BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR

CASE NO. 15-1831-EL-AAM

CASE NO. 15-1832-EL-ATA

2015 DISTRIBUTION BASE RATE CASE

BOOK I – APPLICATION AND SUPPLEMENTAL

VOLUME 9 OF 14

Dayton Power and Light Company

DP&L Case No. 15-1830-EL-AIR

Standard Filing Requirements for Rate Increases

Table of Contents

Book #	Vol #	OAC 4901-7-01 Reference	Schedule	Description
		OAC 4901-7 Appendix A, Chapter II, (B) Supplemental Filing Requirements		
1	1	Appendix A, Chapter II, (B)(1)(a)-(f)	S-1	Most recent 5 year capital expenditures budget.
1	1	Appendix A, Chapter II, (B)(2)(a)-(c) Appendix A, Chapter II, (B)(3)(a)-(d)	S-2	Most recent 5 year financial forecast and support for the underlying assumptions.
1	1	Appendix A ,Chapter II, (B)(7)	S-3	A proposed notice for newspaper publication.
1	1	Appendix A, Chapter II, (B)(8)	S-4.1	An executive summary of applicant utility's corporate process.
1	2-3	Appendix A, Chapter II, (B)(9)	S-4.2	An executive summary of applicant utility's management policies, practices, and organization.
		OAC 4901-7 Appendix A, Chapter II, (C) Supplemental Information Provided at Filing		
1	3	Appendix A, Chapter II, (C)(1)	Supplemental	The most recent Federal Energy Regulatory Commission's ("FERC") audit report.
1	3	Appendix A, Chapter II, (C)(2)	Supplemental	Prospectuses of current stock and/or bond offering of the applicant, and/or of parent company.
1	4-8	Appendix A, Chapter II, (C)(3)	Supplemental	Annual reports to shareholders of the applicant, and/or parent company for the most recent five years and the most recent statistical supplement.
1	9-12	Appendix A, Chapter II, (C)(4)	Supplemental	The most recent SEC Form 10-K, 10-Q, and 8-K of the applicant, and/or parent company.
1	13	Appendix A, Chapter II, (C)(5)	Supplemental	Working papers supporting the schedules.
1	14	Appendix A, Chapter II, (C)(6)	Supplemental	Worksheet showing monthly test year data by FERC account.
1	14	Appendix A, Chapter II, (C)(7)	Supplemental	CWIP included in the prior case.
1	14	Appendix A, Chapter II, (C)(8)	Supplemental	Copy of latest certificate of valuation from department of taxation.
1	14	Appendix A, Chapter II, (C)(9)	Supplemental	Monthly sales for the test year by rate schedule classification and/or customer classes.
1	14	Appendix A, Chapter II, (C)(10)	Supplemental	Written summary explaining the forecasting method used by the utility as related to test year data.
1	14	Appendix A, Chapter II, (C)(11)	Supplemental	Explanation of computation of materials and supplies.
1	14	Appendix A, Chapter II, (C)(12)	Supplemental	Depreciation expense related to specific plant accounts.
1	14	Appendix A, Chapter II, (C)(13)	Supplemental	Federal income tax information.
1	14	Appendix A, Chapter II, (C)(14)	Supplemental	Other rate base items and detailed information.
1	14	Appendix A, Chapter II, (C)(15)	Supplemental	Copy of all advertisements in the test year.
1	14	Appendix A, Chapter II, (C)(16)	Supplemental	Plant in service data from the last date certain to the date certain in the current case.
1	14	Appendix A, Chapter II, (C)(17)	Supplemental	Depreciation study showing depreciation reserves allocated to accounts.
1	14	Appendix A, Chapter II, (C)(18)	Supplemental	Depreciation study.
1	14	Appendix A, Chapter II, (C)(19)	Supplemental	Depreciation reserve data from the last date certain to the date certain in the current case.
1	14	Appendix A, Chapter II, (C)(20)	Supplemental	Construction project details for projects that are at least seventy-five percent complete.
1	14	Appendix A, Chapter II, (C)(21)	Supplemental	Surviving dollars by vintage year of placement (original cost data as of date certain for each individual plant account).
1	14	Appendix A, Chapter II, (C)(22)	Supplemental	Test year and two most recent calendar years' employee levels by month.

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Supplemental Information (C)(4)

Requirement:

Provide the most recent SEC Form 10-K, 10-Q, and 8-K of the applicant, and/or parent company, if applicant is wholly owned subsidiary.

Response:

Please see attached the most recent SEC Form 10-Q (September 30, 2015) and 8-K (July 31, 2015). The most recent SEC Form 10-K (2014) was provided under Supplemental Information (C)(3).

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, 2015**

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 ☒
The Dayton Power and Light Company	Yes ☐	No ☒

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 during the preceding 12 months. During the relevant period in 2015, DPL Inc. was a voluntary filer until its May 29, 2015 Registration Statement on Form S-4 filed with the Securities and Exchange Commission was declared effective on June 12, 2015. DPL Inc. has filed all applicable reports under Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.

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 ☒	No ☐
The Dayton Power and Light Company	Yes ☒	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.	☐	☐	☒	☐
The Dayton Power and Light Company	☐	☐	☒	☐

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 ☒
The Dayton Power and Light Company	Yes ☐	No ☒

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 November 4, 2015, 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**

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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Quarterly Report on Form 10-Q
Quarter Ended September 30, 2015

DPL Inc. and The Dayton Power and Light Company

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Quarterly Report on Form 10-Q
Quarter Ended September 30, 2015

GLOSSARY OF TERMS

The following terms are used in this Form 10-Q:

Term	Definition
AES	The AES Corporation, a global power company and the ultimate parent company of DPL
AOCI	Accumulated Other Comprehensive Income
ARO	Asset Retirement Obligation
ASU	Accounting Standards Update
CAA	U.S. Clean Air Act
CO_2	Carbon Dioxide
CRES	Competitive Retail Electric Service
DPL	DPL Inc.
DPLE	DPL Energy, LLC, a wholly owned subsidiary of DPL that owns and operates peaking generation facilities from which it makes wholesale sales
DPLER	DPL Energy Resources, Inc., a wholly owned subsidiary of DPL that sells competitive electric energy and other energy services
DP&L	The Dayton Power and Light Company, the principal subsidiary of DPL and a public utility that delivers electricity to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio
EBITDA	Earnings before interest, taxes, depreciation and amortization
EGU	Electric generating unit
ERISA	The Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
FASC	FASB Accounting Standards Codification
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 for the fiscal year ended December 31, 2014, which was filed on February 25, 2015
First and Refunding Mortgage	DP&L's First and Refunding Mortgage, dated October 1, 1935, as amended, with the Bank of New York Mellon as Trustee
FTRs	Financial Transmission Rights
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gas
kV	Kilovolt, 1,000 volts
kWh	Kilowatt-hours
LIBOR	London Inter-Bank Offering Rate
Master Trust	DP&L established a Master Trust to hold assets that could be used for the benefit of employees participating in employee benefit plans
MATS	Mercury and Air Toxics Standard
MC Squared	MC Squared Energy Services, LLC, a retail electricity supplier previously wholly owned by DPLER. This subsidiary was sold effective April 1, 2015.
Merger	The merger of DPL and Dolphin Sub, Inc., a wholly owned subsidiary of AES. On November 28, 2011, DPL became a wholly owned subsidiary of AES.
MTM	Mark to Market
MVIC	Miami Valley Insurance Company, a wholly owned insurance subsidiary of DPL that provides insurance services to DPL and its subsidiaries and, in some cases, insurance services to partner companies related to jointly owned facilities operated by DP&L
MW	Megawatt
MWh	Megawatt-hour
NAAQS	National Ambient Air Quality Standards

GLOSSARY OF TERMS (cont.)

Term	Definition
NERC	North American Electric Reliability Corporation
NOx	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NSPS	New Source Performance Standards
NYMEX	New York Mercantile Exchange
OCC	Ohio Consumers' Counsel
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
PJM	PJM Interconnection, LLC, an RTO
PRP	Potentially Responsible Party
PUCO	Public Utilities Commission of Ohio
RCRA	U.S. Resource Conservation and Recovery Act
RPM	Reliability Pricing Model. The Reliability Pricing Model is PJM's capacity construct. The purpose of the RPM is to enable PJM to obtain sufficient resources to reliably meet the needs of electric customers within the PJM footprint. Under the RPM construct, PJM procures capacity, through a multi-auction structure, on behalf of the load serving entities to satisfy the load obligations. There are three RPM auctions held for each delivery year (running from June 1 through May 31). The base residual auction is held three years in advance of the delivery year and then there is one incremental auction held in each of the subsequent three years. DP&L's capacity is located in the "rest of" RTO area of PJM.
RTO	Regional Transmission Organization
SCR	Selective Catalytic Reduction
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
Service Company	AES US Services, LLC, the shared services affiliate providing accounting, finance, and other support services to AES' U.S. SBU businesses
SO2	Sulfur Dioxide
SSO	Standard Service Offer represents the regulated rates, authorized by the PUCO, charged to DP&L retail customers that take retail generation service from DP&L within DP&L's service territory
USEPA	U.S. Environmental Protection Agency
USF	The Universal Service Fund is a statewide program which provides qualified low-income customers in Ohio with income-based bills and energy efficiency education programs
U.S. SBU	U. S. Strategic Business Unit, AES' reporting unit covering the businesses in the United States, including DPL

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Matters discussed in this report that relate to events or developments that are expected to occur in the future, including management's expectations, strategic objectives, business prospects, anticipated economic performance and financial condition and other similar matters constitute forward-looking statements. Forward-looking statements are based on management's beliefs, assumptions and expectations of future economic performance, taking into account the information currently available to management. These statements are not statements of historical fact and are typically identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will" and similar expressions. Such forward-looking statements are subject to risks and uncertainties and investors are cautioned that outcomes and results may vary materially from those projected due to various factors beyond our control, including but not limited to:

- abnormal or severe weather and catastrophic weather-related damage;
- unusual maintenance or repair requirements;
- changes in fuel costs and purchased power, coal, environmental emission allowances, natural gas and other commodity prices;
- volatility and changes in markets for electricity and other energy-related commodities;
- increased competition and deregulation in the electric utility industry;
- increased competition in the retail generation market;
- availability and price of capacity;
- 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 **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;
- changes in tax laws and the effects of our strategies to reduce tax payments;
- the outcomes of litigation and regulatory investigations, proceedings or inquiries;
- general economic conditions; and
- the risks and other factors discussed in this report and other **DPL** and **DP&L** filings with the SEC.

Forward-looking statements speak only as of the date of the document in which they are made. We disclaim any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances on which the forward-looking statement is based. *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.

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 www.sec.gov.

COMPANY WEBSITES

DPL's public internet site is www.dplinc.com. **DP&L's** public internet site is 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 be clearly noted in the applicable section.

Item 1 – Financial Statements

FINANCIAL STATEMENTS

DPL INC.

DPL INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

$ in millions	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Revenues	$ 414.1	$ 479.2	$ 1,281.5	$ 1,329.6
Cost of revenues:				
Fuel	**71.4**	85.1	**202.2**	235.9
Purchased power	145.4	153.7	460.2	466.2
Amortization of intangibles	**—**	0.3	**—**	0.9
Total cost of revenues	216.8	239.1	662.4	703.0
Gross margin	197.3	240.1	619.1	626.6
Operating expenses:				
Operation and maintenance	**101.4**	94.0	**281.5**	294.7
Depreciation and amortization	34.8	34.5	104.1	103.7
General taxes	**20.8**	21.2	**67.8**	70.3
Goodwill impairment	**—**	—	**—**	135.8
Fixed-asset impairment	**—**	—	**—**	11.5
Other	**—**	(0.1)	(0.3)	1.3
Total operating expenses	**157.0**	149.6	**453.1**	617.3
Operating income	**40.3**	90.5	**166.0**	9.3
Other income / (expense), net				
Investment income / (loss)	0.1	0.2	0.1	0.6
Interest expense	**(28.9)**	(33.1)	**(90.3)**	(95.8)
Charge for early retirement of debt	(2.1)	(0.1)	(2.1)	—
Other expense	**(0.5)**	(0.1)	**(1.2)**	(1.2)
Total other expense, net	(31.4)	(33.1)	(93.5)	(96.4)
Earnings / (loss) before income taxes	8.9	57.4	72.5	(87.1)
Income tax expense / (benefit)	0.3	(41.0)	13.5	29.7
Net income / (loss)	$ 8.6	$ 98.4	$ 59.0	$ (116.8)

