **DP&L's** co-owned plants.

In June 2000, the USEPA issued an NOV to the **DP&L**-operated J.M. Stuart generating station (co-owned by **DP&L**, Duke Energy, and CSP) for alleged violations of the CAA. The NOV contained allegations that Stuart station engaged in projects between 1978 and 2000 without New Source Review and Prevention of Significant Deterioration permits that resulted in significant increases in particulate matter, SO_2, and NOx. These allegations are consistent with NOVs and complaints that the USEPA had brought against numerous other coal-fired utilities in the Midwest. The NOV indicated the USEPA may: (1) issue an order requiring compliance with the requirements of the Ohio SIP; or (2) bring a civil action seeking injunctive relief and civil penalties of up to $27,500 per day for each violation. To date, neither action has been taken. **DP&L** cannot predict the outcome of this matter.

In December 2007, the Ohio EPA issued an NOV to the **DP&L**-operated Killen generating station (co-owned by **DP&L** and Duke Energy) for alleged violations of the CAA. The NOV alleged deficiencies in the continuous monitoring of opacity. We submitted a compliance plan to the Ohio EPA on December 19, 2007. To date, no further actions have been taken by the Ohio EPA.

On March 13, 2008, Duke Energy, the operator of the Zimmer generating station, received an NOV and a Finding of Violation (FOV) from the USEPA alleging violations of the CAA, the Ohio State Implementation Program (SIP) and permits for the station in areas including SO_2, opacity and increased heat input. A second NOV and FOV with similar allegations was issued on November 4, 2010. Also in 2010, USEPA issued an NOV to Zimmer for excess emissions. **DP&L** is a co-owner of the Zimmer generating station and could be affected by the eventual resolution of these

matters. Duke Energy is expected to act on behalf of itself and the co-owners with respect to these matters. **DP&L** is unable to predict the outcome of these matters.

Notices of Violation Involving Wholly Owned Plants
In 2007, the Ohio EPA and the USEPA issued NOVs to **DP&L** for alleged violations of the CAA at the Hutchings station. The NOVs' alleged deficiencies relate to stack opacity and particulate emissions. Discussions are under way with the USEPA, the U.S. Department of Justice and Ohio EPA. On November 18, 2009, the USEPA issued an NOV to **DP&L** for alleged NSR violations of the CAA at the Hutchings station relating to capital projects performed in 2001 involving Unit 3 and Unit 6. **DP&L** does not believe that the projects described in the NOV were modifications subject to NSR. **DP&L** is engaged in discussions with the USEPA and the U.S. Department of Justice to resolve these matters, but **DP&L** is unable to determine the timing, costs or method by which these issues may be resolved. The Ohio EPA is kept apprised of these discussions.

Environmental Matters Related to Water Quality, Waste Disposal and Ash Ponds

Clean Water Act – Regulation of Water Intake
On July 9, 2004, the USEPA issued final rules pursuant to the Clean Water Act governing existing facilities that have cooling water intake structures. The rules require an assessment of impingement and/or entrainment of organisms as a result of cooling water withdrawal. A number of parties appealed the rules. In April 2009, the U.S. Supreme Court ruled that the USEPA did have the authority to compare costs with benefits in determining best technology available. The USEPA released new proposed regulations on March 28, 2011, published in the Federal Register on April 20, 2011. We submitted comments to the proposed regulations on August 17, 2011. It is anticipated that the final rules will be promulgated in mid-2013. We do not yet know the effect these proposed rules will have on our operations.

Clean Water Act – Regulation of Water Discharge
In December 2006, we submitted an application for the renewal of the Stuart station NPDES Permit that was due to expire on June 30, 2007. In July 2007, we received a draft permit proposing to continue our authority to discharge water from the station into the Ohio River. On February 5, 2008, we received a letter from the Ohio EPA indicating that they intended to impose a compliance schedule as part of the final Permit, that requires us to implement one of two diffuser options for the discharge of water from the station into the Ohio River as identified in a thermal discharge study completed during the previous permit term. Subsequently, **DP&L** and the Ohio EPA reached an agreement to allow **DP&L** to restrict public access to the water discharge area as an alternative to installing one of the diffuser options. Ohio EPA issued a revised draft permit that was received on November 12, 2008. In December 2008, the USEPA requested that the Ohio EPA provide additional information regarding the thermal discharge in the draft permit. In June 2009, **DP&L** provided information to the USEPA in response to their request to the Ohio EPA. In September 2010, the USEPA formally objected to a revised permit provided by Ohio EPA due to questions regarding the basis for the alternate thermal limitation. In December 2010, **DP&L** requested a public hearing on the objection, which was held on March 23, 2011. We participated in and presented our position on the issue at the hearing and in written comments submitted on April 28, 2011. In a letter to the Ohio EPA dated September 28, 2011, the USEPA reaffirmed its objection to the revised permit as previously drafted by the Ohio EPA. This reaffirmation stipulated that if the Ohio EPA does not re-draft the permit to

address the USEPA's objection, then the authority for issuing the permit will pass to the USEPA. The Ohio EPA issued another draft permit in December 2011 and a public hearing was held on February 2, 2012. The draft permit would require **DP&L**, over the 54 months following issuance of a final permit, to take undefined actions to lower the temperature of its discharged water to a level unachievable by the station under its current design or alternatively make other significant modifications to the cooling water system. **DP&L** submitted comments to the draft permit and is considering legal options. On May 17, 2012, we met with Ohio EPA to discuss this matter. In late August 2012, Ohio EPA provided **DP&L** with a revised draft permit which included some modifications based on our previous comments. We are reviewing this revised draft. Depending on the outcome of the process, the effects could be material on **DP&L's** operations.

In September 2009, the USEPA announced that it will be revising technology-based regulations governing water discharges from steam electric generating facilities. The rulemaking included the collection of information via an industry-wide questionnaire as well as targeted water sampling efforts at selected facilities. It is anticipated that the USEPA will release a proposed rule by late 2012 with a final regulation in place by mid-2014. At present, **DP&L** is unable to predict the impact this rulemaking will have on its operations.

In April 2012, **DP&L** received an NOV related to the construction of the Carter Hollow landfill at the J.M. Stuart station. The NOV indicated that construction activities caused sediment to flow into downstream creeks. In addition, the U.S. Army Corps of Engineers issued a Cease and Desist order followed by a notice suspending the previously issued Corps permit authorizing work associated with the landfill. **DP&L** has installed sedimentation ponds as part of the runoff control measures to address this issue and is working with the various agencies to resolve their concerns including entering into settlement discussions with USEPA, although they have not issued any formal Notice of Violation. This may affect the landfill's construction schedule and delay its operational date. **DP&L** has accrued an immaterial amount for anticipated penalties related to this issue.

Regulation of Waste Disposal

In September 2002, **DP&L** and other parties received a special notice that the USEPA considers us to be a PRP for the clean-up of hazardous substances at the South Dayton Dump landfill site. In August 2005, **DP&L** and other parties received a general notice regarding the performance of a Remedial Investigation and Feasibility Study (RI/FS) under a Superfund Alternative Approach. In October 2005, **DP&L** received a special notice letter inviting it to enter into negotiations with the USEPA to conduct the RI/FS. No recent activity has occurred with respect to that notice or PRP status. However, on August 25, 2009, the USEPA issued an Administrative Order requiring that access to **DP&L's** service center building site, which is across the street from the landfill site, be given to the USEPA and the existing PRP group to help determine the extent of the landfill site's contamination as well as to assess whether certain chemicals used at the service center building site might have migrated through groundwater to the landfill site. **DP&L** granted such access and drilling of soil borings and installation of monitoring wells occurred in late 2009 and early 2010. On May 24, 2010, three members of the existing PRP group, Hobart Corporation, Kelsey-Hayes Company and NCR Corporation, filed a civil complaint in the United States District Court for the Southern District of Ohio against **DP&L** and numerous other defendants alleging that **DP&L** and the other defendants contributed to the contamination at the South Dayton Dump landfill site and seeking reimbursement of the PRP group's costs associated with the investigation and remediation of the site. On February

10, 2011, the Court dismissed claims against **DP&L** that related to allegations that chemicals used by **DP&L** at its service center contributed to the landfill site's contamination. The Court, however, did not dismiss claims alleging financial responsibility for remediation costs based on hazardous substances from **DP&L** that were allegedly directly delivered by truck to the landfill. Discovery, including depositions of past and present **DP&L** employees, is ongoing. In June 2012, **DP&L** filed a motion for summary judgment on grounds that the remaining claims for contribution are barred by a statute of limitations. The plaintiffs opposed that motion and, additionally, have filed a motion seeking Court leave to amend their complaint to add more than 20 new defendants to the case and to recharacterize and re-allege claims against **DP&L** that the Court dismissed in its February 10, 2011 order. On October 26, 2012, **DP&L** received another request to access **DP&L's** service center building site to assess whether certain chemicals used at the service center building site might have migrated through groundwater to the landfill site. While **DP&L** is unable to predict the outcome of these matters, if **DP&L** were required to contribute to the clean-up of the site, it could have a material adverse effect on its operations.

In December 2003, **DP&L** and other parties received a special notice that the USEPA considers us to be a PRP for the clean-up of hazardous substances at the Tremont City landfill site. Information available to **DP&L** does not demonstrate that it contributed hazardous substances to the site. While **DP&L** is unable to predict the outcome of this matter, if **DP&L** were required to contribute to the clean-up of the site, it could have a material adverse effect on its operations.

On April 7, 2010, the USEPA published an Advance Notice of Proposed Rulemaking announcing that it is reassessing existing regulations governing the use and distribution in commerce of polychlorinated biphenyls (PCBs). While this reassessment is in the early stages and the USEPA is evaluating information from potentially affected parties on how it should proceed, the outcome may have a material adverse effect on **DP&L**. The USEPA has indicated that a proposed rule will be released in late 2012 or early 2013. At present, **DP&L** is unable to predict the impact this initiative will have on its operations.

Regulation of Ash Ponds

In March 2009, the USEPA, through a formal Information Collection Request, collected information on ash pond facilities across the country, including those at Killen and J.M. Stuart stations. Subsequently, the USEPA collected similar information for the Hutchings station.

In August 2010, the USEPA conducted an inspection of the Hutchings station ash ponds. In June 2011, the USEPA issued a final report from the inspection including recommendations relative to the Hutchings station ash ponds. **DP&L** is unable to predict whether there will be additional USEPA action relative to **DP&L's** proposed plan or the effect on operations that might arise under a different plan.

In June 2011, the USEPA conducted an inspection of the Killen station ash ponds. In June 2012, the USEPA issued a draft report from the inspection that noted no significant issues with the ash ponds. **DP&L** provided comments on the draft report and **DP&L** is unable to predict the outcome this inspection will have on its operations.

There has been increasing advocacy to regulate coal combustion byproducts under the Resource Conservation Recovery Act (RCRA). On June 21, 2010, the USEPA published a proposed rule seeking comments on two options under consideration for the regulation of coal combustion

byproducts including regulating the material as a hazardous waste under RCRA Subtitle C or as a solid waste under RCRA Subtitle D. The USEPA anticipates issuing a final rule on this topic in late 2012 or early 2013. **DP&L** is unable to predict the financial effect of this regulation, but if coal combustion byproducts are regulated as hazardous waste, it is expected to have a material adverse effect on operations.

Notice of Violation Involving Co-Owned Plants
On September 9, 2011, **DP&L** received a notice of violation from the USEPA with respect to its co-owned J.M. Stuart generating station based on a compliance evaluation inspection conducted by the USEPA and Ohio EPA in 2009. The notice alleged non-compliance by **DP&L** with certain provisions of the RCRA, the Clean Water Act NPDES permit program and the station's storm water pollution prevention plan. The notice requested that **DP&L** respond with the actions it has subsequently taken or plans to take to remedy the USEPA's findings and ensure that further violations will not occur. Based on its review of the findings, although there can be no assurance, we believe that the notice will not result in any material effect on **DP&L's** results of operations, financial condition or cash flow.

Legal and Other Matters

In February 2007, **DP&L** filed a lawsuit in the United States District Court for Southern District of Ohio against Appalachian Fuels, LLC ("Appalachian") seeking damages incurred due to Appalachian's failure to supply approximately 1.5 million tons of coal to two commonly owned plants under a coal supply agreement, of which approximately 570 thousand tons was **DP&L's** share. **DP&L** obtained replacement coal to meet its needs. Appalachian has denied liability, and is currently in federal bankruptcy proceedings in which **DP&L** is participating as an unsecured creditor. **DP&L** is unable to determine the ultimate resolution of this matter. **DP&L** has not recorded any assets relating to possible recovery of costs in this lawsuit.

In connection with **DP&L** and other utilities joining PJM in 2006, the FERC ordered utilities to eliminate certain charges to implement transitional payments, known as SECA, effective December 1, 2004 through March 31, 2006, subject to refund. Through this proceeding, **DP&L** was obligated to pay SECA charges to other utilities, but received a net benefit from these transitional payments. A hearing was held and an initial decision was issued in August 2006. A final FERC order on this issue was issued on May 21, 2010 that substantially supports **DP&L's** and other utilities' position that SECA obligations should be paid by parties that used the transmission system during the timeframe stated above. Prior to this final order being issued, **DP&L** entered into a significant number of bilateral settlement agreements with certain parties to resolve the matter, which by design will be unaffected by the final decision. On July 5, 2012, a Stipulation was executed and filed with the FERC that resolves SECA claims against BP Energy Company ("BP") and **DP&L**, AEP (and its subsidiaries) and Exelon Corporation (and its subsidiaries). On October 1, 2012, DP&L received the $14.6 million (including interest income of $1.8 million) from BP and recorded the settlement in the third quarter; there is no remaining balance in other deferred credits related to SECA.

Lawsuits were filed in connection with the Merger seeking, among other things, one or more of the following: to enjoin consummation of the Merger until certain conditions were met, to rescind the Merger or for rescissory damages, or to commence a sale process and/or obtain an alternative transaction or to recover an unspecified amount of other damages and costs, including attorneys' fees and expenses, or a constructive trust or an accounting from the individual defendants for benefits they allegedly obtained as a result of their alleged breach of duty. All of these lawsuits, except one, were resolved and/or dismissed prior to the March 28, 2012 filing of our Form 10-K for the fiscal year ending December 31, 2011, and were discussed in that and previous reports we filed. The last of these lawsuits was dismissed on March 29, 2012.

14. Business Segments

DPL operates through two segments consisting of the operations of two of its wholly owned subsidiaries, **DP&L** (Utility segment) and DPLER, including the results of DPLER's wholly owned subsidiary, MC Squared (Competitive Retail segment). This is how we view our business and make decisions on how to allocate resources and evaluate performance.

The Utility segment is comprised of **DP&L's** electric generation, transmission and distribution businesses which generate and sell electricity to residential, commercial, industrial and governmental customers. Electricity for the segment's 24 county service area is primarily generated at eight coal-fired power plants and is distributed to more than 500,000 retail customers who are located in a 6,000 square mile area of West Central Ohio. **DP&L** also sells electricity to DPLER and any excess energy and capacity is sold into the wholesale market. **DP&L's** transmission and distribution businesses are subject to rate regulation by federal and state regulators while rates for its generation business are deemed competitive under Ohio law.

The Competitive Retail segment is comprised of the DPLER and MC Squared competitive retail electric service businesses which sell retail electric energy under contract to residential, commercial, industrial and governmental customers who have selected DPLER or MC Squared as their alternative electric supplier. The Competitive Retail segment sells electricity to approximately 175,000 customers located throughout Ohio and in Illinois. This number includes 101,000 customers in Northern Illinois of MC Squared, a Chicago-based retail electricity supplier, which was acquired by DPLER in February 2011. Due to increased competition in Ohio, since 2010 we have increased the number of employees and resources assigned to manage the Competitive Retail segment and increased its marketing to customers. The Competitive Retail segment's electric energy used to meet its sales obligations was purchased from **DP&L** and PJM. Intercompany sales from **DP&L** to DPLER are based on fixed-price contracts for each DPLER customer; the price approximates market prices for wholesale power at the inception of each customer's contract. The Competitive Retail segment has no transmission or generation assets. The operations of the Competitive Retail segment are not subject to cost-of-service rate regulation by federal or state regulators.__

Included within the "Other" column are other businesses that do not meet the GAAP requirements for disclosure as reportable segments as well as certain corporate costs which include interest expense on **DPL's** debt.

Management evaluates segment performance based on gross margin. The accounting policies of the reportable segments are the same as those described in Note 1 – Overview and Summary of Significant Accounting Policies. Intersegment sales and profits are eliminated in consolidation.

In the third quarter of 2012, **DP&L** recognized a fixed asset impairment related to generating plants of $80.8 million for reasons similar to those discussed in Note 15 Goodwill impairment. As a result of acquisition accounting, **DPL** revalued its fixed assets at fair value as of the Merger date. In accordance with FASC 360, no impairment was required at the **DPL** consolidated level. As such the **DP&L** impairment was eliminated in consolidation as reflected in the tables below.