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

DPL INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

$ in millions	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net income / (loss)	$ 8.6	$ 98.4	$ 59.0	$ (116.8)
Available-for-sale securities activity:				
Change in fair value of available-for-sale securities, net of income tax benefit of $0.1, $0.2, $0.1 and $0.2 for each respective period	(0.3)	(0.4)	(0.2)	(0.6)
Reclassification to earnings, net of income tax expense of $0.0, $(0.1), $0.0 and $(0.2) for each respective period	—	0.2	—	0.4
Total change in fair value of available-for-sale securities	(0.3)	(0.2)	(0.2)	(0.2)
Derivative activity:				
Change in derivative fair value, net of income tax (expense) / benefit of $(4.4), $(1.0), $(5.4) and $12.4 for each respective period	7.8	1.2	9.6	(23.8)
Reclassification to earnings, net of income tax (expense) / benefit of $1.1, $(1.5), $1.6 and $(7.4) for each respective period	**(2.0)**	3.4	**(3.4)**	14.2
Total change in fair value of derivatives	5.8	4.6	6.2	(9.6)
Pension and postretirement activity:				
Reclassification to earnings, net of income tax expense of $0.0, $0.0, $(0.4) and $0.0 for each respective period	0.1	—	(0.1)	—
Total change in unfunded pension obligation	**0.1**	—	**(0.1)**	—
Other comprehensive income / (loss)	5.6	4.4	5.9	(9.8)
Net comprehensive income / (loss)	$ 14.2	$ 102.8	$ 64.9	$ (126.6)

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

DPL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

$ in millions	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43.0	$ 17.0
Restricted cash	**13.6**	16.8
Accounts receivable, net (Note 2)	152.7	200.9
Inventories (Note 2)	**97.0**	100.2
Taxes applicable to subsequent years	19.6	77.8
Regulatory assets, current	**29.4**	44.2
Other prepayments and current assets	44.6	41.8
Total current assets	**399.9**	498.7
Property, plant & equipment:		
Property, plant & equipment	**2,879.7**	2,759.3
Less: Accumulated depreciation and amortization	(404.3)	(318.4)
	2,475.4	2,440.9
Construction work in process	71.4	76.7
Total net property, plant & equipment	**2,546.8**	2,517.6
Other non-current assets:		
Regulatory assets, non-current	**152.4**	167.5
Goodwill	317.0	317.0
Intangible assets, net of amortization	**30.4**	37.4
Other deferred assets	42.9	39.6
Total other non-current assets	**542.7**	561.5
Total assets	$ 3,489.4	$ 3,577.8

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

DPL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

$ in millions	September 30, 2015	December 31, 2014
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 5)	$ 444.9	$ 220.1
Short-term debt	**10.0**	—
Accounts payable	85.7	109.2
Accrued taxes	**140.8**	102.6
Accrued interest	31.1	27.2
Security deposits	**33.8**	14.4
Regulatory liabilities, current	20.5	4.4
Insurance and claims costs	**5.6**	6.4
Other current liabilities	48.4	48.7
Total current liabilities	**820.8**	333.0
Non-current liabilities:		
Long-term debt (Note 5)	**1,564.5**	2,139.6
Deferred taxes	556.0	587.3
Taxes payable	**3.4**	80.9
Regulatory liabilities, non-current	125.6	124.1
Pension, retiree and other benefits	**91.2**	95.9
Unamortized investment tax credit	1.9	2.2
Other deferred credits	**94.2**	48.2
Total non-current liabilities	2,436.8	3,078.2
Redeemable preferred stock of subsidiary	18.4	18.4
Commitments and contingencies (Note 10)		
Common shareholder's equity:		
Common stock:		
1,500 shares authorized, 1 share issued and outstanding at September 30, 2015 and December 31, 2014	—	—
Other paid-in capital	**2,237.7**	2,237.4
Accumulated other comprehensive income	13.4	7.5
Accumulated deficit	**(2,037.7)**	(2,096.7)
Total common shareholder's equity	213.4	148.2
Total liabilities and shareholder's equity	$ 3,489.4	$ 3,577.8

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

DPL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

$ in millions	Nine months ended September 30, 2015	2014
Cash flows from operating activities:		
Net income / (loss)	$ 59.0	$ (116.8)
Adjustments to reconcile net income / (loss) to net cash from operating activities:		
Depreciation and amortization	104.1	103.7
Amortization of intangibles	—	0.9
Amortization of debt market value adjustments	(1.1)	(0.1)
Deferred income taxes	(20.5)	(2.5)
Goodwill impairment	—	135.8
Fixed-asset impairment	—	11.5
Changes in certain assets and liabilities:		
Accounts receivable	48.8	12.7
Inventories	3.1	(3.6)
Prepaid taxes	(0.6)	0.5
Taxes applicable to subsequent years	58.2	52.1
Deferred regulatory costs, net	27.6	4.8
Accounts payable	(15.9)	7.2
Accrued taxes payable	(39.2)	(27.5)
Accrued interest payable	3.7	14.5
Security deposits	19.4	0.5
Pension, retiree and other benefits	1.0	(5.2)
Other	12.8	(14.3)
Net cash provided by operating activites	260.4	174.4
Cash flows from investing activities:		
Capital expenditures	(93.5)	(81.6)
Proceeds from sale of business	1.3	—
Purchase of emission allowances	—	(0.2)
Purchase of renewable energy credits	(0.6)	(3.4)
Increase / (decrease) in restricted cash	3.2	(9.0)
Other investing activities, net	0.4	1.1
Net cash used by investing activities	(89.2)	(93.1)
Net cash from financing activities:		
Payments of deferred financing costs	(5.6)	(0.3)
Issuance of long-term debt	325.0	—
Borrowings from revolving credit facilities	70.0	115.0
Repayment of borrowings from revolving credit facilities	(60.0)	(115.0)
Retirement of long-term debt	(474.5)	(30.1)
Other financing activities, net	(0.1)	—
Net cash used by financing activities	(145.2)	(30.4)
Cash and cash equivalents:		
Net change	26.0	50.9
Balance at beginning of period	17.0	53.2
Cash and cash equivalents at end of period	$ 43.0	$ 104.1
Supplemental cash flow information:		
Interest paid, net of amounts capitalized	$ 77.3	$ 73.8
Income taxes paid / (refunded), net	$ 0.8	$ 0.2
Non-cash financing and investing activities:		
Accruals for capital expenditures	$ 12.6	$ 6.7

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

DPL Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 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 included the operations of DPLER's wholly owned subsidiary MC Squared. MC Squared was sold effective April 1, 2015. See Note 11 for more information relating to these reportable segments. The terms "we," "us," "our" and "ours" are used to refer to **DPL** and its subsidiaries.

DPL is an indirectly wholly owned subsidiary of AES.

DP&L is a public utility incorporated in 1911 under the laws of Ohio. Beginning in 2001, Ohio law gave Ohio consumers the right to choose the electric generation supplier from whom they purchase retail generation service, however distribution and transmission retail services are still regulated. **DP&L** has the exclusive right to provide such distribution and transmission services to its more than 515,000 customers located in West Central Ohio. Additionally, **DP&L** offers retail SSO electric service to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio. **DP&L** owns multiple coal-fired and peaking electric generating facilities as well as numerous transmission facilities, all of which are included in the financial statements at amortized cost. During 2015, **DP&L** is required to source 60% of the generation for its SSO customers through a competitive bid process and beginning January 2016, generation for its SSO customers will be 100% competitively bid. Principal industries located in **DP&L's** service territory include automotive, food processing, paper, plastic, manufacturing and defense. **DP&L's** sales reflect the general economic conditions, seasonal weather patterns, retail competition in our service territory and the market price of electricity. **DP&L** sells any excess energy and capacity into the wholesale market. On June 4, 2014, the PUCO issued an entry on rehearing which requires **DP&L** to separate its generation assets from its transmission and distribution assets no later than January 1, 2017. **DP&L** also sells electricity to DPLER, an affiliate, to satisfy the electric requirements of DPLER's retail customers.

DPLER sells competitive retail electric service, under contract, to residential, commercial, industrial and governmental customers in Ohio. As of September 30, 2015, DPLER has approximately 128,000 customers currently located throughout Ohio. On April 1, 2015, DPLER closed on the sale of its former subsidiary, MC Squared. DPLER does not own any transmission or generation assets, and all of DPLER's electric energy was purchased from **DP&L** 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. **DPL** owns all of the common stock of its subsidiaries.

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 1,234 people as of September 30, 2015, of which 1,194 were employed by **DP&L**. Approximately 59% of all **DPL** employees are under a collective bargaining agreement that expires on October 31, 2017.

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** has undivided ownership interests in five coal-fired generating facilities, various peaking generating

facilities and numerous transmission facilities, all of which are included in the financial statements at amortized cost, which was adjusted to fair value at the date of the Merger for **DPL**. Operating revenues and expenses of these facilities are included on a pro rata basis in the corresponding lines in the Condensed Consolidated Statements of Operations. See Note 4 for more information.

Certain immaterial amounts from prior periods have been reclassified to conform to the current period 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.

In the opinion of our management, the Condensed Consolidated Financial Statements presented in this report contain all adjustments necessary to fairly state our financial position as of September 30, 2015; our results of operations for the three and nine months ended September 30, 2015 and 2014 and our cash flows for the nine months ended September 30, 2015 and 2014. 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 EGUs, changes in economic conditions involving commodity prices and competition, and other factors, interim results for the three and nine months ended September 30, 2015 may not be indicative of our results that will be realized for the full year ending December 31, 2015.

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; liabilities recorded for income tax exposures; litigation; contingencies; the valuation of AROs; assets and liabilities related to employee benefits; goodwill; and intangibles.

As a result of 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 at the Merger date.

Sale of Receivables

DPLER sells its customer receivables. These sales are at a small discount for cash at the billed amounts for their customers' use of energy. Total receivables sold by DPLER and by MC Squared prior to its sale during the three months ended September 30, 2015 and 2014 were $9.4 million and $37.7 million, respectively. Total receivables sold by DPLER and by MC Squared prior to its sale during the nine months ended September 30, 2015 and 2014 were $49.1 million and $98.7 million, respectively.

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. These taxes are accounted for on a net basis and not included in revenue. The amounts of such taxes collected for the three months ended September 30, 2015 and 2014 were $13.0 million and $12.5 million, respectively. The amounts of such taxes collected for the nine months ended September 30, 2015 and 2014 were $38.5 million and $38.5 million, respectively.

Related Party Transactions

In December 2013, an agreement was signed, effective January 1, 2014, whereby the Service Company is to provide services including operations, accounting, legal, human resources, information technology and other corporate services on behalf of companies that are part of the U.S. SBU, including, among other companies, **DPL** and **DP&L**. The Service Company allocates the costs for these services based on cost drivers designed to result in fair and equitable allocations. This includes ensuring that the regulated utilities served, including **DP&L**, are not subsidizing costs incurred for the benefit of other businesses. **DPL** charges the Service Company for employee payroll and benefit costs that are incurred on behalf of the Service Company.

In the normal course of business, **DPL** enters into transactions with subsidiaries of AES. The following table provides a summary of these transactions:

	Three months ended September 30,		Nine months ended September 30,	
$ in millions	2015	2014	2015	2014
Transactions with the Service Company				
Charges from the Service Company	$ -	$ 8.9	$ 28.5	$ 28.4
Charges to the Service Company	$ 1.1	$ 0.6	$ 5.1	$ 1.8

	at September 30, 2015	at December 31, 2014
Net prepaid / (payable) to the service company	$ 0.1	$ (4.7)

DPL has issued debt to a wholly owned business trust, DPL Capital Trust II. See Note 5 for further information.

Recently Issued Accounting Standards

ASU No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30)
In April 2015, the FASB issued ASU No. 2015-03, which simplifies the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The standard is effective for annual reporting periods beginning after December 15, 2015 and interim periods therein, and requires the use of the full retrospective approach. Early adoption is permitted for financial statements that have not been previously issued. As of September 30, 2015, **DPL** had approximately $17.6 million in deferred financing costs classified in other non-current assets that would be reclassified to reduce the related debt liabilities upon adoption of ASU No. 2015-03.

ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)
In May 2014, the FASB issued ASU No. 2014-09, which clarifies principles for recognizing revenue and will result in a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The objective of the new standard is to provide a single and comprehensive revenue recognition model for all contracts with customers to improve comparability. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The standard requires an entity to recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contract with Customer (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 by one year, resulting in the new revenue standard being effective for annual reporting periods beginning after December 15, 2017 and interim periods therein. Early adoption is now permitted only as of the original effective date for public entities (that is, no earlier than 2017 for calendar year-end entities). The standard permits the use of either a full retrospective or modified retrospective approach. We have not yet selected a transition method and we are currently evaluating the impact of adopting the standard on our financial statements.

ASU No. 2015-11, Inventory: Simplifying the Measurement of Inventory (Topic 330)
In July 2015, the FASB issued ASU No. 2015-11, which simplifies the subsequent measurement of inventory. It replaces the current lower of cost or market test with a lower of cost or net realizable value test. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods therein. Early adoption is permitted. The new guidance must be applied prospectively. We are currently evaluating the impact of adopting the standard on our financial statements.