The following table presents financial information for each of **DPL's** reportable business segments:

Successor

$ in millions	Utility	Competitive Retail	Other	Adjustments and Eliminations	DPL Consolidated
For the three months ended September 30, 2012					
Revenues from external customers	$ 313.4	$ 145.5	$ 12.8	$ -	$ 471.7
Intersegment revenues	113.4	-	0.9	(114.3)	-
Total revenues	426.8	145.5	13.7	(114.3)	471.7
Fuel	108.1	-	4.6	-	112.7
Purchased power	79.9	123.4	0.9	(113.5)	90.7
Amortization of intangibles	-	-	24.2	-	24.2
Gross margin	$ 238.8	$ 22.1	$ (16.0)	$ (0.8)	$ 244.1
Depreciation and amortization	$ 36.5	$ 0.2	$ (3.6)	$ -	$ 33.1
Goodwill impairment (Note 15)	-	-	1,850.0	-	1,850.0
Fixed asset impairment	80.8	-	-	(80.8)	-
Interest expense	10.0	0.2	21.0	(0.1)	31.1
Income tax expense (benefit)	6.5	5.9	7.8	-	20.2
Net income (loss)	(11.2)	10.0	(1,809.7)	-	(1,810.9)
Cash capital expenditures	52.2	-	0.4	-	52.6
At September 30, 2012					
Total assets	$ 3,386.6	$ 93.2	$ 714.4	$ -	$ 4,194.2

Predecessor

For the three months ended September 30, 2011					
Revenues from external customers	$ 362.3	$ 118.6	$ 16.7	$ -	$ 497.6
Intersegment revenues	90.2	-	1.1	(91.3)	-
Total revenues	452.5	118.6	17.8	(91.3)	497.6
Fuel	124.0	-	5.0	-	129.0
Purchased power	95.6	101.4	1.5	(90.2)	108.3
Gross margin	$ 232.9	$ 17.2	$ 11.3	$ (1.1)	$ 260.3
Depreciation and amortization	$ 33.8	$ 0.1	$ 1.9	$ -	$ 35.8
Interest expense	9.3	0.1	7.6	(0.2)	16.8
Income tax expense (benefit)	26.8	4.2	(2.4)	-	28.6
Net income (loss)	63.9	7.8	(6.2)	1.6	67.1

Cash capital expenditures	49.1	-	0.8	-	49.9
At December 31, 2011					
Total assets	$ 3,538.3	$ 69.9	$ 2,529.0	$ -	$ 6,137.2

Successor

$ in millions	Utility	Competitive Retail	Other	Adjustments and Eliminations	DPL Consolidated
For the nine months ended September 30, 2012					
Revenues from external customers	$ 887.9	$ 367.5	$ 32.3	$ -	$ 1,287.7
Intersegment revenues	285.1	-	2.6	(287.7)	-
Total revenues	1,173.0	367.5	34.9	(287.7)	1,287.7
Fuel	272.3	-	6.7	-	279.0
Purchased power	234.1	315.6	1.3	(285.2)	265.8
Amortization of intangibles	-	-	71.2	-	71.2
Gross margin	$ 666.6	$ 51.9	$ (44.3)	$ (2.5)	$ 671.7
Depreciation and amortization	$ 107.3	$ 0.3	$ (12.0)	$ -	$ 95.6
Goodwill impairment (Note 15)	-	-	1,850.0	-	1,850.0
Fixed asset impairment	80.8	-	-	(80.8)	-
Interest expense	29.0	0.4	64.1	(0.4)	93.1
Income tax expense (benefit)	39.4	15.8	(14.9)	-	40.3
Net income (loss)	58.3	17.5	(1,853.1)	-	(1,777.3)
Cash capital expenditures	161.7	0.5	0.9	-	163.1
At September 30, 2012					
Total assets	$ 3,386.6	$ 93.2	$ 714.4	$ -	$ 4,194.2

Predecessor

For the nine months ended September 30, 2011					
Revenues from external customers	$ 1,052.9	$ 314.6	$ 44.0	$ -	$ 1,411.5
Intersegment revenues	246.3	-	3.1	(249.4)	-
Total revenues	1,299.2	314.6	47.1	(249.4)	1,411.5

Fuel	311.7	-	9.2	-	320.9
Purchased power	317.8	268.6	2.6	(246.3)	342.7
Gross margin	$ 669.7	$ 46.0	$ 35.3	$ (3.1)	$ 747.9
Depreciation and amortization	$ 100.3	$ 0.2	$ 5.5	$ -	$ 106.0
Interest expense	28.7	0.2	22.7	(0.3)	51.3
Income tax expense (benefit)	69.3	14.1	(13.7)	-	69.7
Net income (loss)	147.4	19.6	(24.7)	-	142.3
Cash capital expenditures	139.9	-	1.4	-	141.3
At December 31, 2011					
Total assets	$ 3,538.3	$ 69.9	$ 2,529.0	$ -	$ 6,137.2

15. Goodwill Impairment

In connection with the acquisition of **DPL** by AES, **DPL** allocated the purchase price to goodwill for two Reporting Units, the DP&L Reporting Unit, which includes **DP&L** and other entities, and DPLER. Of the total goodwill, approximately $2.4 billion was allocated to the DP&L Reporting Unit and the remainder was allocated to DPLER.

On October 5, 2012, **DP&L** filed for approval an ESP with the PUCO. Within the ESP filing, **DP&L** has agreed to request a separation of its generation assets from its transmission and distribution assets in recognition that a restructuring of **DP&L's** operations will be necessary, in compliance with Ohio law. Also, during 2012, North American natural gas prices fell significantly from the previous year exerting downward pressure on wholesale electricity prices in the Ohio power market. Falling power prices compressed wholesale margins at DP&L. Furthermore, these lower power prices have led to increased switching from **DP&L** to other CRES providers, including DPLER, who are offering retail prices lower than **DP&L's** current standard service offer. Also, several municipalities in **DP&L's** service territory have passed ordinances allowing them to become government aggregators and some municipalities have contracted with CRES providers to provide generation service to the customers located within the municipal boundaries, further contributing to the switching trend. CRES providers have also become more active in **DP&L's** service territory. In September 2012, management revised its cash flow forecasts based on these new developments and forecasted lower profitability and operating cash flows than previously prepared forecasts. These new developments have reduced **DP&L's** forecasted profitability, operating cash flows, liquidity and may impact **DPL** and **DP&L's** ability to access the capital markets and maintain their current credit ratings in the future. Collectively, in the third quarter of 2012, these events were considered an interim impairment indicator for **DPL's** goodwill at the DP&L Reporting Unit. There were no interim impairment indicators identified for the goodwill at DPLER.

We performed an interim impairment test on the $2.4 billion of goodwill at the DP&L Reporting Unit level. In the preliminary Step 1 of the goodwill impairment test, the fair value of the Reporting Unit

was determined under the income approach using a discounted cash flow valuation model. The material assumptions included within the discounted cash flow valuation model were customer switching and aggregation trends, capacity price curves, energy price curves, amount of the nonbypassable charge, commodity price curves, dispatching, transition period for the conversion to a wholesale competitive bidding structure, amount of the standard service offer charge, valuation of regulatory assets and liabilities, discount rates and deferred income taxes. Further refinement to these assumptions as part of the completion of the preliminary Step 1 and Step 2 tests could have a significant impact on the enterprise value and the implied fair value of goodwill. The Reporting Unit failed the preliminary Step 1 and a preliminary Step 2 of the goodwill impairment test was performed. For the three months ended September 30, 2012, we have recognized a goodwill impairment expense of $1,850.0 million, which represents our best estimate of the impairment loss based on the latest information available and the results of the preliminary Step 1 and Step 2 tests. We estimate the final goodwill impairment expense will be in the range of $1.7 billion to $2.0 billion. In the fourth quarter of 2012, we expect to conclude the interim impairment test of goodwill and finalize the estimation of the impairment charge. We were not able to finalize the Step 1 and Step 2 tests by the filing date of this Form 10-Q due to the significant amount of work required to calculate the implied fair value of goodwill for a complex, regulated utility such as **DP&L** and the other entities in the DP&L Reporting Unit and due to the timing of the identification of the interim impairment indicator. Actual goodwill impairment loss could be significantly different from the estimated impairment loss recognized.

The goodwill associated with the **DPL** acquisition is not deductible for tax purposes. Accordingly, there is no cash tax or financial statement tax benefit related to the impairment. The Company's effective tax rates were impacted by the pretax impairment, however. The Company's effective tax rates were (1.2)% and (2.3)% for the three months and nine months ended September 30, 2012, respectively.

FINANCIAL STATEMENTS

The Dayton Power and Light Company

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED STATEMENTS OF RESULTS OF OPERATIONS

$ in millions	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues	**$ 426.8**	$ 452.5	**$ 1,173.0**	$ 1,299.2
Cost of revenues:				
Fuel	**108.1**	124.0	**272.3**	311.7
Purchased power	**79.9**	95.6	**234.1**	317.8
Total cost of revenues	**188.0**	219.6	**506.4**	629.5
Gross margin	**238.8**	232.9	**666.6**	669.7
Operating expenses:				
Operation and maintenance	**103.6**	80.2	**298.8**	266.7
Depreciation and amortization	**36.5**	33.8	**107.3**	100.3
General taxes	**14.3**	18.9	**54.1**	57.6
Fixed asset impairment	**80.8**	-	**80.8**	-
Total operating expenses	**235.2**	132.9	**541.0**	424.6
Operating income	**3.6**	100.0	**125.6**	245.1
Other income / (expense), net:				
Investment income	**1.9**	0.4	**2.1**	1.5
Interest expense	**(10.0)**	(9.3)	**(29.0)**	(28.7)
Other expense	**(0.2)**	(0.4)	**(1.0)**	(1.2)
Total other income / (expense), net	**(8.3)**	(9.3)	**(27.9)**	(28.4)

Earnings / (loss) before income tax	**(4.7)**	90.7	**97.7**	216.7
Income tax expense	**6.5**	26.8	**39.4**	69.3
Net income / (loss)	**(11.2)**	63.9	**58.3**	147.4
Dividends on preferred stock	**0.2**	0.2	**0.6**	0.6
Earnings / (loss) on common stock	**$ (11.4)**	$ 63.7	**$ 57.7**	$ 146.8

See Notes to Condensed Financial Statements.
These interim statements are unaudited.

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2012**	2011	**2012**	2011
Net income / (loss)	**$ (11.2)**	$ 63.9	**$ 58.3**	$ 147.4
Available-for-sale securities activity:				
Change in fair value of available-for-sale securities, net of income tax benefit / (expense) of $(0.1) and $0.1, respectively, for the three month period and $(0.3) and $(1.3), respectively, for the nine month period	**0.2**	(0.4)	**0.5**	2.3
Total change in fair value of available-for-sale securities	**0.2**	(0.4)	**0.5**	2.3
Derivative activity:				
Change in derivative fair value, net of income tax benefit / (expense) of $1.3 and $0.0, respectively, for the three month period and $2.2 and $0.8, respectively, for the nine month period	**(2.5)**	1.8	**(4.0)**	0.7
Reclassification of earnings, net of income tax benefit / (expense) of $0.1 and $0.9, respectively for the three month period and $0.7 and $0.3, respectively for the nine month period	**(0.7)**	(0.5)	**(3.1)**	(0.5)

Total change in fair value of derivatives	(3.2)	1.3	(7.1)	0.2
Pension and postretirement activity:				
Reclassification to earnings, net of income tax benefit / (expense) of $(0.6) and $(0.1), respectively, for the three month period and $(1.7) and $0.7, respectively for the nine month period	1.0	1.0	3.0	2.6
Total change in unfunded pension obligation	1.0	1.0	3.0	2.6
Other comprehensive income / (loss)	(2.0)	1.9	(3.6)	5.1
Net comprehensive income / (loss)	$ (13.2)	$ 65.8	$ 54.7	$ 152.5

See Notes to Condensed Financial Statements.
These interim statements are unaudited.

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
$ in millions	2012	2011
Cash flows from operating activities:		
Net income	$ 58.3	$ 147.4
Adjustments to reconcile Net income to Net cash provided by operating activities:		
Depreciation and amortization	107.3	100.3
Deferred income taxes	(3.4)	56.1
Fixed asset impairment	80.8	-
Recognition of deferred SECA revenue	(17.8)	-
Changes in certain assets and liabilities:		
Accounts receivable	13.0	26.4
Inventories	28.1	(9.0)
Prepaid taxes	0.8	(11.5)
Taxes applicable to subsequent years	56.2	47.1
Deferred regulatory costs, net	2.4	7.9
Accounts payable	(16.3)	(14.9)
Accrued taxes payable	(35.2)	(58.5)
Accrued interest payable	7.4	7.4
Pension, retiree, and other benefits	24.4	(31.7)

Unamortized investment tax credit	**(1.9)**	(2.1)
Other	**(4.3)**	29.3
Net cash provided by operating activities	**299.8**	294.2
Cash flows from investing activities:		
Capital expenditures	**(161.7)**	(139.9)
Increase in restricted cash	**(5.2)**	(7.4)
Other	**-**	1.4
Net cash from investing activities	**(166.9)**	(145.9)

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (cont.)

	Nine Months Ended September 30,	
$ in millions	**2012**	2011
Net cash from financing activities:		
Dividends paid on common stock to parent	**(145.0)**	(180.0)
Dividends paid on preferred stock	**(0.6)**	(0.6)
Retirement of long-term debt	**(0.1)**	-
Withdrawals from revolving credit facilities	**-**	50.0
Repayment of borrowing from revolving credit facilities	**-**	(50.0)
Net cash from financing activities	**(145.7)**	(180.6)
Cash and cash equivalents:		
Net change	**(12.8)**	(32.3)
Balance at beginning of period	**32.2**	54.0
Cash and cash equivalents at end of period	**$ 19.4**	$ 21.7
Supplemental cash flow information:		
Interest paid, net of amounts capitalized	**$ 22.6**	$ 22.2
Income taxes paid, net	**$ 30.3**	$ 13.9
Non-cash financing and investing activities:		
Accruals for capital expenditures	**$ 12.5**	$ 14.8
Long-term liability incurred for purchase of plant assets	**$ -**	$ 18.7

See Notes to Condensed Financial Statements.
These interim statements are unaudited.

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

$ in millions	At September 30, 2012	At December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19.4	$ 32.2
Restricted cash	19.5	14.3
Accounts receivable, net (Note 3)	171.8	178.5
Inventories (Note 3)	95.1	123.1
Taxes applicable to subsequent years	15.7	71.9
Regulatory assets, current (Note 4)	18.9	17.7
Other prepayments and current assets	17.3	23.2
Total current assets	357.7	460.9
Property, plant & equipment:		
Property, plant & equipment	5,216.4	5,277.9
Less: Accumulated depreciation and amortization	(2,500.0)	(2,568.9)
	2,716.4	2,709.0
Construction work in process	99.0	150.7
Total net property, plant & equipment	2,815.4	2,859.7
Other noncurrent assets:		
Regulatory assets, non-current (Note 4)	181.3	177.8
Intangible assets, net of amortization	11.4	6.5
Other deferred assets	20.8	33.4
Total other noncurrent assets	213.5	217.7
Total assets	$ 3,386.6	$ 3,538.3

See Notes to Condensed Financial Statements.
These interim statements are unaudited.

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

$ in millions	At September 30, 2012	At December 31, 2011
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion - long-term debt (Note 6)	$ 0.4	$ 0.4
Accounts payable	74.1	106.0
Accrued taxes	108.7	72.8
Accrued interest	15.6	7.9
Customer security deposits	15.9	15.8
Other current liabilities	60.5	46.1
Total current liabilities	275.2	249.0
Noncurrent liabilities:		
Long-term debt (Note 6)	902.8	903.0
Deferred taxes (Note 7)	644.0	637.7
Taxes payable	25.5	93.9
Regulatory liabilities, non-current (Note 4)	117.5	118.6
Pension, retiree and other benefits	55.7	47.5
Unamortized investment tax credit	28.0	29.9
Derivative liability	5.2	11.8
Other deferred credits	43.5	66.1
Total noncurrent liabilities	1,822.2	1,908.5
Redeemable preferred stock	22.9	22.9
Commitments and contingencies (Note 12)		
Common shareholder's equity:		
Common stock, at par value of $0.01 per share:	0.4	0.4
Other paid-in capital	802.5	803.1
Accumulated other comprehensive loss	(38.3)	(34.7)
Retained earnings	501.7	589.1
Total common shareholder's equity	1,266.3	1,357.9
Total liabilities and shareholder's equity	$ 3,386.6	$ 3,538.3

See Notes to Condensed Financial Statements.
These interim statements are unaudited.

Notes to Condensed Financial Statements (Unaudited)

1. Overview and Summary of Significant Accounting Policies

Description of Business

DP&L is a public utility incorporated in 1911 under the laws of Ohio. **DP&L** is engaged in the generation, transmission, distribution and sale of electricity to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio. Electricity for **DP&L's** 24 county service area is primarily generated at eight coal-fired power plants and is distributed to more than 500,000 retail customers. Principal industries served include automotive, food processing, paper, plastic manufacturing and defense. **DP&L** is a wholly owned subsidiary of **DPL**.

On November 28, 2011, **DP&L's** parent company **DPL** was acquired by AES in the Merger and **DPL** became an indirectly wholly owned subsidiary of AES. See Note 2 for more information.

DP&L's sales reflect the general economic conditions and seasonal weather patterns of the area. **DP&L** sells any excess energy and capacity into the wholesale market.

DP&L's electric transmission and distribution businesses are subject to rate regulation by federal and state regulators while its generation business is deemed competitive under Ohio law. Accordingly, **DP&L** applies the accounting standards for regulated operations to its electric transmission and distribution businesses and records regulatory assets when incurred costs are expected to be recovered in future customer rates, and regulatory liabilities when current cost recoveries in customer rates relate to expected future costs.

DP&L employed 1,443 people as of September 30, 2012. Approximately 54% of all employees are under a collective bargaining agreement which expires on October 31, 2014.

Financial Statement Presentation

DP&L does not have any subsidiaries. **DP&L** has undivided ownership interests in seven electric generating facilities and numerous transmission facilities. Operating revenues and expenses of these generating plants are included on a pro rata basis in the corresponding lines in the Condensed Consolidated Statement of Operations. See Note 5 for more information.

Certain excise taxes collected from customers have been reclassified out of operating expense and recorded as a reduction in revenues in the 2011 presentation to conform to AES' presentation of these items. These taxes are presented net within revenue. Certain immaterial amounts from prior periods have been reclassified to conform to the current reporting presentation.