ASU No. 2015-02, Consolidation — Amendments to the Consolidation Analysis (Topic 810)
In February 2015, the FASB issued ASU 2015-02, which makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. The standard amends the evaluation of whether (1) fees paid to a decision-maker or service providers represent a variable interest, (2) a limited partnership or similar entity has the characteristics of a VIE and (3) a reporting entity is the primary beneficiary of a VIE. The standard is effective for annual periods beginning after December 15, 2015 and

interim periods therein. Early adoption is permitted. We are currently evaluating the impact of adopting the standard on our financial statements.

ASU No. 2015-13, Derivatives and Hedging (Topic 815): Application of the Normal Purchases and Normal Sales Scope Exception to Certain Electricity Contracts within Nodal Energy Market
In August 2015, the FASB issued ASU No. 2015-13, which resolves the diversity in practice resulting from determining whether certain contracts qualify for the normal purchases and normal sales scope exception under ASC Topic 815, Derivatives and Hedging. This standard clarifies that entities would not be precluded from applying the normal purchases and normal sales exception to certain forward contracts that necessitate the transmission of electricity through, or delivery to a location within, a nodal energy market. The standard is effective upon issuance and should be applied prospectively. As we had designated qualifying contracts as normal purchase or normal sales, there was no impact on our financial statements upon adoption of this standard.

ASU No. 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement
In April 2015, the FASB issued ASU No. 2015-05, which clarifies how customers in cloud computing arrangements should determine whether the arrangement includes a software license and eliminates the existing requirement for customers to account for software licenses they acquired by analogizing to the accounting guidance on leases. The standard is effective for annual reporting periods beginning after December 15, 2015 and interim periods therein. Early adoption is permitted. The standard permits the use of a prospective or retrospective approach. We have not yet selected a transition method and we are currently evaluating the impact of adopting the standard on our financial statements.

Note 2 – Supplemental Financial Information

Accounts receivable and Inventories are as follows at September 30, 2015 and December 31, 2014:

$ in millions	**September 30, 2015**	December 31, 2014
Accounts receivable, net:		
Unbilled revenue	$ 49.3	$ 79.2
Customer receivables	**86.8**	104.8
Amounts due from partners in jointly owned plants	12.0	14.2
Other	**5.6**	4.0
Provision for uncollectible accounts	(1.0)	(1.3)
Total accounts receivable, net	**$ 152.7**	$ 200.9
Inventories, at average cost:		
Fuel and limestone	**$ 60.3**	$ 65.3
Plant materials and supplies	34.7	33.5
Other	**2.0**	1.4
Total inventories, at average cost	$ 97.0	$ 100.2

Accumulated Other Comprehensive Income / (Loss)
The amounts reclassified out of Accumulated Other Comprehensive Income / (Loss) by component during the three and nine months ended September 30, 2015 and 2014 are as follows:

Details about Accumulated Other Comprehensive Income / (Loss) components	Affected line item in the Condensed Consolidated Statements of Operations	Three months ended September 30,		Nine months ended September 30,	
$ in millions		**2015**	2014	**2015**	2014
Gains and losses on Available-for-sale securities activity (Note 8):					
	Other income	$ —	$ 0.3	$ —	$ 0.6
	Tax expense	—	(0.1)	—	(0.2)
	Net of income taxes	—	0.2	—	0.4
Gains and losses on cash flow hedges (Note 9):					
	Interest expense	(0.2)	(0.3)	(0.7)	(1.0)
	Revenue	**(3.8)**	4.9	**(7.0)**	23.4
	Purchased power	0.9	0.3	2.7	(0.8)
	Total before income taxes	**(3.1)**	4.9	**(5.0)**	21.6
	Tax expense	1.1	(1.5)	1.6	(7.4)
	Net of income taxes	**(2.0)**	3.4	**(3.4)**	14.2
Amortization of defined benefit pension items (Note 7)					
	Other income	**0.1**	—	**0.3**	—
	Tax expense	—	—	(0.4)	—
	Net of income taxes	**0.1**	—	**(0.1)**	—
Total reclassifications for the period, net of income taxes		**$ (1.9)**	$ 3.6	**$ (3.5)**	$ 14.6

The changes in the components of Accumulated Other Comprehensive Income / (Loss) during the nine months ended September 30, 2015 are as follows:

$ in millions	Gains / (losses) on available-for-sale securities	Gains / (losses) on cash flow hedges	Change in unfunded pension obligation	Total
Balance January 1, 2015	$ 0.5	$ 18.5	$ (11.5)	$ 7.5
Other comprehensive income before reclassifications	(0.2)	9.6	—	9.4
Amounts reclassified from accumulated other comprehensive income / (loss)	—	**(3.4)**	**(0.1)**	**(3.5)**
Net current period other comprehensive income / (loss)	(0.2)	6.2	(0.1)	5.9
Balance September 30, 2015	$ 0.3	$ 24.7	$ (11.6)	$ 13.4

Note 3 – Regulatory assets and liabilities

DP&L has certain rate riders that provide for recovering, on a timely basis, costs incurred for specific programs for which costs may fluctuate. These riders generally allow **DP&L** to estimate future costs and customer kWh

consumption and set rider rates designed to recover those estimated costs as they are incurred. Differences between revenues collected and the actual program costs are tracked and reconciled by increasing or reducing future rates accordingly. **DP&L's** current regulatory assets and current regulatory liabilities reflect the reconciliation of such differences, with the exception of deferred storm costs. The deferred storm regulatory asset reflects costs incurred to repair major storm damage in previous years, for which **DP&L** was granted cost recovery during 2015. The changes in **DP&L's** current regulatory asset and liability balances from December 31, 2014 to September 30, 2015 primarily represent the recovery of $16.7 million of deferred storm costs, and the reconciliation of other rider costs.

Note 4 – Ownership of Coal-fired Facilities

DP&L has undivided ownership interests in five coal-fired electric generating facilities, various peaking facilities and numerous transmission facilities with certain other Ohio utilities. Certain expenses, primarily fuel costs for the generating units, 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. At September 30, 2015, **DP&L** had $25.0 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 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 units and stations.

DP&L's undivided ownership interest in such facilities at September 30, 2015 is as follows:

	DP&L Share		**DPL Carrying value**			
Jointly owned production units and 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)
Conesville Unit 4	16.5	129	$ 25	$ 4	$ 1	Yes
Killen Station	67.0	402	340	30	1	Yes
Miami Fort Units 7 and 8	36.0	368	218	31	4	Yes
Stuart Station	35.0	808	234	21	14	Yes
Zimmer Station	28.1	371	186	44	5	Yes
Transmission (at varying percentages)		n/a	42	7	—	
Total		2,078	$ 1,045	$ 137	$ 25	

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

Note 5 – Debt

Long-term debt

$ in millions	September 30, 2015	December 31, 2014
First mortgage bonds due in September 2016 - 1.875%	$ —	$ 445.0
Pollution control series due in January 2028 - 4.7%	—	35.3
Pollution control series due in January 2034 - 4.8%	—	179.1
Pollution control series due in September 2036 - 4.8%	**100.0**	100.0
Pollution control series due in November 2040 - rates from: 0.02% - 0.12% and 0.04% - 0.15% (a)	—	100.0
Pollution control series due in August 2020 - 1.13% - 1.14%	**200.0**	—
U.S. Government note due in February 2061 - 4.2%	18.0	18.1
Unamortized debt discount / premiums, net	**(3.5)**	(2.8)
Total long-term debt at subsidiary	314.5	874.7
Bank term loan due in July 2020 - rates from: 2.44% - 2.45%	125.0	—
Bank term loan due in May 2018 - rates from: 2.41% - 2.44% and 2.42% - 2.45% (a)	—	140.0
Senior unsecured bonds due in October 2016 - 6.5%	130.0	130.0
Senior unsecured bonds due in October 2019 - 6.75%	**200.0**	200.0
Senior unsecured bonds due in October 2021 - 7.25%	780.0	780.0
Note to DPL Capital Trust II due in September 2031 - 8.125% (b)	**15.6**	15.6
Unamortized debt discount / premiums, net	(0.6)	(0.7)
Total non-current portion of long-term debt	**$ 1,564.5**	$ 2,139.6

Current portion of long-term debt

$ in millions	September 30, 2015	December 31, 2014
Bank term loan due in May 2018 - rates from: 2.41% - 2.44% and 2.42% - 2.45% (a)	$ —	$ 20.0
U.S. Government note due in February 2061 - 4.2%	**0.1**	0.1
First mortgage bonds due in September 2016 - 1.875%	445.0	—
Unamortized debt discount	**(0.2)**	—
Total current portion of long-term debt	$ 444.9	$ 20.1

(a) Range of interest rates for the nine months ended September 30, 2015 and the twelve months ended December 31, 2014, respectively.
(b) Note payable to related party. See Note 1: Related Party Transactions for additional information.

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

DP&L has an unsecured revolving credit agreement with a syndicated bank group. Prior to refinancing the facility on July 31, 2015, as discussed below, this facility had a $300.0 million borrowing limit, a five-year term expiring on May 10, 2018, a $100.0 million letter of credit sublimit and a feature that provided **DP&L** the ability to increase the size of the facility by an additional $100.0 million.

On July 31, 2015, **DP&L** refinanced its revolving credit facility, reducing the total size from $300.0 million to $175.0 million, with a $50.0 million letter of credit sublimit and a feature that provides **DP&L** the ability to increase the size of the facility by an additional $100.0 million. This refinancing extended the life of the facility from May 2018 to July 2020. At September 30, 2015, **DP&L** had drawn $10.0 million under this facility and had two letters of credit in the amount of $1.4 million outstanding under this facility, with the remaining $163.6 million available to **DP&L**. Fees associated with this letter of credit facility were not material during the nine months ended September 30, 2015 or 2014.

DP&L's unsecured revolving credit agreement has two financial covenants. The first financial covenant measures Total Debt to Total Capitalization. The Total Debt to Total Capitalization ratio is calculated, at the end of each fiscal quarter, by dividing total debt at the end of the quarter by total capitalization at the end of the quarter. The second financial covenant ratio compares EBITDA to Interest Expense ratio. The EBITDA to Interest Expense ratio is calculated, at the end of each fiscal quarter, by dividing EBITDA for the four prior fiscal quarters by the consolidated interest charges for the same period.

On July 1, 2015, the $35.3 million of **DP&L's** 4.7% pollution control bonds due January 2028 and $41.3 million of **DP&L's** 4.8% pollution control bonds due January of 2034 were called at par and were redeemed with cash.

On August 3, 2015, **DP&L** called $100.0 million of variable rate pollution control bonds due November 2040 and terminated the amended standby letter of credit facilities. **DP&L** also called the $137.8 million of 4.8% pollution control bonds due January of 2034. These bonds were refinanced with $200.0 million of new pollution control bonds at variable rates of interest secured by first mortgage bonds in an equivalent amount, and the remaining $37.8 million was redeemed.

DPL has a revolving credit facility. This facility has a letter of credit sublimit and a feature that provides **DPL** the ability to increase the size of the facility. Prior to refinancing the facility on July 31, 2015, as discussed below, this facility was unsecured and had a borrowing limit of $100.0 million with a $100.0 million letter of credit sublimit, was able to be increased in size by **DPL** by an additional $50.0 million and had a five-year term expiring on May 10, 2018; with a springing maturity, meaning that if **DPL** had not refinanced its senior unsecured bonds due October 2016 before July 15, 2016, then the maturity of this facility would have been July 15, 2016.

On July 31, 2015, **DPL** refinanced its revolving credit facility, increasing the total size from $100.0 million to $205.0 million, with a $200.0 million letter of credit sublimit and a feature that provides **DPL** the ability, under certain circumstances, to increase the size of the facility by an additional $95.0 million. This facility is secured by a pledge of common stock that **DPL** owns in **DP&L**, limited to the amount permitted to be pledged under certain Indentures dated October 3, 2011 and October 6, 2014 between **DPL** and Wells Fargo Bank, NA and U.S. Bank National Association, respectively, as Trustee and a limited recourse guarantee by DPLE secured by assets of DPLE. On October 29, 2015, **DPL** further secured the credit facility through a leasehold mortgage on additional assets of DPLE. This refinancing extended the life of the facility from May 2018 to July 2020. **DPL's** new credit facility has a springing maturity feature providing that if, before July 1, 2019, **DPL** has not refinanced its senior unsecured bonds due October 2019 to have a maturity date that is at least six months later than July 31, 2020, then the maturity of this facility shall be July 1, 2019. At September 30, 2015, there was one letter of credit in the amount of $2.3 million outstanding under this facility, with the remaining $202.7 million available to **DPL**. Fees associated with this facility were not material during the nine months ended September 30, 2015 or 2014.

Also on July 31, 2015, **DPL** refinanced its term loan, paying down the outstanding amount of $160.0 million using proceeds from the new term loan of $125.0 million and a combination of cash on hand and draws on short term credit facilities. The new term loan extends the term to July of 2020, pushing back required principal payments to 2017, and providing a mechanism for **DPL** to request additional term loans to refinance existing indebtedness. This facility is secured by a pledge of common stock that **DPL** owns in **DP&L**, limited to the amount permitted to be pledged under certain Indentures dated October 3, 2011 and October 6, 2014 between **DPL** and Wells Fargo Bank, NA and U.S. Bank National Association, respectively, as Trustee and a limited recourse guarantee by DPLE secured by assets of DPLE. On October 29, 2015, **DPL** further secured the credit facility through a leasehold mortgage on additional assets of DPLE. The new term loan has a springing maturity feature providing that if, before July 1, 2019, **DPL** has not refinanced its senior unsecured bonds due October 2019 to have a maturity date that is at least six months later than July 31, 2020, then the maturity of this facility shall be July 1, 2019.

DPL's revolving credit agreement and term loan have two financial covenants. The first financial covenant, a 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, an EBITDA to Interest Expense ratio, is calculated, at the end of each fiscal quarter, by dividing EBITDA for the four prior fiscal quarters by the consolidated interest charges for the same period.

DPL's revolving credit agreement and term loan restrict dividend payments from **DPL** to AES and the cost of borrowing under the facilities adjust under certain credit rating scenarios.

Substantially all property, plant & equipment of **DP&L** is subject to the lien of the mortgage securing **DP&L's** First and Refunding Mortgage.

Note 6 – Income Taxes

The following table details the effective tax rates for the three and nine months ended September 30, 2015 and 2014.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
DPL	3.4%	(71.5)%	18.6%	(84.2)%

Income tax expense for the nine months ended September 30, 2015 and 2014 was calculated using the estimated annual effective income tax rates for 2015 and 2014 of 30.8% and (42.3)%, respectively. For the nine months ended September 30, 2015 and 2014, management estimated the annual effective tax rate based on its forecast of annual pre-tax income. To the extent that actual pre-tax results for the year differ from the forecasts applied to the most recent interim period, the rates estimated could be materially different from the actual effective tax rates.

For the three and nine months ended September 30, 2015, **DPL's** current period effective rate was less than the estimated annual effective rate primarily due to the sale of MC Squared and an anticipated refund from the IRS for the filing of an amended 2011 predecessor tax return to include the domestic manufacturing deduction. The increase in the effective rate compared to the same period in 2014 is primarily due to the non-deductible goodwill impairment in 2014 which did not occur in 2015.

Note 7 – 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 ERISA and, in addition, make voluntary contributions from time to time. There was $5.0 million and $0.0 million in employer contributions made during the nine months ended September 30, 2015 and 2014, respectively.

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 pension and postretirement costs below have not been adjusted for amounts billed to the Service Company for former **DP&L** employees who are now employed by the Service Company but are still participants in the **DP&L** plan. See "Related Party Transactions" discussion in Note 1, "Overview and Summary of Significant Accounting Policies".

The net periodic benefit cost of the pension and postretirement benefit plans for the three and nine months ended September 30, 2015 and 2014 was:

Net Periodic Benefit Cost	**Pension**		**Postretirement**	
	Three months ended September 30,		**Three months ended September 30,**	
$ in millions	**2015**	2014	**2015**	2014
Service cost	$ 1.7	$ 1.5	$ 0.1	$ —
Interest cost	**4.4**	4.3	**0.2**	0.2
Expected return on plan assets	(5.7)	(5.8)	(0.1)	—
Amortization of unrecognized:				
Prior service cost	0.5	0.4	—	—
Actuarial loss / (gain)	**1.5**	0.9	**(0.1)**	(0.1)
Net periodic benefit cost	$ 2.4	$ 1.3	$ 0.1	$ 0.1

Net Periodic Benefit Cost	Pension		Postretirement	
	Nine months ended September 30,		Nine months ended September 30,	
$ in millions	**2015**	2014	**2015**	2014
Service cost	$ **5.3**	$ 4.5	$ **0.1**	$ 0.1
Interest cost	**13.0**	13.1	**0.5**	0.6
Expected return on plan assets	**(17.0)**	(17.2)	**(0.1)**	(0.1)
Amortization of unrecognized:				
Prior service cost	**1.5**	1.1	**—**	—
Actuarial loss / (gain)	**4.4**	2.6	**(0.3)**	(0.4)
Net periodic benefit cost	$ **7.2**	$ 4.1	$ **0.2**	$ 0.2

Benefit payments and Medicare Part D reimbursements, which reflect future service, are estimated to be paid as follows:

$ in millions	Pension	Postretirement
2015	$ 6.2	$ 0.5
2016	25.2	1.8
2017	25.7	1.7
2018	26.3	1.6
2019	26.7	1.5
2020 - 2024	137.0	6.1

Note 8 – 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 following table presents the fair value and cost of our non-derivative instruments at September 30, 2015 and December 31, 2014. Information about the fair value of our derivative instruments can be found in Note 9.

	September 30, 2015		December 31, 2014	
$ in millions	**Cost**	**Fair Value**	Cost	Fair Value
Assets				
Money market funds	$ **0.2**	$ **0.2**	$ 0.1	$ 0.1
Equity securities	**2.7**	**3.4**	2.7	3.7
Debt securities	**4.5**	**4.4**	4.7	4.7
Hedge funds	**0.7**	**0.7**	0.8	0.8
Real estate	**0.3**	**0.3**	0.4	0.4
Total Assets	$ **8.4**	$ **9.0**	$ 8.7	$ 9.7
Liabilities				
Debt	$ **2,009.4**	$ **2,033.7**	$ 2,159.7	$ 2,204.8

These financial instruments are not subject to master netting agreements or collateral requirements and as such are presented in the Condensed Consolidated Balance Sheet at their gross fair value, except for Debt, which is presented at amortized carrying value.

Debt

Unrealized gains or losses are not recognized in the financial statements as debt is presented at cost, net of unamortized premium or discount in the financial statements. The debt amounts include the current portion payable in the next twelve months and have maturities that range from 2016 to 2061.

Master Trust Assets

DP&L established Master Trusts 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 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.

DPL had $0.5 million ($0.4 million after tax) of unrealized gains and $0.1 million ($0.1 million after tax) of unrealized losses on the Master Trust assets in AOCI at September 30, 2015 and $0.8 million ($0.5 million after tax) of unrealized gains and immaterial unrealized losses on the Master Trust assets in AOCI at December 31, 2014.

During the nine months ended September 30, 2015, $1.0 million ($0.7 million after tax) of various investments were sold to facilitate the distribution of benefits and the unrealized gains were reversed into earnings. An immaterial amount of unrealized gains are expected to be reversed to earnings as investments are sold over the next twelve months to facilitate the distribution of benefits.

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);
- 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 did not have any transfers of the fair values of our financial instruments between Level 1 and Level 2 of the fair value hierarchy during the three months and nine months ended September 30, 2015 and 2014.

The fair value of assets and liabilities at September 30, 2015 and December 31, 2014 and the respective category within the fair value hierarchy for **DPL** was determined as follows:

Assets and Liabilities at Fair Value

$ in millions	Fair value at September 30, 2015	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	3.4	—	3.4	—
Debt securities	4.4	—	4.4	—
Hedge funds	0.7	—	0.7	—
Real estate	0.3	—	0.3	—
Total Master Trust assets	9.0	0.2	8.8	—
Derivative Assets				
FTRs	0.4	—	—	0.4
Forward power contracts	30.0	—	30.0	—
Total Derivative assets	30.4	—	30.0	0.4
Total Assets	$ 39.4	$ 0.2	$ 38.8	$ 0.4
Liabilities				
Derivative Liabilities				
FTRs	0.7	—	—	0.7
Forward power contracts	24.4	—	22.2	2.2
Total Derivative liabilities	25.1	—	22.2	2.9
Debt	2,033.7	—	2,015.6	18.1
Total Liabilities	$ 2,058.8	$ —	$ 2,037.8	$ 21.0

Assets and Liabilities at Fair Value

$ in millions	Fair value at December 31, 2014	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	$ 0.1	$ 0.1	$ —	$ —
Equity securities	3.7	—	3.7	—
Debt securities	4.7	—	4.7	—
Hedge funds	0.8	—	0.8	—
Real estate	0.4	—	0.4	—
Total Master Trust assets	9.7	0.1	9.6	—
Derivative assets				
Forward power contracts	14.9	—	13.7	1.2
Total Derivative assets	14.9	—	13.7	1.2
Total Assets	$ 24.6	$ 0.1	$ 23.3	$ 1.2
Liabilities				
Derivative liabilities				
FTRs	$ 0.6	$ —	$ —	0.6
Heating oil futures	0.4	0.4	—	—
Natural gas futures	0.1	0.1	—	—
Forward power contracts	11.1	—	11.1	—
Total Derivative liabilities	12.2	0.5	11.1	0.6
Debt	2,204.8	—	2,186.6	18.2
Total Liabilities	$ 2,217.0	$ 0.5	$ 2,197.7	$ 18.8

Our financial instruments are valued using the market approach in the following categories:

- 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 (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 observable prices based on the end of day NAV per unit.
- Level 3 inputs such as FTRs are considered a Level 3 input because the monthly auctions are considered inactive. Other Level 3 inputs include the credit valuation adjustment on some of the forward power contracts and forward power contracts in less active markets. Our Level 3 inputs are immaterial to our derivative balances as a whole and as such no further disclosures are presented.

Approximately 97% of the inputs to the fair value of our derivative instruments are from quoted market prices.

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. As the Wright-Patterson Air Force Base loan is 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 are not presented since debt is not recorded at fair value.

Non-recurring Fair Value Measurements

We use the cost approach to determine the fair value of our AROs, which is 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. AROs for ash ponds, asbestos, river structures and underground storage tanks increased by a net amount of $38.7 million and $1.2 million during the nine months ended September 30, 2015 and 2014, respectively. The majority of the increase in 2015 is due to an increase in the AROs for ash ponds ($40.6 million) as a result of new rules promulgated by the USEPA that were published in the Federal Register in April 2015 and became effective in October 2015.

When evaluating impairment of goodwill and long-lived assets, we measure fair value using the applicable fair value measurement guidance. Impairment expense is measured by comparing the fair value at the evaluation date to the carrying amount. The following table summarizes Goodwill and Long-lived assets measured at fair value on a non-recurring basis during the period and their level within the fair value hierarchy (there were no impairments during the nine months ended September 30, 2015):

$ in millions	Nine months ended September 30, 2014				
	Carrying Amount [c]	Fair Value			Gross Loss
		Level 1	Level 2	Level 3	
Assets					
Long-lived assets [a]					
DP&L (East Bend)	$ 14.2	$ —	$ —	$ 2.7	$ 11.5
Goodwill [b]					
DPLER Reporting unit	$ 135.8	$ —	$ —	$ —	$ 135.8

(a) See Note 9 for further information
(b) See Note 12 for further information
(c) Carrying amount at date of valuation

Note 9 – Derivative Instruments and Hedging Activities

In the normal course of business, **DPL** enters into various financial arrangements, including derivative financial instruments. We use derivatives principally to manage the risk of changes in market prices for commodities. 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 normal purchase/normal sale, cash flow hedges or marked to market each reporting period.

At September 30, 2015, **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	24.7	—	24.7
Forward power contracts	Cash Flow Hedge	MWh	1,361.2	(7,857.7)	(6,496.5)
Forward power contracts	Mark to Market	MWh	5,309.7	(1,850.3)	3,459.4

At December 31, 2014, **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	10.5	—	10.5
Heating oil futures	Mark to Market	Gallons	378.0	—	378.0
Natural gas futures	Mark to Market	Dths	200.0	—	200.0
Forward power contracts	Cash Flow Hedge	MWh	175.0	(2,991.0)	(2,816.0)
Forward power contracts	Mark to Market	MWh	1,725.2	(2,707.8)	(982.6)

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 is 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.

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, 2015 and 2014:

	Three months ended September 30, 2015		*Three months ended September 30, 2014*	
$ in millions (net of tax)	**Power**	**Interest Rate Hedge**	Power	Interest Rate Hedge
Beginning accumulated derivative gain / (loss) in AOCI	$ 1.1	$ 17.8	$ (12.4)	$ 18.8
Net gains / (losses) associated with current period hedging transactions	**7.8**	**—**	1.2	—
Net gains / (losses) reclassified to earnings				
Interest expense	**—**	**(0.1)**	—	(0.2)
Revenues	**(2.5)**	**—**	3.4	—
Purchased power	**0.6**	**—**	0.2	—
Ending accumulated derivative gain / (loss) in AOCI	$ 7.0	$ 17.7	$ (7.6)	$ 18.6

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, 2015 and 2014:

	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
$ in millions (net of tax)	**Power**	**Interest Rate Hedge**	Power	Interest Rate Hedge
Beginning accumulated derivative gain in AOCI	$ 0.2	$ 18.3	$ 1.4	$ 19.2
Net gains / (losses) associated with current period hedging transactions	**9.6**	**—**	(23.8)	—
Net gains / (losses) reclassified to earnings				
Interest expense	**—**	**(0.6)**	—	(0.6)
Revenues	**(4.5)**	**—**	15.4	—
Purchased power	**1.7**	**—**	(0.6)	—
Ending accumulated derivative gain / (loss) in AOCI	$ 7.0	$ 17.7	$ (7.6)	$ 18.6
Portion expected to be reclassified to earnings in the next twelve months [(a)]	**$ 3.3**	**$ (0.8)**		
Maximum length of time that we are hedging our exposure to variability in future cash flows related to forecasted transactions (in months)	39	0		

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

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 815. Accordingly, such contracts are recorded at fair value with changes in the fair value charged or credited to the Condensed Consolidated Statements 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. FTRs, heating oil futures, natural gas, and certain forward power contracts are currently marked to market.