These financial statements have been prepared in accordance with GAAP for interim financial statements, the instructions of Form 10-Q and Regulation S-X. Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with GAAP have been omitted from this interim report. Therefore, our interim financial statements in this report should be read along with the annual financial statements included in our Form 10-K for the fiscal year ended December 31, 2011.

In the opinion of our management, the Condensed Financial Statements presented in this report contain all adjustments necessary to fairly state our financial condition as of September 30, 2012, our results of operations for the three and nine months ended September 30, 2012 and our cash flows for the nine months ended September 30, 2012. Unless otherwise noted, all adjustments are normal and recurring in nature. Due to various factors, including but not limited to, seasonal weather variations, the timing of outages of electric generating units, changes in economic conditions involving commodity prices and competition, and other factors, interim results for the three and nine months ended September 30, 2012 may not be indicative of our results that will be realized for the full year ending December 31, 2012.

The preparation of financial statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the revenues and expenses of the periods reported. Actual results could differ from these estimates. Significant items subject to such estimates and judgments include: the carrying value of property, plant and equipment; unbilled revenues; the valuation of derivative instruments; the valuation of insurance and claims liabilities; the

valuation of allowances for receivables and deferred income taxes; regulatory assets and liabilities; reserves recorded for income tax exposures; litigation; contingencies; the valuation of AROs; and assets and liabilities related to employee benefits.

Property, Plant and Equipment
We record our ownership share of our undivided interest in jointly-held plants as an asset in property, plant and equipment. Property, plant and equipment are stated at cost. For regulated transmission and distribution property, cost includes direct labor and material, allocable overhead expenses and an allowance for funds used during construction (AFUDC). AFUDC represents the cost of borrowed funds and equity used to finance regulated construction projects. For non-regulated property, cost also includes capitalized interest. Capitalization of AFUDC and interest ceases at either project completion or at the date specified by regulators. AFUDC and capitalized interest was $0.9 million and $1.1 million for the three months and $3.4 million and $3.5 million for the nine months ended September 30, 2012 and 2011, respectively.

For unregulated generation property, cost includes direct labor and material, allocable overhead expenses and interest capitalized during construction using the provisions of GAAP relating to the accounting for capitalized interest.

For substantially all depreciable property, when a unit of property is retired, the original cost of that property less any salvage value is charged to Accumulated depreciation and amortization.

Property is evaluated for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable.

Intangibles
Intangibles consist of emission allowances and renewable energy credits. Emission allowances are carried on a first-in, first-out (FIFO) basis for purchased emission allowances. Net gains or losses on the sale of excess emission allowances, representing the difference between the sales proceeds and the cost of emission allowances, are recorded as a component of our fuel costs and are reflected in Operating income when realized. During the nine months ended September 30, 2012 and 2011, **DP&L** had no gains from the sale of emission allowances. Emission allowances are amortized as they are used in our operations. Renewable energy credits are amortized as they are used or retired.

Prior to the Merger date, emission allowances and renewable energy credits were carried as inventory. Emission allowances and renewable energy credits are now carried as intangibles in accordance with AES' policy. The amounts for 2011 have been reclassified to reflect this change in presentation.

Accounting for Taxes Collected from Customers and Remitted to Governmental Authorities
DP&L collects certain excise taxes levied by state or local governments from its customers. Prior to the Merger date, certain excise and other taxes were recorded on a gross basis. Effective on the

Merger date, these taxes are accounted for on a net basis and are recorded as a reduction in Revenues for presentation in accordance with AES policy. The amounts for the three months ended September 30, 2012 and 2011 were $13.8 million and $14.3 million, respectively. The amounts for the nine months ended September 30, 2012 and 2011 were $38.5 million and $39.9 million, respectively. The 2011 amounts were reclassified to conform to this presentation.

Share-Based Compensation

We measured the cost of employee services received and paid with equity instruments based on the fair-value of such equity instrument on the grant date. This cost was recognized in results of operations over the period that employees were required to provide service. Liability awards were initially recorded based on the fair-value of equity instruments and were re-measured for the change in stock price at each subsequent reporting date until the liability was ultimately settled. The fair-value for employee share options and other similar instruments at the grant date were estimated using option-pricing models and any excess tax benefits were recognized as an addition to paid-in capital. The reduction in income taxes payable from the excess tax benefits was presented in the Condensed Statements of Cash Flows within Cash flows from financing activities. As a result of the Merger (see Note 2), vesting of all **DPL** share-based awards was accelerated as of the Merger date, and none are in existence at September 30, 2012.

Related Party Transactions

In the normal course of business, **DP&L** enters into transactions with other subsidiaries of **DPL**. The following table provides a summary of these transactions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
DP&L Revenues:				
Sales to DPLER *(a)*	$ 93.3	$ 90.2	$ 263.1	$ 246.3
Sales to MC Squared *(b)*	$ 19.8	$ -	$ 20.1	$ -
DP&L Operations and Maintenance Expenses:				
Premiums paid for insurance services provided by MVIC *(c)*	$ (0.7)	$ (0.8)	$ (1.9)	$ (2.4)
Expense recoveries for services provided to DPLER *(d)*	$ 1.2	$ 1.1	$ 2.7	$ 2.8

(a) *DP&L sells power to DPLER to satisfy the electric requirements of DPLER's retail customers. The revenue dollars associated with sales to DPLER are recorded as wholesale revenues in **DP&L's** Financial Statements. The increase in **DP&L's** sales to DPLER during the three and nine months ended September 30, 2012, compared to the three and nine months ended September 30, 2011, is primarily due to customers electing to switch their generation service from **DP&L** to DPLER.*

(b) *DP&L sells power to MC Squared to satisfy the electric requirements of DPLER's retail customers. The revenue dollars associated with sales to DPLER are recorded as wholesale revenues in **DP&L's** Financial Statements. The increase in **DP&L's** sales to MC Squared during the three and nine months ended September 30, 2012, compared to the three and nine months ended September 30, 2011, is due to these sales beginning in September 2012.*

(c) *MVIC, a wholly owned captive insurance subsidiary of **DPL**, provides insurance coverage to **DP&L** and other **DPL** subsidiaries for workers' compensation, general liability, property damages and directors' and officers' liability. These amounts represent insurance premiums paid by **DP&L** to MVIC.*

(d) *In the normal course of business **DP&L** incurs and records expenses on behalf of DPLER. Such expenses include*

but are not limited to employee-related expenses, accounting, information technology, payroll, legal and other administrative expenses. DP&L subsequently charges these expenses to DPLER at DP&L's cost and credits the expense in which they were initially recorded.

Recently Issued Accounting Standards

Offsetting Assets and Liabilities
In December 2011, the FASB issued ASU 2011-11 "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11) effective for interim and annual reporting periods beginning on or after January 1, 2013. We expect to adopt this ASU on January 1, 2013. This standard updates FASC 210, "Balance Sheet." ASU 2011-11 updates the disclosures for financial instruments and derivatives to provide more transparent information around the offsetting of assets and liabilities. Entities are required to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and/or subject to an agreement similar to a master netting agreement. We do not expect these new rules to have a material impact on our overall results of operations, financial position or cash flows.

Testing Indefinite-Lived Intangible Assets for Impairments
In July 2012, the FASB issued ASU 2012-02 "Testing Indefinite-Lived Intangible Assets for Impairment" (ASU 2012-02) effective for interim and annual impairment tests performed for fiscal years beginning after September 15, 2012. We expect to adopt this ASU on January 1, 2013. This standard updates FASC Topic 350, "Intangibles-Goodwill and Other." ASU 2012-02 permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with FASC Subtopic 350-30. We do not expect these new rules to have a material impact on our overall results of operations, financial position or cash flows.

Recently Adopted Accounting Standards

Fair Value Disclosures
In May 2011, the FASB issued ASU 2011-04 "Fair Value Measurements" (ASU 2011-04) effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this ASU on January 1, 2012. This standard updates FASC 820, "Fair Value Measurements." ASU 2011-04 essentially converges US GAAP

guidance on fair value with the IFRS guidance. The ASU requires more disclosures around Level 3 inputs. It also increases reporting for financial instruments disclosed at fair value but not recorded at fair value and provides clarification of blockage factors and other premiums and discounts. These new rules did not have a material effect on our overall results of operations, financial position or cash flows.

Comprehensive Income
In June 2011, the FASB issued ASU 2011-05 "Presentation of Comprehensive Income" (ASU 2011-05) effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this ASU on January 1, 2012. This standard updates FASC 220, "Comprehensive Income." ASU 2011-05 essentially converges US GAAP guidance on the presentation of comprehensive income with the IFRS guidance. The ASU requires the presentation of comprehensive

income in one continuous financial statement or two separate but consecutive statements. Any reclassification adjustments from other comprehensive income to net income are required to be presented on the face of the Statement of Comprehensive Income. These new rules did not have a material effect on our overall results of operations, financial position or cash flows.

Derivative gross vs. net presentation – Following the acquisition of **DPL** in November 2011 by AES, **DP&L** began presenting its derivative positions on a gross basis in accordance with AES policy. This change has been reflected in the 2011 balance sheet contained in these statements.

2. Business Combination

On November 28, 2011, all of the outstanding common stock of **DP&L's** parent company, **DPL**, was acquired by AES. In accordance with FASC 805, the assets and liabilities of **DPL** were valued at their fair value at the Merger date. These adjustments were "pushed down" to **DPL's** records. These adjustments were not pushed down to **DP&L** which will continue to use its historic costs for its assets and liabilities.

3. Supplemental Financial Information

$ in millions	At September 30, 2012	At December 31, 2011
Accounts receivable, net:		
Unbilled revenue	$ 34.2	$ 49.5
Customer receivables	89.3	85.8
Amounts due from partners in jointly-owned plants	16.5	29.2
Coal sales	4.5	1.0
Other	28.4	13.9
Provision for uncollectible accounts	(1.1)	(0.9)
Total accounts receivable, net	$ 171.8	$ 178.5
Inventories, at average cost:		
Fuel, limestone and emission allowances	$ 53.7	$ 82.8
Plant materials and supplies	39.5	38.6
Other	1.9	1.7
Total inventories, at average cost	$ 95.1	$ 123.1

Accumulated Other Comprehensive Income / (Loss)
AOCI is included on our balance sheets within the Common shareholders' equity sections. The following table provides the components that constitute the balance sheet amounts in AOCI at September 30, 2012 and December 31, 2011 :

$ in millions	At September 30, 2012	At December 31, 2011
Financial Instruments	$ 1.1	$ 0.6
Cash flow hedges	2.0	9.0
Pension and postretirement benefits	(41.4)	(44.3)
Total	$ (38.3)	$ (34.7)

4. Regulatory Assets and Liabilities

In accordance with GAAP, regulatory assets and liabilities are recorded in the Condensed Balance Sheets for our regulated electric transmission and distribution businesses. Regulatory assets are the deferral of costs expected to be recovered in future customer rates and regulatory liabilities represent current recovery of expected future costs or gains probable of recovery being reflected in future rates.

We evaluate our regulatory assets each period and believe recovery of these assets is probable. We have received or requested a return on certain regulatory assets for which we are currently recovering or seeking recovery through rates. We record a return after it has been authorized in an order by a regulator.

Regulatory assets and liabilities are classified as current or non-current based on the term in which recovery is expected.

Regulatory assets and liabilities for **DP&L** are as follows:

$ in millions	Type of Recovery (a)	Amortization through	At September 30, 2012	At December 31, 2011

Current regulatory assets:				
TCRR, transmission, ancillary and other PJM-related costs	F	Ongoing	$ 6.3	$ 4.7
Power plant emission fees	C	Ongoing	(0.3)	4.8
Fuel and purchased power recovery costs	C	Ongoing	12.9	8.2
Total regulatory assets - current			$ 18.9	$ 17.7
Non-current regulatory assets:				
Deferred recoverable income taxes	B/C	Ongoing	$ 37.0	$ 24.1
Pension benefits	C	Ongoing	87.1	92.1
Unamortized loss on reacquired debt	C	Ongoing	12.2	13.0
Regional transmission organization costs	D	2014	3.0	4.1
Deferred storm costs - 2008	D		18.7	17.9
CCEM smart grid and advanced metering infrastructure costs	D		6.6	6.6
CCEM energy efficiency program costs	F	Ongoing	5.9	8.8
Consumer education campaign	D		3.0	3.0
Retail settlement system costs	D		3.1	3.1
Other costs			4.7	5.1
Total regulatory assets - non-current			$ 181.3	$ 177.8
Non-current regulatory liabilities:				
Estimated costs of removal - regulated property			$ 111.6	$ 112.4
Postretirement benefits			5.6	6.2
Other			0.3	-
Total regulatory liabilities - non-current			$ 117.5	$ 118.6

(a) *B – Balance has an offsetting liability resulting in no effect on rate base.*
C – Recovery of incurred costs without a rate of return.
D – Recovery not yet determined, but is probable of occurring in future rate proceedings.
F – Recovery of incurred costs plus rate of return.

Regulatory Assets

TCRR, transmission, ancillary and other PJM-related costs represent the costs related to transmission, ancillary service and other PJM-related charges that have been incurred as a member of PJM. On an annual basis, retail rates are adjusted to true-up costs with recovery in rates.

Power plant emission fees represent costs paid to the State of Ohio since 2002. As part of the fuel factor settlement agreement in November 2011, these costs are being recovered through the fuel factor.

Fuel and purchased power recovery costs represent prudently incurred fuel, purchased power, derivative, emission and other related costs which will be recovered from or returned to customers in the future through the operation of the fuel and purchased power recovery rider. The fuel and purchased power recovery rider fluctuates based on actual costs and recoveries and is modified at the start of each seasonal quarter. **DP&L** implemented the fuel and purchased power recovery rider on January 1, 2010. As part of the PUCO approval process, an outside auditor is hired to review fuel costs and the fuel procurement process. The auditor has recommended that the PUCO consider reducing **DP&L's** recovery of fuel costs by approximately $3.3 million from certain transactions. On October 4, 2012, we filed testimony on this issue and a hearing is scheduled in November 2012 before a hearing examiner. A decision is expected in the fourth quarter of 2012. As of September 30, 2012, we believe the entire amount is recoverable.__

Deferred recoverable income taxes represent deferred income tax assets recognized from the normalization of flow through items as the result of amounts previously provided to customers. This is the cumulative flow through benefit given to regulated customers that will be collected from them in future years. Since currently existing temporary differences between the financial statements and the related tax basis of assets will reverse in subsequent periods, these deferred recoverable income taxes will decrease over time.

Pension benefits represent the qualifying FASC 715 "Compensation – Retirement Benefits" costs of our regulated operations that for ratemaking purposes are deferred for future recovery. We recognize an asset for a plan's overfunded status or a liability for a plan's underfunded status, and recognize, as a component of other comprehensive income (OCI), the changes in the funded status of the plan that arise during the year that are not recognized as a component of net periodic benefit cost. This regulatory asset represents the regulated portion that would otherwise be charged as a loss to OCI.

Unamortized loss on reacquired debt represents losses on long-term debt reacquired or redeemed in prior periods. These costs are being amortized over the lives of the original issues in accordance with FERC and PUCO rules.

Regional transmission organization costs represent costs incurred to join an RTO. The recovery of these costs will be requested in a future FERC rate case.

Deferred storm costs – 2008 relate to costs incurred to repair the damage caused by hurricane force winds in September 2008, as well as other major 2008 storms. On January 14, 2009, the PUCO granted **DP&L** the authority to defer these costs with a return until such time that **DP&L** seeks recovery in a future rate proceeding.

CCEM smart grid and AMI costs represent costs incurred as a result of studying and developing distribution system upgrades and implementation of AMI. On October 19, 2010, **DP&L** elected to withdraw its case pertaining to the Smart Grid and AMI programs. The PUCO accepted the withdrawal in an order issued on January 5, 2011. The PUCO also indicated that it expects **DP&L** to continue to monitor other utilities' Smart Grid and AMI programs and to explore the potential benefits of investing in Smart Grid and AMI programs and that **DP&L** will, when appropriate, file new Smart Grid and/or AMI business cases in the future. We plan to file to recover these deferred costs in a future regulatory rate proceeding. Based on past PUCO precedent, we believe these costs are probable of future recovery in rates.

CCEM energy efficiency program costs represent costs incurred to develop and implement various new customer programs addressing energy efficiency. These costs are being recovered through an energy efficiency rider (EER) that began July 1, 2009 and is subject to a two-year true-up for any over/under recovery of costs. On April 29, 2011, **DP&L** filed to true-up the EER which was approved by the PUCO on October 18, 2011. **DP&L** plans to make its next true-up filing on or before April 30, 2013.

Consumer education campaign represents costs for consumer education advertising regarding electric deregulation and its related rate case. **DP&L** will be seeking recovery of these costs as part of our next distribution rate case filing at the PUCO. The timing of such a filing has not yet been determined.

Retail settlement system costs represent costs to implement a retail settlement system that reconciles the energy a CRES supplier delivers to its customers and what its customers actually use. Based on case precedent in other utilities' cases, the costs are recoverable through a future **DP&L** rate proceeding.

Other costs primarily include RPM capacity, other PJM and rate case costs and alternative energy costs that are or will be recovered over various periods.

Regulatory Liabilities

Estimated costs of removal – regulated property reflect an estimate of amounts collected in customer rates for costs that are expected to be incurred in the future to remove existing transmission and distribution property from service when the property is retired.

Postretirement benefits represent the qualifying FASC 715 "Compensation – Retirement Benefits" gains related to our regulated operations that, for ratemaking purposes, are probable of being reflected in future rates. We recognize an asset for a plan's overfunded status or a liability for a plan's underfunded status, and recognize, as a component of OCI, the changes in the funded status of the plan that arise during the year that are not recognized as a component of net periodic benefit cost. This regulatory liability represents the regulated portion that would otherwise be reflected as a gain to OCI.