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 and are recognized in the Condensed Consolidated Statements of Operations on an accrual basis.

Regulatory Assets and Liabilities

In accordance with regulatory accounting under GAAP, a cost or loss that is probable of recovery in future rates should be deferred as a regulatory asset and revenue or 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, a portion of the heating oil futures are assigned to the retail jurisdiction and 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 present the amount and classification within the Condensed Consolidated Statements 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, 2015 and 2014:

For the three months ended September 30, 2015

$ in millions	Heating Oil	FTRs	Power	Total
Change in unrealized gain / (loss)	$ 0.1	$ 0.1	$ (3.2)	$ (3.0)
Realized loss	(0.2)	(0.1)	(4.3)	(4.6)
Total	$ (0.1)	$ —	$ (7.5)	$ (7.6)
Recorded in Income Statement: gain / (loss)				
Purchased power	$ —	$ —	$ (11.0)	$ (11.0)
Revenue	—	—	3.5	3.5
Fuel	(0.1)	—	—	(0.1)
Total	$ (0.1)	$ —	$ (7.5)	$ (7.6)

For the three months ended September 30, 2014

$ in millions	Heating Oil	FTRs	Power	Total
Change in unrealized loss	$ (0.2)	$ 0.3	$ (2.3)	$ (2.2)
Realized gain / (loss)	—	0.1	(2.1)	(2.0)
Total	$ (0.2)	$ 0.4	$ (4.4)	$ (4.2)
Recorded on Balance Sheet:				
Regulatory asset	$ (0.1)	$ —	$ —	$ (0.1)
Recorded in Income Statement: gain / (loss)				
Purchased power	—	0.4	(4.4)	(4.0)
Fuel	(0.1)	—	—	(0.1)
Total	$ (0.2)	$ 0.4	$ (4.4)	$ (4.2)

For the nine months ended September 30, 2015

$ in millions	Heating Oil	FTRs	Power	Natural Gas	Total
Change in unrealized gain / (loss)	$ 0.4	$ 0.2	$ (4.9)	$ 0.1	$ (4.2)
Realized loss	(0.3)	(0.1)	(8.1)	(0.1)	(8.6)
Total	$ 0.1	$ 0.1	$ (13.0)	$ —	$ (12.8)
Recorded on Balance Sheet: gain/ (loss)					
Regulatory Asset	$ 0.1	$ —	$ —	$ —	$ 0.1
Recorded in Income Statement: gain / (loss)					
Purchased power	—	0.1	(21.9)	—	(21.8)
Revenue	—	—	8.9	—	8.9
Total	$ 0.1	$ 0.1	$ (13.0)	$ —	$ (12.8)

For the nine months ended September 30, 2014

$ in millions	Heating Oil	FTRs	Power	Total
Change in unrealized loss	$ (0.3)	$ (1.2)	$ (6.0)	$ (7.5)
Realized gain / (loss)	0.1	0.7	(3.6)	(2.8)
Total	$ (0.2)	$ (0.5)	$ (9.6)	$ (10.3)
Recorded in Income Statement: loss				
Regulatory asset	$ (0.1)	$ —	$ —	$ (0.1)
Recorded in Income Statement: loss				
Purchased power	—	(0.5)	(9.6)	(10.1)
Fuel	(0.1)	—	—	(0.1)
Total	$ (0.2)	$ (0.5)	$ (9.6)	$ (10.3)

DPL has elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivative agreements.

The following tables summarize the derivative positions presented in the balance sheet where a right of offset exists under these arrangements and related cash collateral received or pledged. The following table presents the fair value and balance sheet classification of **DPL's** derivative instruments at September 30, 2015:

Fair Values of Derivative Instruments
at September 30, 2015

$ in millions	Hedging Designation	Gross Fair Value as presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets: Financial Instruments with Same Counterparty in Offsetting Position	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets: Cash Collateral	Net Balance Fair Value
Assets					
Short-term derivative positions (presented in Other current assets)					
Forward power contracts	Cash Flow	$ 10.8	$ (6.0)	$ —	$ 4.8
Forward power contracts	MTM	5.3	(4.0)	—	1.3
FTRs	MTM	0.4	(0.4)	—	—
Long-term derivative positions (presented in Other deferred assets)					
Forward power contracts	Cash Flow	8.2	(3.0)	—	5.2
Forward power contracts	MTM	5.7	(5.2)	—	0.5
Total assets		$ 30.4	$ (18.6)	$ —	$ 11.8
Liabilities					
Short-term derivative positions (presented in Other current liabilities)					
Forward power contracts	Cash Flow	$ 6.0	$ (6.0)	$ —	$ —
Forward power contracts	MTM	8.9	(4.0)	(4.6)	0.3
FTRs	MTM	0.7	(0.4)	—	0.3
Long-term derivative positions (presented in Other deferred liabilities)					
Forward power contracts	Cash Flow	3.0	(3.0)	—	—
Forward power contracts	MTM	6.5	(5.2)	(1.0)	0.3
Total liabilities		$ 25.1	$ (18.6)	$ (5.6)	$ 0.9

The following table presents the fair value and balance sheet classification of **DPL's** derivative instruments at December 31, 2014:

Fair Values of Derivative Instruments

at December 31, 2014

$ in millions	Hedging Designation	Gross Fair Value as presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets: Financial Instruments with Same Counterparty in Offsetting Position	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets: Cash Collateral	Net Balance Fair Value
Assets					
Short-term derivative positions (presented in Other current assets)					
Forward power contracts	Cash Flow	$ 5.6	$ (2.0)	$ —	$ 3.6
Forward power contracts	MTM	5.5	(3.4)	—	2.1
Long-term derivative positions (presented in Other deferred assets)					
Forward power contracts	Cash Flow	0.3	(0.3)	—	—
Forward power contracts	MTM	3.5	(0.9)	—	2.6
Total assets		$ 14.9	$ (6.6)	$ —	$ 8.3
Liabilities					
Short-term derivative positions (presented in Other current liabilities)					
Forward power contracts	Cash Flow	$ 2.1	$ (2.0)	$ —	$ 0.1
Forward power contracts	MTM	7.5	(3.4)	(4.1)	—
FTRs	MTM	0.6	—	—	0.6
Heating oil futures	MTM	0.4	—	(0.4)	—
Natural gas	MTM	0.1	—	(0.1)	—
Long-term derivative positions (presented in Other deferred liabilities)					
Forward power contracts	Cash Flow	0.6	(0.3)	(0.3)	—
Forward power contracts	MTM	0.9	(0.9)	—	—
Total liabilities		$ 12.2	$ (6.6)	$ (4.9)	$ 0.7

The aggregate fair value of **DPL's** commodity derivative instruments that were in a MTM loss position at September 30, 2015 was $25.1 million. $5.6 million of collateral was 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 $18.6 million. Since our debt is below investment grade, we could have to post collateral for the remaining $0.9 million.

Note 10 – Contractual Obligations, Commercial Commitments and Contingencies

Guarantees

In the normal course of business, **DPL** enters into various agreements with its wholly owned subsidiaries, DPLE and DPLER, 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, 2015, **DPL** had $19.3 million of guarantees to third parties for future financial or performance assurance under such agreements: $2.0 million of guarantees on behalf of DPLER and $17.3 million of guarantees on behalf of DPLE. The guarantee arrangements entered into by **DPL** with these third parties cover select present

and future obligations of DPLE and DPLER to such beneficiaries and are terminable by **DPL** upon written notice to the beneficiaries within a certain time. The carrying amount of obligations for commercial transactions covered by these guarantees and recorded in our Condensed Consolidated Balance Sheets was $1.1 million at September 30, 2015.

To date, **DPL** has not incurred any losses related to the guarantees of DPLER's or DPLE'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.

DP&L – Equity Ownership Interest

DP&L owns a 4.9% equity ownership interest in OVEC, an electric generation company, which is recorded using the cost method of accounting under GAAP. As of September 30, 2015, **DP&L** could be responsible for the repayment of 4.9%, or $73.9 million, of a $1,507.9 million debt obligation that has maturities from 2018 to 2040. This would only happen if OVEC defaulted on its debt payments. As of September 30, 2015, 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, 2014.

Contingencies

In the normal course of business, we are subject to various lawsuits, actions, proceedings, claims and other matters asserted under various 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, 2015, cannot be reasonably determined.

Environmental Matters

DPL's and **DP&L's** facilities and operations are subject to a wide range of federal, state and local environmental regulations and laws. The environmental issues that may affect us include:

- The federal CAA and state laws and regulations (including State Implementation Plans) which require compliance, obtaining permits and reporting as to air emissions,
- Litigation with federal and certain state governments and certain special interest groups regarding whether modifications to or maintenance of certain coal-fired generating stations require additional permitting or pollution control technology, or whether emissions from coal-fired generating stations cause or contribute to climate change,
- Rules and future rules issued by the USEPA and the Ohio EPA that require substantial reductions in SO2, particulates, mercury, acid gases, NOx, and other air emissions. **DP&L** has installed emission control technology and is taking other measures to comply with required and anticipated reductions,
- Rules and future rules issued by the USEPA, the Ohio EPA or other authorities that require reporting and reductions of GHGs,
- Rules and future rules issued by the USEPA associated with the federal Clean Water Act, which prohibits the discharge of pollutants into waters of the United States except pursuant to appropriate permits, and
- Solid and hazardous waste laws and regulations, which govern the management and disposal of certain waste. The majority of solid waste created from the combustion of coal and fossil fuels is fly ash and other coal combustion by-products.

In addition to 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 our facilities to comply, or to determine compliance, with such regulations. We record liabilities for loss contingencies related to environmental matters when a loss is probable of occurring and can be reasonably estimated in accordance with the provisions of GAAP.

At September 30, 2015, and December 31, 2014, we had accruals of approximately $0.7 million and $0.8 million, respectively, for environmental matters and other claims. We also have a number of environmental matters for which we have not accrued loss contingencies because the risk of loss is not probable or a loss cannot be reasonably estimated, which are disclosed in the paragraphs below. We evaluate the potential liability related to environmental matters quarterly and may revise our accruals. 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 EGUs and stations. Some of these matters could have material adverse effects on the operation of such EGUs and stations or our financial condition.

National Ambient Air Quality Standards

Effective August 23, 2010, the USEPA implemented its revisions to its primary NAAQS for SO_2 replacing the previous 24-hour standard and annual standard with a one-hour standard. Non-attainment areas will be required to meet the 2010 standard by October 2018. On August 21, 2015, the USEPA finalized a data requirements rule for air agencies to ascertain attainment characterization more extensively across the country by additional modeling and/or monitoring requirements of areas with sources that exceed specified thresholds of SO_2 emissions, which became effective on September 21, 2015. The rule directs state agencies to provide data to characterize air quality in areas with sources of SO_2 above 2,000 tons per year to identify maximum 1-hour concentrations of SO_2 in ambient air. The rule could require installation of monitors at one or more of **DP&L's** coal-fired power plants and result in additional non-attainment designations that could impact our operations. **DP&L** is unable to determine the effect of the rule on its operations.

On October 1, 2015, the USEPA released a final rule lowering the NAAQS for ozone to 70 parts per billion from 75 parts per billion. We are currently reviewing the rule and assessing the impact on our operations. We cannot at this time determine the impact of this rule, but it could be material.