On August 10, 2012, **DP&L** filed with the PUCO for an accounting order for permission to defer operation and maintenance costs as a result of damage caused by storms occurring during the final weekend of June 2012. The deferral request is for distribution expense incurred for these storms. The deferral would earn a return equal to the carrying cost of debt (5.86%) until these costs are recovered from customers. On October 19, 2012, DP&L amended its filing to change the method of calculating the deferral. If PUCO approval is received, **DP&L** will defer approximately $5.8 million of costs associated with these storms.

5. Ownership of Coal-fired Facilities

DP&L has undivided ownership interests in seven coal-fired electric generating facilities and numerous transmission facilities with certain other Ohio utilities. Certain expenses, primarily fuel costs for the generating stations, are allocated to the owners based on their energy usage. The remaining expenses, investments in fuel inventory, plant materials and operating supplies, and capital additions are allocated to the owners in accordance with their respective ownership interests. As of September 30, 2012, **DP&L** had $31.0 million of construction work in process at such jointly-owned facilities. **DP&L's** share of the operating cost of such facilities is included within the corresponding line in the Condensed Statements of Results of Operations and **DP&L's** share of the investment in the facilities is included within Total net property, plant and equipment in the Condensed Balance

Sheets. Each joint owner provides their own financing for their share of the operations and capital expenditures of the jointly owned station.

DP&L's undivided ownership interest in such facilities as well as our wholly owned coal-fired Hutchings station at September 30, 2012, is as follows:

	DP&L Share		DP&L Investment			
Jointly-owned production stations:	Ownership (%)	Summer Production Capacity (MW)	Gross Plant in Service ($ in millions)	Accumulated Depreciation ($ in millions)	Construction Work in Process ($ in millions)	SCR and FGD Equipment Installed and in Service (Yes/No)
Beckjord Unit 6	50.0	207	$ 76	$ 62	$ -	No
Conesville Unit 4	16.5	129	25	-	-	Yes
East Bend Station	31.0	186	208	135	1	Yes
Killen Station	67.0	402	628	308	4	Yes
Miami Fort Units 7 and 8	36.0	368	364	146	3	Yes
Stuart Station	35.0	808	740	290	12	Yes
Zimmer Station	28.1	365	1,097	639	3	Yes
Transmission (at varying percentages)			92	59	-	
Total		2,465	$ 3,230	$ 1,639	$ 23	
Wholly-owned production station:						
Hutchings Station	100.0	365	$ -	$ -	$ -	No

On July 15, 2011, Duke Energy, a co-owner at the Beckjord Unit 6 facility, filed their Long-term Forecast Report with the PUCO. The plan indicated that Duke Energy plans to cease production at the Beckjord station, including our jointly owned Unit 6, in December 2014. This was followed by a notification by Duke Energy to PJM, dated February 1, 2012, of a planned April 1, 2015 deactivation of this unit. **DP&L** does not object to Duke's decision. We are depreciating Unit 6 through December 2014 and do not believe that any additional accruals or impairment charges are needed as a result of this decision.

We are considering options for the Hutchings station, but have not yet made a final decision. **DP&L** has informed PJM that Hutchings Unit 4 has incurred damage to a rotor and will be deactivated and unavailable for service until at least June 1, 2014, if not indeterminately. In addition, **DP&L** has notified PJM that Hutchings Units 1 and 2 will be deactivated by June 1, 2015. We do not believe

that any accruals are needed related to the Hutchings station. The decision to deactivate Units 1 and 2 has been made because these two units are not equipped with the advanced environmental control technologies needed to comply with the MACT standard, which was renamed MATS (Mercury Air Toxics Standard) when the rule was issued final on December 16, 2011, and the cost of compliance with the MATS standard or conversion to natural gas for these units would likely exceed the expected return. **DP&L** is still studying the option of converting two or more of Hutchings Units 3-6 to natural gas in order to comply with environmental requirements.

6. Debt Obligations

Long-term debt is as follows:

Long-term debt

$ in millions	At September 30, 2012	At December 31, 2011
First mortgage bonds maturing in October 2013 - 5.125%	$ **470.0**	$ 470.0
Pollution control series maturing in January 2028 - 4.70%	**35.3**	35.3
Pollution control series maturing in January 2034 - 4.80%	**179.1**	179.1
Pollution control series maturing in September 2036 - 4.80%	**100.0**	100.0
Pollution control series maturing in November 2040 - variable rates: 0.04% - 0.26% and 0.06% - 0.32% (a)	**100.0**	100.0
U.S. Government note maturing in February 2061 - 4.20%	**18.4**	18.5
Capital lease obligation	**0.2**	0.4
Unamortized debt discount	**(0.2)**	(0.3)
Total long-term debt	$ **902.8**	$ 903.0

(a) Range of interest rates for the nine months ended September 30, 2012 and the twelve months ended December 31, 2011, respectively.

Current portion - long-term debt

$ in millions	At September 30, 2012	At December 31, 2011
U.S. Government note maturing in February 2061 - 4.20%	$ **0.1**	$ 0.1
Capital lease obligation	**0.3**	0.3
Total current portion - long-term debt - DPL	$ **0.4**	$ **0.4**

At September 30, 2012, maturities of long-term debt, including capital lease obligations, are summarized as follows:

$ in millions		
Due within one year	$	0.4
Due within two years		470.3
Due within three years		0.1
Due within four years		0.1
Due within five years		0.1
Thereafter		432.4
Total long-term debt	$	903.4

On December 4, 2008, the OAQDA issued $100.0 million of collateralized, variable rate Revenue Refunding Bonds Series A and B due November 1, 2040. In turn, **DP&L** borrowed these funds from the OAQDA and issued corresponding First Mortgage Bonds to support repayment of the funds. The payment of principal and interest on each series of the bonds when due is backed by a standby letter of credit issued by JPMorgan Chase Bank, N.A. This letter of credit facility, which expires in December 2013, is irrevocable and has no subjective acceleration clauses. Fees associated with this letter of credit facility were not material during the three and nine months ended September 30, 2012 and 2011.

On April 20, 2010, **DP&L** entered into a $200.0 million unsecured revolving credit agreement with a syndicated bank group. This agreement is for a three year term expiring on April 20, 2013 and provides **DP&L** with the ability to increase the size of the facility by an additional $50.0 million. **DP&L** had no outstanding borrowings under this credit facility at September 30, 2012 and December 31, 2011. Fees associated with this revolving credit facility were not material during the three and nine months ended September 30, 2012 and 2011. This facility also contains a $50.0 million letter of credit sublimit. As of September 30, 2012, **DP&L** had no outstanding letters of credit against this facility.

On March 1, 2011, **DP&L** completed the purchase of $18.7 million of electric transmission and distribution assets from the federal government that are located at the Wright-Patterson Air Force Base. **DP&L** financed the acquisition of these assets with a note payable to the federal government that is payable monthly over 50 years and bears interest at 4.2% per annum.

On August 24, 2011, **DP&L** entered into a $200.0 million unsecured revolving credit agreement with a syndicated bank group. This agreement is for a four year term expiring on August 24, 2015 and provides **DP&L** with the ability to increase the size of the facility by an additional $50.0 million. **DP&L** had no outstanding borrowings under this credit facility at September 30, 2012 and December 31, 2011. Fees associated with this revolving credit facility were not material during the three and nine months ended September 30, 2012 and 2011. This facility also contains a $50.0 million letter of credit sublimit. As of September 30, 2012, **DP&L** had no outstanding letters of credit against this facility.

Substantially all property, plant and equipment of **DP&L** is subject to the lien of the mortgage securing **DP&L's** First and Refunding Mortgage, dated October 1, 1935, with the Bank of New York Mellon as Trustee.

7. Income Taxes

The following table details the effective tax rates for the three and nine months ended September 30, 2012 and 2011.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
DP&L	**(138.3)%**	29.6%	**40.3%**	32.0%

Income tax expense for the three and nine months ended September 30, 2012 and 2011 was calculated using the estimated annual effective income tax rates of 30.7% and 33.1% for 2012 and 2011, respectively.
For the three and nine months ended September 30, 2011, management estimated the annual effective tax rate based upon its forecast of annual pre-tax income. For the three and nine months ended September 30, 2012, management estimated the annual effective tax rate based on actual pre-tax income for the period.

For the three months ended September 30, 2012, **DP&L's** current period effective rate is less than the estimated annual effective rate due to certain current period tax adjustments. These current period adjustments include a revision to the estimated annual effective rate resulting in a reduction of tax expense of $1.3 million offset by an increase in tax expense of $9.3 million due to fixed asset related deferred tax true-ups as well as the effect of estimate-to-actual income tax provision adjustments primarily related to lost Domestic Manufacturing Deductions.

For the nine months ended September 30, 2012, **DP&L's** current period effective rate is greater than the estimated annual effective rate due to certain current period tax adjustments. These current period adjustments include an increase in other estimated tax liabilities of $0.3 million as well as an increase in tax expense of $9.3 million due to fixed asset related true-ups as well as the effect of estimate-to-actual income tax provision adjustments primarily related to lost Domestic Manufacturing Deductions.

For the three and nine months ended September 30, 2012, the decrease in **DP&L's** effective tax rate compared to the same period in 2011 primarily reflects decreased pre-tax book income related to an impairment on certain fixed assets during the third quarter of 2012.

Deferred tax liabilities for **DP&L** increased by approximately $4.8 million and $6.3 million, respectively, during the three and nine months ended September 30, 2012. These increases were primarily related to depreciation offset by various purchase accounting adjustments.

The Internal Revenue Service began an examination of our 2008 Federal income tax return during the second quarter of 2010 that has continued through the current quarter. At this time, we do not expect the results of this examination to have a material effect on our financial statements.

8. Pension and Postretirement Benefits

DP&L sponsors a defined benefit pension plan for the vast majority of its employees.

We generally fund pension plan benefits as accrued in accordance with the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and, in addition, make voluntary contributions from time to time. There were no contributions made during the nine months ended September 30, 2012. **DP&L** made a discretionary contribution of $40.0 million to the defined benefit plan during the nine months ended September 30, 2011.

The amounts presented in the following tables for pension include the collective bargaining plan formula, the traditional management plan formula, the cash balance plan formula and the SERP in the aggregate. The amounts presented for postretirement include both health and life insurance.

The net periodic benefit cost (income) of the pension and postretirement benefit plans for the three months ended September 30, 2012 and 2011 was:

Net Periodic Benefit Cost / (Income)	**Pension**		**Postretirement**	
$ in millions	**2012**	2011	**2012**	2011
Service cost	**$ 1.5**	$ 0.8	**$ -**	$ -
Interest cost	**4.3**	4.1	**0.2**	0.2
Expected return on assets *(a)*	**(5.7)**	(6.2)	**(0.1)**	(0.1)
Amortization of unrecognized:				
Actuarial loss / (gain)	**2.4**	1.7	**(0.2)**	(0.5)
Prior service cost	**0.7**	0.5	**0.1**	0.1
Net periodic benefit cost / (income) before adjustments	**3.2**	0.9	**-**	(0.3)
Settlement cost *(b)*	**0.5**	-	**-**	-
Net periodic benefit cost / (income)	**$ 3.7**	$ 0.9	**$ -**	$ (0.3)

(a) *For purposes of calculating the expected return on pension plan assets, under GAAP, the market-related value of assets (MRVA) is used. GAAP requires that the difference between actual plan asset returns and estimated plan asset returns be included in the MRVA equally over a period not to exceed five years. We use a methodology under which we include the difference between actual and estimated asset returns in the MRVA equally over a three year period. The MRVA used in the calculation of expected return on pension plan assets for the 2012 and 2011 net periodic benefit cost was approximately $335.0 million and $316.0 million, respectively.*

(b) *The settlement cost relates to a former officer who has elected to receive a lump sum distribution in 2012 from the Supplemental Executive Retirement Plan.*

The net periodic benefit cost (income) of the pension and postretirement benefit plans for the nine months ended September 30, 2012 and 2011 was:

Net Periodic Benefit Cost / (Income)	**Pension**		**Postretirement**	
$ in millions	**2012**	2011	**2012**	2011
Service cost	**$ 4.6**	$ 3.7	**$ 0.1**	$ 0.1
Interest cost	**12.9**	12.7	**0.6**	0.7
Expected return on assets *(a)*	**(17.0)**	(18.4)	**(0.2)**	(0.2)
Amortization of unrecognized:				
Actuarial loss / (gain)	**7.1**	6.2	**(0.7)**	(0.9)
Prior service cost	**2.2**	1.6	**0.1**	0.1
Net periodic benefit cost / (income) before adjustments	**9.8**	5.8	**(0.1)**	(0.2)
Settlement cost *(b)*	**0.5**	-	**-**	-
Net periodic benefit cost / (income)	**$ 10.3**	$ 5.8	**$ (0.1)**	$ (0.2)

(a) *For purposes of calculating the expected return on pension plan assets, under GAAP, the market-related value of assets (MRVA) is used. GAAP requires that the difference between actual plan asset returns and estimated plan asset returns be included in the MRVA equally over a period not to exceed five years. We use a methodology under which we include the difference between actual and estimated asset returns in the MRVA equally over a three year period. The MRVA used in the calculation of expected return on pension plan assets for the 2012 and 2011 net periodic benefit cost was approximately $335.0 million and $316.0 million, respectively.*

(b) *The settlement cost relates to a former officer who has elected to receive a lump sum distribution in 2012 from the Supplemental Executive Retirement Plan.*

Benefit payments, which reflect future service, are expected to be paid as follows:

Estimated Future Benefit Payments and Medicare Part D Reimbursements

$ in millions	Pension	Postretirement
2012	$ 5.8	$ 0.6
2013	22.7	2.3
2014	23.2	2.2
2015	23.8	2.0
2016	24.0	1.9
2017 - 2021	124.4	7.5

9. Fair Value Measurements

The fair values of our financial instruments are based on published sources for pricing when possible. We rely on valuation models only when no other method is available to us. The value of our financial instruments represents our best estimates of fair value, which may not be the value realized in the future. The table below presents the fair value and cost of our non-derivative instruments at September 30, 2012 and December 31, 2011. See also Note 10 for the fair values of our derivative instruments.

	At September 30, 2012		At December 31, 2011	
$ in millions	**Cost**	**Fair Value**	Cost	Fair Value
Assets				
Money Market Funds	**$ 0.2**	**$ 0.2**	$ 0.2	$ 0.2

Equity Securities	3.9	5.2	3.9	4.4
Debt Securities	5.0	5.5	5.0	5.5
Multi-Strategy Fund	0.3	0.3	0.3	0.2
Total Assets	$ 9.4	$ 11.2	$ 9.4	$ 10.3
Liabilities				
Debt	$ 903.2	$ 934.5	$ 903.4	$ 934.5

Debt
The fair value of debt is based on current public market prices for disclosure purposes only. Unrealized gains or losses are not recognized in the financial statements because debt is presented at amortized cost in the financial statements. The debt amounts include the current portion payable in the next twelve months and have maturities that range from 2013 to 2061.

Master Trust Assets
DP&L established a Master Trust to hold assets that could be used for the benefit of employees participating in employee benefit plans and these assets are not used for general operating purposes. These assets are primarily comprised of open-ended mutual funds which are valued using the net asset value per unit. These investments are recorded at fair value within Other assets on the balance sheets and classified as available for sale. Any unrealized gains or losses are recorded in AOCI until the securities are sold.

DP&L had $1.7 million ($1.1 million after tax) in unrealized gains and immaterial unrealized losses on the Master Trust assets in AOCI at September 30, 2012 and $1.0 million ($0.7 million after tax) in unrealized gains and immaterial unrealized losses in AOCI at December 31, 2011.

Due to the liquidation of the **DPL** common stock held in the Master Trust, there is sufficient cash to cover the next twelve months of benefits payable to employees covered under the benefit plans. Therefore, no unrealized gains or losses are expected to be transferred to earnings since we will not need to sell any investments in the next twelve months.

Net Asset Value (NAV) per Unit
The following table discloses the fair value and redemption frequency for those assets whose fair value is estimated using the NAV per unit as of September 30, 2012. These assets are part of the Master Trust. Fair values estimated using the NAV per unit are considered Level 2 inputs within the fair value hierarchy, unless they cannot be redeemed at the NAV per unit on the reporting date. Investments that have restrictions on the redemption of the investments are Level 3 inputs. At

September 30, 2012, **DP&L** did not have any investments for sale at a price different from the NAV per unit.

Fair Value Estimated Using Net Asset Value per Unit

$ in millions	Fair Value at September 30, 2012	Fair Value at December 31, 2011	Unfunded Commitments
Equity Securities (a)	$ 5.2	$ 4.4	$ -
Debt Securities (b)	5.5	5.5	-
Multi-Strategy Fund (c)	0.3	0.2	-
Total	$ 11.0	$ 10.1	$ -

(a)*This category includes investments in hedge funds representing an S&P 500 index and the Morgan Stanley Capital International (MSCI) U.S. Small Cap 1750 Index. Investments in this category can be redeemed immediately at the current net asset value per unit.*

(b)*This category includes investments in U.S. Treasury obligations and U.S. investment grade bonds. Investments in this category can be redeemed immediately at the current net asset value per unit.*

(c)*This category includes a mix of actively managed funds holding investments in stocks, bonds and short-term investments in a mix of actively managed funds. Investments in this category can be redeemed immediately at the current net asset value per unit.*

Fair Value Hierarchy

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize

the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. These inputs are then categorized as Level 1 (quoted prices in active markets for identical assets or liabilities); Level 2 (observable inputs such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active); or Level 3 (unobservable inputs).

Valuations of assets and liabilities reflect the value of the instrument including the values associated with counterparty risk. We include our own credit risk and our counterparty's credit risk in our calculation of fair value using global average default rates based on an annual study conducted by a large rating agency.

We transferred a money market account to Level 1 from Level 2 of the fair value hierarchy, as it was determined that this fund is a cash equivalent where quoted prices are generally equal to par value.