Climate Change Legislation and Regulation

On October 23, 2015, the USEPA's final CO_2 emission rules for existing power plants (called the Clean Power Plan) were published in the Federal Register with an effective date of December 22, 2015. Additionally, the final NSPS for CO_2 emissions from new, modified and reconstructed fossil-fuel-fired power plants were published in the Federal Register on October 23, 2015 and are effective immediately. The Clean Power Plan provides for interim emissions performance rates that must be achieved beginning in 2022 and final emissions performance rates that must be achieved by 2030. Prior to the rule's publication in the Federal Register, fifteen states, including Ohio, filed a petition in the U.S. Court of Appeals for the D.C. Circuit seeking a stay of the Clean Power Plan, which was denied by the Court in September 2015. On October 23, 2015, several states and industry groups filed petitions in the D.C. Circuit Court of Appeals challenging the Clean Power Plan as published in the Federal Register, including a twenty-four state consortium that includes Ohio. The D.C. Circuit Court has issued orders consolidating the current pending challenges to the CPP under the lead case, West Virginia v. EPA. On October 23, 2015, North Dakota filed a petition for review of the GHG NSPS in the D.C. Circuit Court, and a coalition of environmental groups have moved to intervene on behalf of EPA in both the CPP and NSPS litigation. These state petitioners, as well as industry groups separately challenging the rule, have filed motions with the D.C. Circuit Court requesting a stay of the rule. The D.C. Circuit Court has issued orders consolidating the current pending challenges to the Clean Power Plan under the lead case, West Virginia v. USEPA. On October 23, 2015, North Dakota filed a petition for review of the CO2 NSPS in the D.C. Circuit Court, and a coalition of environmental groups have moved to intervene on behalf of USEPA in both the Clean Power Plan and NSPS litigation. Additional legal challenges are expected. We are currently reviewing the rule and assessing the impact on our operations. Our business, financial condition or results of operations could be materially and adversely affected by this rule.

Clean Water Act – Regulation of Water Discharge

In December 2006, **DP&L** submitted a renewal application for the Stuart generating station NPDES permit that was due to expire on June 30, 2007. The Ohio EPA issued a draft permit that was received in November 2008. In September 2010, the USEPA formally objected to the November 2008, draft permit due to questions regarding the basis for the alternate thermal limitation. The Ohio EPA issued a draft permit in December 2011 and a public hearing was held in February 2012. The draft permit required **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. In November 2012, the Ohio EPA issued another draft which included a compliance schedule for performing a study to justify an alternate thermal limitation and to which **DP&L**

submitted comments. In December 2012, the USEPA formally withdrew their objection to the permit. On January 7, 2013, the Ohio EPA issued a final permit.

On February 1, 2013, **DP&L** appealed various aspects of the final permit to the Environmental Review Appeals Commission. A hearing before the Commission has been rescheduled for March 2016. Depending on the outcome of the appeal process, the effects on **DP&L's** business, financial condition or results of operations could be material.

On September 30, 2015, the USEPA released its final rule regulating various wastewater streams from steam electric power plants. The regulations were published in the Federal Register on November 3, 2015. We are reviewing the the rule to assess the potential impact on our operations and our current or future NPDES permits.

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. On August 16, 2006, an Administrative Settlement Agreement and Order on Consent ("ASAOC") for the site was executed and became effective among a group of PRPs, not including **DP&L**, and the USEPA. 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 (the "District Court") against **DP&L** and numerous other defendants alleging that **DP&L** and the other defendants contributed to the contamination at the 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 District Court Judge 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 District Court Judge, however, did not dismiss claims alleging financial responsibility for remediation costs based on hazardous substances from **DP&L** that were allegedly delivered by truck directly to the landfill. Discovery, including depositions of past and present **DP&L** employees, was conducted in 2012. On February 8, 2013, the District Court Judge granted **DP&L's** motion for summary judgment on statute of limitations grounds with respect to claims seeking a contribution toward the costs that are expected to be incurred by the PRP group in performing an RI/FS under the August 15, 2006 ASAOC. That summary judgment ruling was appealed on March 4, 2013, and on July 14, 2014, a three-judge panel of the U.S. Court of Appeals for the 6th Circuit affirmed the lower Court's ruling and subsequently denied a request by the PRP group for rehearing. On November 14, 2014, the PRP group appealed the decision to the U.S. Supreme Court, but the writ of certiorari was denied by the Court on January 20, 2015. On April 5, 2013, the PRP group entered into a second ASAOC (the "2013 ASAOC") relating primarily to vapor intrusion from under some of the buildings at the landfill site. On April 13, 2013, as amended July 30, 2013, the PRP group filed another civil complaint against **DP&L** and numerous other defendants alleging that each defendant contributed to the contamination of the site by delivering hazardous waste to the site or by releasing hazardous waste on other sites that migrated to the landfill site. On February 18, 2014, after considering various motions and alternative grounds to dismiss, the District Court Judge dismissed some of the alleged grounds for relief that the PRP group had made, but ruled in the PRP group's favor with respect to motions to dismiss the case in its entirety finding, among other things, that the 2013 ASAOC involved a different scope of work and thus the contributions sought were not seeking the same remedy that had been dismissed in the first civil suit. Appeals of this ruling are pending before the 6th Circuit Court of Appeals. On January 14, 2015, the PRP group served **DP&L** and other defendants a request for production of documents related to any waste management or waste disposal surveys. Information responsive to this request was provided on February 17, 2015. In addition, on January 16, 2015, the USEPA issued a Special Notice Letter and Section 104(e) Information Request to **DP&L** and other defendants, requesting historical information related to waste management practices that may be relevant to the site. **DP&L** responded to this request on March 27, 2015. In June 2015, **DP&L** was again requested to grant access to the **DP&L** service building property for the purpose of collecting groundwater samples from selected monitoring wells. **DP&L** granted access and groundwater sampling took place in June 2015. As a result of an August 11, 2015 meeting among the parties, the parties have agreed to stay the case in order to explore the possibility of a negotiated resolution of some or all of the issues. **DP&L** is unable to predict the outcome of these actions by the plaintiffs and USEPA. Additionally, the District Court's 2013 ruling and the Court of Appeals'

affirmation of that ruling in 2014 does not address future litigation that may arise with respect to actual remediation costs. While **DP&L** is unable to predict the outcome of these and any future matters, if **DP&L** were required to contribute to the clean-up of the site, it could have a material adverse effect on its business, financial condition or results of operations.

Regulation of Ash Ponds

There has been increasing advocacy to regulate coal combustion residuals (CCR). 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 released its final rule in December 2014, designating coal combustion residuals that are not beneficially reused as non-hazardous solid waste under RCRA Subtitle D. The rule was published in the Federal Register in April 2015 and became effective October 19, 2015, and applies new detailed management practices to new and existing landfills and surface impoundments, including lateral expansions of such units. Based on our review of the rule, we have adjusted our AROs related to ash ponds (see Note 8), but we are currently unable to determine the full impact of the rule as it is contingent upon future activities required by the regulation.

Note 11 – Business Segments

DPL operates through two segments; Utility and Competitive Retail. The Utility segment consists of the operations of **DPL's** subsidiary, **DP&L**. The Competitive Retail segment consists of **DPL's** wholly owned subsidiary DPLER, which included, prior to its sale, DPLER's wholly owned subsidiary, MC Squared. MC Squared was sold effective April 1, 2015. 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 deliver electricity to residential, commercial, industrial and governmental customers. **DP&L** generates electricity at five coal-fired power plants and **DP&L** distributes power to more than 515,000 retail customers who are located in a 6,000 square mile area of West Central Ohio. **DP&L** also sells electricity to DPLER and to other Ohio utilities and any excess energy and capacity is sold into the PJM 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, prior to its sale, 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. As of September 30, 2015, the Competitive Retail segment sold electricity to approximately 128,000 customers located throughout Ohio. On April 1, 2015, DPLER closed on the sale of MC Squared. The Competitive Retail segment's electric energy used to meet its sales obligations was purchased from **DP&L**. The majority of 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 in the "Other" column in the following tables are other businesses that do not meet the GAAP requirements for disclosure as reportable segments as well as certain corporate costs including 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.

The following tables present financial information for each of **DPL's** reportable business segments:

$ in millions	Utility	Competitive Retail	Other	Adjustments and Eliminations	DPL Consolidated
For the three months ended September 30, 2015					
Revenues from external customers	$ 323.2	$ 77.0	$ 13.9	$ —	$ 414.1
Intersegment revenues	66.0	—	1.5	(67.5)	—
Total revenues	389.2	77.0	15.4	(67.5)	414.1
Fuel	69.0	—	2.4	—	71.4
Purchased power	142.5	66.6	3.0	(66.7)	145.4
Gross margin	$ 177.7	$ 10.4	$ 10.0	$ (0.8)	$ 197.3
Depreciation and amortization	$ 34.6	$ 0.2	$ —	$ —	$ 34.8
Interest expense	6.9	—	22.1	(0.1)	28.9
Income tax expense (benefit)	0.8	1.6	(2.1)	—	0.3
Net income / (loss)	15.5	2.6	(9.5)	—	8.6
Cash capital expenditures	$ 27.9	$ 0.3	$ 0.5	$ —	$ 28.7

$ in millions	Utility	Competitive Retail	Other	Adjustments and Eliminations	DPL Consolidated
For the three months ended September 30, 2014					
Revenues from external customers	$ 329.3	$ 141.3	$ 8.6	$ —	$ 479.2
Intersegment revenues	125.6	—	3.0	(128.6)	—
Total revenues	454.9	141.3	11.6	(128.6)	479.2
Fuel	84.5	—	0.6	—	85.1
Purchased power	152.4	128.7	0.4	(127.8)	153.7
Amortization of intangibles	—	—	0.3	—	0.3
Gross margin	$ 218.0	$ 12.6	$ 10.3	$ (0.8)	$ 240.1
Depreciation and amortization	$ 36.4	$ 0.3	$ (2.2)	$ —	$ 34.5
Interest expense	9.4	0.1	23.8	(0.2)	33.1
Income tax expense (benefit)	13.1	1.5	(55.6)	—	(41.0)
Net income / (loss)	53.2	3.0	42.2	—	98.4
Cash capital expenditures	$ 25.6	$ 0.5	$ 0.3	$ —	$ 26.4

$ in millions	Utility	Competitive Retail	Other	Adjustments and Eliminations	DPL Consolidated
For the nine months ended September 30, 2015					
Revenues from external customers	$ 957.6	$ 274.5	$ 49.4	$ —	$ 1,281.5
Intersegment revenues	245.0	—	4.4	(249.4)	—
Total revenues	1,202.6	274.5	53.8	(249.4)	1,281.5
Fuel	188.9	—	13.3	—	202.2
Purchased power	452.3	247.0	7.8	(246.9)	460.2
Gross margin	$ 561.4	$ 27.5	$ 32.7	$ (2.5)	$ 619.1
Depreciation and amortization	$ 103.5	$ 0.6	$ —	$ —	$ 104.1
Interest expense	24.6	0.1	65.8	(0.2)	90.3
Income tax expense (benefit)	25.0	(2.6)	(8.9)	—	13.5
Net income / (loss)	75.9	10.9	(27.8)	—	59.0
Cash capital expenditures	$ 91.2	$ 0.6	$ 1.7	$ —	$ 93.5
at September 30, 2015					
Total assets	$ 3,239.9	$ 44.5	$ 1,472.8	$ (1,267.8)	$ 3,489.4

$ in millions	Utility	Competitive Retail	Other	Adjustments and Eliminations	DPL Consolidated
For the nine months ended September 30, 2014					
Revenues from external customers	$ 875.9	$ 414.9	$ 38.8	$ —	$ 1,329.6
Intersegment revenues	376.6	—	4.1	(380.7)	—
Total revenues	1,252.5	414.9	42.9	(380.7)	1,329.6
Fuel	227.4	—	8.5	—	235.9
Purchased power	457.3	380.0	7.1	(378.2)	466.2
Amortization of intangibles	—	—	0.9	—	0.9
Gross margin	$ 567.8	$ 34.9	$ 26.4	$ (2.5)	$ 626.6
Depreciation and amortization	$ 108.2	$ 0.6	$ (5.1)	$ —	$ 103.7
Goodwill impairment	—	—	135.8	—	135.8
Fixed asset impairment	—	—	11.5	—	11.5
Interest expense	25.5	0.3	70.5	(0.5)	95.8
Income tax expense (benefit)	23.1	2.1	4.5	—	29.7
Net income / (loss)	76.5	4.2	(197.5)	—	(116.8)
Cash capital expenditures	$ 78.6	$ 0.5	$ 2.5	$ —	$ 81.6
at December 31, 2014					
Total assets	$ 3,338.7	$ 94.9	$ 1,440.1	$ (1,295.9)	$ 3,577.8

Note 12 – Goodwill Impairment

During the first quarter of 2014, we performed an interim impairment test on the $135.8 million in goodwill at our DPLER reporting unit. The DPLER reporting unit was identified as being "at risk" during the fourth quarter of 2013. The impairment indicators arose based on market information available regarding actual and proposed sales of competitive retail marketers, which indicated a significant decline in valuations during the first quarter of 2014. In Step 1 of the interim impairment test, the fair value of the reporting unit was determined to be less than its carrying amount under both the market approach and the income approach using a discounted cash flow valuation model. The significant assumptions included commodity price curves, estimated electricity to be demanded by its customers, changes in its customer base through attrition and expansion, discount rates, the assumed tax structure and the level of working capital required to run the business. During the second quarter of 2014, we finalized the work to determine the implied fair value for the DPLER reporting unit. There were no further adjustments to the full impairment of $135.8 million recognized in the first quarter.

Note 13 – Fixed-asset Impairment

During the first quarter of 2014, **DP&L** tested the recoverability of long-lived assets at East Bend, a 186 MW coal-fired plant in Kentucky jointly-owned by **DP&L**. Indications during that quarter that the fair value of the asset group was less than its carrying amount were determined to be impairment indicators given how narrowly these long-lived assets had passed the recoverability test during the fourth quarter of 2013. **DP&L** performed a long-lived asset impairment test and determined that the carrying amount of the asset group was not recoverable. The East Bend asset group was determined to have a fair value of $2.7 million using the market approach. As a result, we recognized an asset impairment expense of $11.5 million. In May 2014, an agreement was signed for the sale of **DP&L's** interest in the generating assets at East Bend. The sale price approximated the carrying value. This transaction closed on December 30, 2014.

FINANCIAL STATEMENTS

The Dayton Power and Light Company

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED STATEMENTS OF OPERATIONS

$ in millions	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenues	$ 389.2	$ 454.9	$ 1,202.6	$ 1,252.5
Cost of revenues:				
Fuel	**69.0**	84.5	**188.9**	227.4
Purchased power	142.5	152.4	452.3	457.3
Total cost of revenues	**211.5**	236.9	**641.2**	684.7
Gross margin	**177.7**	218.0	**561.4**	567.8
Operating expenses:				
Operation and maintenance	94.5	85.9	261.6	265.9
Depreciation and amortization	**34.6**	36.4	**103.5**	108.2
General taxes	20.1	20.2	65.0	67.1
Other	—	—	**0.4**	—
Total operating expenses	149.2	142.5	430.5	441.2
Operating income	28.5	75.5	130.9	126.6
Other income / (expense), net:				
Investment income	—	0.2	**0.2**	0.6
Interest expense	(6.9)	(9.4)	(24.6)	(25.5)
Charge for early retirement of debt	**(5.0)**	—	**(5.0)**	—
Other expense	(0.3)	—	(0.6)	(2.1)
Total other expense, net	**(12.2)**	(9.2)	**(30.0)**	(27.0)
Earnings before income taxes	**16.3**	66.3	**100.9**	99.6
Income tax expense	0.8	13.1	25.0	23.1
Net income	15.5	53.2	75.9	76.5
Dividends on preferred stock	**0.3**	0.3	**0.7**	0.7
Income attributable to common stock	**$ 15.2**	$ 52.9	**$ 75.2**	$ 75.8

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

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

$ in millions	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net income	**$ 15.5**	$ 53.2	**$ 75.9**	$ 76.5
Available-for-sale securities activity:				
Change in fair value of available-for-sale securities, net of income tax benefit of $0.1, $0.2, $0.1 and $0.2 for each respective period	(0.3)	(0.4)	(0.3)	(0.6)
Reclassification to earnings, net of income tax expense of $0.0, $(0.1), $0.0 and $(0.2) for each respective period	—	0.2	—	0.4
Total change in fair value of available-for-sale securities	(0.3)	(0.2)	(0.3)	(0.2)
Derivative activity:				
Change in derivative fair value, net of income tax (expense) / benefit of $(4.4), $(0.7), $(5.4) and $9.9 for each respective period	7.8	1.4	9.6	(26.3)
Reclassification to earnings, net of income tax (expense) / benefit of $1.2, $(1.9), $1.9 and $(6.7) for each respective period	**(2.0)**	3.2	**(3.3)**	15.3
Total change in fair value of derivatives	5.8	4.6	6.3	(11.0)
Pension and postretirement activity:				
Reclassification to earnings, net of income tax expense of $(0.6), $(0.3), $(1.6) and $(1.0) for each respective period	0.8	0.7	2.6	2.1
Total change in unfunded pension obligation	**0.8**	0.7	**2.6**	2.1
Other comprehensive income / (loss)	6.3	5.1	8.6	(9.1)
Net comprehensive income	$ 21.8	$ 58.3	$ 84.5	$ 67.4

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

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED BALANCE SHEETS

$ in millions	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10.7	$ 5.4
Restricted cash	**13.5**	16.7
Accounts receivable, net (Note 2)	117.1	152.7
Inventories (Note 2)	**95.9**	99.0
Taxes applicable to subsequent years	19.0	75.4
Regulatory assets, current	**29.4**	44.2
Other prepayments and current assets	40.4	41.1
Total current assets	**326.0**	434.5
Property, plant & equipment:		
Property, plant & equipment	5,214.0	5,120.7
Less: Accumulated depreciation and amortization	**(2,557.4)**	(2,495.7)
	2,656.6	2,625.0
Construction work in process	**69.8**	75.4
Total net property, plant & equipment	2,726.4	2,700.4
Other non-current assets:		
Regulatory assets, non-current	**152.4**	167.5
Intangible assets, net of amortization	4.9	7.8
Other deferred assets	**30.2**	28.5
Total other non-current assets	187.5	203.8
Total assets	$ 3,239.9	$ 3,338.7

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

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED BALANCE SHEETS

$ in millions	September 30, 2015	December 31, 2014
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 5)	$ 444.9	$ 0.1
Short-term debt	**10.0**	—
Accounts payable	77.6	104.8
Accrued taxes	**128.9**	82.6
Accrued interest	1.2	9.8
Security deposits	**36.2**	34.5
Regulatory liabilities, current	20.5	4.4
Other current liabilities	**46.0**	44.8
Total current liabilities	765.3	286.0
Non-current liabilities:		
Long-term debt (Note 5)	**318.0**	877.0
Deferred taxes	626.0	650.0
Taxes payable	**3.0**	78.4
Regulatory liabilities, non-current	125.6	124.1
Pension, retiree and other benefits	**91.2**	95.9
Unamortized investment tax credit	20.6	22.4
Other deferred credits	**90.0**	43.6
Total non-current liabilities	1,274.4	1,891.4
Redeemable preferred stock	22.9	22.9
Commitments and contingencies (Note 11)		
Common shareholder's equity:		
Common stock, at par value of $0.01 per share:	**0.4**	0.4
Other paid-in capital	803.6	803.5
Accumulated other comprehensive loss	**(33.7)**	(42.3)
Retained earnings	407.0	381.8
Total common shareholder's equity	**1,177.3**	1,143.4
Total liabilities and shareholder's equity	$ 3,239.9	$ 3,338.7

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

THE DAYTON POWER AND LIGHT COMPANY
CONDENSED STATEMENTS OF CASH FLOWS

$ in millions	Nine months ended September 30, 2015	2014
Cash flows from operating activities:		
Net income	$ 75.9	$ 76.5
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	103.5	108.2
Deferred income taxes	(14.2)	2.9
Changes in certain assets and liabilities:		
Accounts receivable	37.3	4.8
Inventories	3.0	(3.5)
Prepaid taxes	(0.4)	0.2
Taxes applicable to subsequent years	56.4	50.5
Deferred regulatory costs, net	27.6	4.8
Accounts payable	(20.0)	7.9
Accrued taxes payable	(29.1)	(40.8)
Accrued interest payable	(8.8)	(5.7)
Pension, retiree and other benefits	1.0	(5.2)
Other	15.5	(11.4)
Net cash provided by operating activities	247.7	189.2
Cash flows from investing activities:		
Capital expenditures	(91.2)	(78.6)
Purchase of emission allowances	—	(0.2)
Purchase of renewable energy credits	(0.6)	(3.4)
Increase / (decrease) in restricted cash	3.2	(9.4)
Insurance proceeds	4.3	0.4
Other investing activities, net	0.4	1.1
Net cash used by investing activities	(83.9)	(90.1)
Net cash from financing activities:		
Dividends paid on common stock to parent	(50.0)	(90.0)
Borrowings from revolving credit facilities	50.0	—
Repayment of borrowings from revolving credit facilities	(40.0)	—
Issuance of notes payable - related party	—	15.0
Repayment of notes payable - related party	—	(15.0)
Dividends paid on preferred stock	(0.7)	(0.7)
Payments of deferred financing costs	(3.3)	(0.2)
Issuance of long-term debt	200.0	—
Retirement of long-term debt	(314.5)	(0.1)
Net cash used by financing activities	(158.5)	(91.0)
Cash and cash equivalents:		
Net change	5.3	8.1
Balance at beginning of period	5.4	22.9
Cash and cash equivalents at end of period	$ 10.7	$ 31.0
Supplemental cash flow information:		
Interest paid, net of amounts capitalized	$ 26.8	$ 26.1
Income taxes paid / (refunded), net	$ 0.8	$ 0.2
Non-cash financing and investing activities:		
Accruals for capital expenditures	$ 12.6	$ 6.7

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

The Dayton Power and Light Company
Notes to Condensed Financial Statements (Unaudited)

Note 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. Beginning in 2001, Ohio law gave Ohio consumers the right to choose the electric generation supplier from whom they purchase retail generation service, however distribution and transmission retail services are still regulated. **DP&L** has the exclusive right to provide such distribution and transmission services to its more than 515,000 customers located in West Central Ohio. Additionally, **DP&L** offers retail SSO electric service to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio. **DP&L** owns multiple coal-fired and peaking electric generating facilities as well as numerous transmission facilities, all of which are included in the financial statements at amortized cost. During 2015, **DP&L** is required to source 60% of the generation for its SSO customers through a competitive bid process and beginning January 2016, generation for its SSO customers will be 100% competitively bid. Principal industries located in **DP&L's** service territory include automotive, food processing, paper, plastic, manufacturing and defense. **DP&L's** sales reflect the general economic conditions, seasonal weather patterns, retail competition in our service territory and the market price of electricity. **DP&L** sells any excess energy and capacity into the wholesale market. On June 4, 2014, the PUCO issued an entry on rehearing which requires **DP&L** to separate its generation assets from its transmission and distribution assets no later than January 1, 2017. **DP&L** also sells electricity to DPLER, an affiliate, to satisfy the electric requirements of DPLER's retail customers. **DP&L** is a subsidiary of **DPL**.

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 1,194 people as of September 30, 2015. Approximately 61% of all employees are under a collective bargaining agreement which expires on October 31, 2017.

Financial Statement Presentation

DP&L does not have any subsidiaries. **DP&L** has undivided ownership interests in five coal-fired generating facilities, peaking electric generating facilities and numerous transmission facilities, all of which are included in the financial statements at amortized cost. Operating revenues and expenses of these facilities are included on a pro rata basis in the corresponding lines in the Condensed Statements of Operations. See Note 4 for more information.

Certain immaterial amounts from prior periods have been reclassified to conform to the current period 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, 2014.

In the opinion of our management, the Condensed Financial Statements presented in this report contain all adjustments necessary to fairly state our financial position as of September 30, 2015; our results of operations for the three and nine months ended September 30, 2015 and 2014 and our cash flows for the nine months ended September 30, 2015 and 2014. 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 EGUs, changes in economic conditions involving commodity prices and competition, and other factors, interim results for the nine months ended September 30, 2015 may not be indicative of our results that will be realized for the full year ending December 31, 2015.

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; liabilities recorded for income tax exposures; litigation; contingencies; the valuation of AROs; assets and liabilities related to employee benefits; goodwill; and intangibles.

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. These taxes are accounted for on a net basis and not included in revenue. The amounts of such taxes collected for the three months ended September 30, 2015 and 2014 were $13.0 million and $12.5 million, respectively. The amounts of such taxes collected for the nine months ended September 30, 2015 and 2014 were $38.5 million and $38.5 million, respectively.

Related Party Transactions

In December 2013, an agreement was signed, effective January 1, 2014, whereby the Service Company is to provide services including operations, accounting, legal, human resources, information technology and other corporate services on behalf of companies that are part of the U.S. SBU, including, among other companies, **DP&L**. The Service Company allocates the costs for these services based on cost drivers designed to result in fair and equitable allocations. This includes ensuring that the regulated utilities served, including **DP&L**, are not subsidizing costs incurred for the benefit of other businesses. **DP&L** charges the Service Company for employee payroll and benefit costs that are incurred on behalf of the Service Company.

In the normal course of business, **DP&L** enters into transactions with other subsidiaries of **DPL** and **AES**. The following table provides a summary of these transactions:

	Three months ended September 30,		Nine months ended September 30,	
$ in millions	**2015**	2014	**2015**	2014
DP&L Revenues:				
Sales to DPLER (including MC Squared) [a]	$ 66.0	$ 125.6	$ 245.0	$ 376.6
DP&L Operations and Maintenance Expenses:				
Premiums paid for insurance services provided by MVIC [b]	$ (0.8)	$ (0.7)	$ (2.4)	$ (2.1)
Expense recoveries for services provided to DPLER [c]	**$ 0.6**	$ 0.5	**$ 1.8**	$ 1.6
Transactions with the Service Company:				
Charges from the Service Company	**$ 7.6**	$ 7.4	**$ 24.3**	$ 24.2
Charges to the Service Company	$ 1.1	$ 0.6	$ 5.0	$ 1.7

DP&L Customer security deposits:	**at September 30, 2015**	at December 31, 2014
Deposits received from DPLER [d]	$ 2.9	$ 20.1
Balances with the Service Company		
Net prepaid / (payable) to the service company	$ 0.1	$ (4.7)

(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.

(b) 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. **DP&L** received insurance proceeds from MVIC of $0.5 million and $0.0 million for the three months ended September 30, 2015 and 2014, respectively, and $4.3 million and $0.4 million for the nine months ended September 30, 2015 and 2014, respectively.

(c) 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.

(d) **DP&L** requires credit assurance from the CRES providers serving customers in its service territory because **DP&L** is the default energy provider should the CRES provider fail to fulfill its obligations to provide electricity. Due to **DPL's** credit downgrade, **DP&L** required cash collateral from DPLER.

Recently Issued Accounting Standards

ASU No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30)
In April 2015, the FASB issued ASU No. 2015-03, which simplifies the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The standard is effective for annual reporting periods beginning after December 15, 2015 and interim periods therein, and requires the use of the full retrospective approach. Early adoption is permitted for financial statements that have not been previously issued. As of September 30, 2015, **DP&L** had approximately $4.6 million in deferred financing costs classified in other non-current assets that would be reclassified to reduce the related debt liabilities upon adoption of ASU No. 2015-03.

ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)
In May 2014, the FASB issued ASU No. 2014-09, which clarifies principles for recognizing revenue and will result in a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The objective of the new standard is to provide a single and comprehensive revenue recognition model for all contracts with customers to improve comparability. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The standard requires an entity to recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contract with Customer (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 by one year, resulting in the new revenue standard being effective for annual reporting periods beginning after December 15, 2017 and interim periods therein. Early adoption is now permitted only as of the original effective date for public entities (that is, no earlier than 2017 for calendar year-end entities). The standard permits the use of either a full retrospective or modified retrospective approach. We have not yet selected a transition method and we are currently evaluating the impact of adopting the standard on our financial statements.

ASU No. 2015-11, Inventory: Simplifying the Measurement of Inventory (Topic 330)
In July 2015, the FASB issued ASU No. 2015-11, which simplifies the subsequent measurement of inventory. It replaces the current lower of cost or market test with a lower of cost or net realizable value test. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods therein. Early adoption is permitted. The new guidance must be applied prospectively. We are currently evaluating the impact of adopting the standard on our financial statements.

ASU No. 2015-02, Consolidation — Amendments to the Consolidation Analysis (Topic 810)
In February 2015, the FASB issued ASU 2015-02, which makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. The standard amends the evaluation of whether (1) fees paid to a decision-maker or service providers represent a variable interest, (2) a limited partnership or similar entity has the characteristics of a VIE and (3) a reporting entity is the primary beneficiary of a VIE. The standard is effective for annual periods beginning after December 15, 2015 and interim periods therein. Early adoption is permitted. We are currently evaluating the impact of adopting the standard on our financial statements.

ASU No. 2015-13, Derivatives and Hedging (Topic 815): Application of the Normal Purchases and Normal Sales Scope Exception to Certain Electricity Contracts within Nodal Energy Market
In August 2015, the FASB issued ASU No. 2015-13, which resolves the diversity in practice resulting from determining whether certain contracts qualify for the normal purchases and normal sales scope exception under ASC Topic 815, Derivatives and Hedging. This standard clarifies that entities would not be precluded from applying the normal purchases and normal sales exception to certain forward contracts that necessitate the transmission of electricity through, or delivery to a location within, a nodal energy market. The standard is effective upon issuance and should be applied prospectively. As we had designated qualifying contracts as normal purchase or normal sales, there was no impact on our financial statements upon adoption of this standard.

ASU No. 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement
In April 2015, the FASB issued ASU No. 2015-05, which clarifies how customers in cloud computing arrangements should determine whether the arrangement includes a software license and eliminates the existing requirement for customers to account for software licenses they acquired by analogizing to the accounting guidance on leases. The

standard is effective for annual reporting periods beginning after December 15, 2015 and interim periods therein. Early adoption is permitted. The standard permits the use of a prospective or retrospective approach. We have not yet selected a transition method and we are currently evaluating the impact of adopting the standard on our financial statements.

Note 2 – Supplemental Financial Information

Accounts receivable and Inventories are as follows at September 30, 2015 and December 31, 2014:

$ in millions	September 30, 2015	December 31, 2014
Accounts receivable, net:		
Unbilled revenue	$ 34.8	$ 49.0
Customer receivables	**63.6**	68.7
Amounts due from partners in jointly owned plants	12.0	14.2
Other	**7.6**	21.7
Provision for uncollectible accounts	(0.9)	(0.9)
Total accounts receivable, net	**$ 117.1**	$ 152.7
Inventories, at average cost:		
Fuel and limestone	$ 60.4	$ 65.3
Plant materials and supplies	**33.6**	32.3
Other	1.9	1.4
Total inventories, at average cost	**$ 95.9**	$ 99.0

Accumulated Other Comprehensive Income / (Loss)

The amounts reclassified out of Accumulated Other Comprehensive Income / (Loss) by component during the three and nine months ended September 30, 2015 and 2014 are as follows:

Details about Accumulated Other Comprehensive Income / (Loss) components	Affected line item in the Condensed Statements of Operations	Three months ended September 30,		Nine months ended September 30,	
$ in millions		**2015**	2014	2015	2014
Gains and losses on Available-for-sale securities activity (Note 8):					
	Other income	$ —	$ 0.3	$ —	$ 0.6
	Tax expense	—	(0.1)	—	(0.2)
	Net of income taxes	—	0.2	—	0.4
Gains and losses on cash flow hedges (Note 9):					
	Interest expense	(0.3)	(0.2)	(0.9)	(0.8)
	Revenue	**(3.8)**	4.9	**(7.0)**	23.4
	Purchased power	0.9	0.4	2.7	(0.6)
	Total before income taxes	**(3.2)**	5.1	**(5.2)**	22.0
	Tax expense	1.2	(1.9)	1.9	(6.7)
	Net of income taxes	**(2.0)**	3.2	**(3.3)**	15.3
Amortization of defined benefit pension items (Note 7):					
	Reclassification to Other income / (deductions)	**1.4**	1.0	**4.2**	3.1
	Tax benefit	(0.6)	(0.3)	(1.6)	(1.0)
	Net of income taxes	**0.8**	0.7	**2.6**	2.1
Total reclassifications for the period, net of income taxes		**$ (1.2)**	$ 4.1	**$ (0.7)**	$ 17.8

The changes in the components of Accumulated Other Comprehensive Income / (Loss) during the nine months ended September 30, 2015 are as follows:

$ in millions	Gains / (losses) on available-for-sale securities	Gains / (losses) on cash flow hedges	Change in unfunded pension obligation	Total
Balance January 1, 2015	$ 0.7	$ 2.8	$ (45.8)	$ (42.3)
Other comprehensive income before reclassifications	(0.3)	9.6	—	9.3
Amounts reclassified from accumulated other comprehensive income / (loss)	—	(3.3)	2.6	(0.7)
Net current period other comprehensive income / (loss)	(0.3)	6.3	2.6	8.6
Balance September 30, 2015	$ 0.4	$ 9.1	$ (43.2)	$ (33.7)

Note 3 – Regulatory assets and liabilities

DP&L has certain rate riders that provide for recovering, on a timely basis, costs incurred for specific programs for which costs may fluctuate. These riders generally allow **DP&L** to estimate future costs and customer kWh consumption and set rider rates designed to recover those estimated costs as they are incurred. Differences between revenues collected and the actual program costs are tracked and reconciled by increasing or reducing future rates accordingly. **DP&L's** current regulatory assets and current regulatory liabilities reflect the reconciliation of such differences, with the exception of deferred storm costs. The deferred storm regulatory asset reflects costs incurred to repair major storm damage in previous years, for which **DP&L** was granted cost recovery during 2015. The changes in **DP&L's** current regulatory asset and liability balances from December 31, 2014 to September 30, 2015 primarily represent the recovery of $16.7 million of deferred storm costs, and the reconciliation of other rider costs.

Note 4 – Ownership of Coal-fired Facilities

DP&L has undivided ownership interests in five coal-fired electric generating facilities, various peaking facilities and numerous transmission facilities with certain other Ohio utilities. Certain expenses, primarily fuel costs for the generating units, 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. At September 30, 2015, **DP&L** had $25.0 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 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 units and stations.

DP&L's undivided ownership interest in such facilities at September 30, 2015, is as follows:

	DP&L Share		DP&L Carrying value			
Jointly owned production units and 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)
Conesville Unit 4	16.5	129	$ 25	$ 8	$ 1	Yes
Killen Station	67.0	402	655	324	1	Yes
Miami Fort Units 7 and 8	36.0	368	365	169	4	Yes
Stuart Station	35.0	808	771	335	14	Yes
Zimmer Station	28.1	371	1,104	688	5	Yes
Transmission (at varying percentages)		n/a	98	63	—	
Total		2,078	$ 3,018	$ 1,587	$ 25	

Note 5 – Debt

Long-term debt

$ in millions	**September 30, 2015**	December 31, 2014
First mortgage bonds due in September 2016 - 1.875%	$ —	$ 445.0
Pollution control series due in January 2028 - 4.7%	—	35.3
Pollution control series due in January 2034 - 4.8%	—	179.1
Pollution control series due in September 2036 - 4.8%	**100.0**	100.0
Pollution control series due in August 2020 - 1.13% - 1.14%	200.0	—
Pollution control series due in November 2040 - rates from: 0.02% - 0.12% and 0.04% - 0.15% (a)	—	100.0
U.S. Government note due in February 2061 - 4.2%	18.0	18.1
Unamortized debt discount	—	(0.5)
Total non-current portion of long-term debt	$ 318.0	$ 877.0

Current portion of long-term debt

$ in millions	**September 30, 2015**	December 31, 2014
First mortgage bonds due in September 2016 - 1.875%	$ 445.0	$ —
U.S. Government note due in February 2061 - 4.2%	**0.1**	0.1
Unamortized debt discount	(0.2)	—
Total current portion of long-term debt	**$ 444.9**	$ 0.1

(a) Range of interest rates for the nine months ended September 30, 2015 and the twelve months ended December 31, 2014, respectively.

DP&L has an unsecured revolving credit agreement with a syndicated bank group. Prior to refinancing the facility on July 31, 2015, as discussed below, this facility had a $300.0 million borrowing limit, a five-year term expiring on May 10, 2018, a $100.0 million letter of credit sublimit and a feature that gave **DP&L** the ability to increase the size of the facility by an additional $100.0 million. On July 31, 2015, **DP&L** refinanced its revolving credit facility, reducing the total size from $300.0 million to $175.0 million, with a $50.0 million letter of credit sublimit and a feature that provides **DP&L** the ability to increase the size of the facility by an additional $100.0 million. This refinancing extended the life of the facility from May 2018 to July 2020. At September 30, 2015, **DP&L** had drawn $10.0 million under this facility and had two letters of credit in the amount of $1.4 million outstanding under this facility, with the remaining $163.6 million available to **DP&L**. Fees associated with this letter of credit facility were not material during the nine months ended September 30, 2015 or 2014.

On July 1, 2015, the $35.3 million of 4.7% pollution control bonds due January 2028 and $41.3 million of the 4.8% pollution control bonds due January of 2034 became callable at par and were redeemed with cash.

On August 3, 2015, **DP&L** called $100.0 million of variable rate pollution control bonds due November 2040 and $137.8 million of 4.8% pollution control bonds due January of 2034. These bonds were refinanced with $200.0 million of new pollution control bonds at variable rates of interest secured by first mortgage bonds in an equivalent amount and the remaining $37.8 million of these bonds was redeemed.

DP&L's unsecured revolving credit agreements and **DP&L's** standby letter of credit have two financial covenants. The first financial covenant measures Total Debt to Total Capitalization. The Total Debt to Total Capitalization ratio is calculated, at the end of each fiscal quarter, by dividing total debt at the end of the quarter by total capitalization at the end of the quarter. The second financial covenant compares EBITDA to Interest Expense. The EBITDA to Interest Expense ratio is calculated, at the end of each fiscal quarter, by dividing EBITDA for the four prior fiscal quarters by the consolidated interest charges for the same period. The above covenants were retained with some amendments in **DP&L's** revolving credit facility refinanced on July 31, 2015. The **DP&L** amended standby letter of credit facilities were terminated on August 3, 2015.

Substantially all property, plant & equipment of **DP&L** is subject to the lien of the mortgage securing **DP&L's** First and Refunding Mortgage.

Note 6 – Income Taxes

The following table details the effective tax rates for the three and nine months ended September 30, 2015 and 2014.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
DP&L	4.9%	19.8%	24.8%	23.2%

Income tax expense for the three and nine months ended September 30, 2015 and 2014 was calculated using the estimated annual effective income tax rates for 2015 and 2014 of 29.0% and 30.5%, respectively. For the three and nine months ended September 30, 2015 and 2014 management estimated the annual effective tax rate based on its forecast of annual pre-tax income. To the extent that actual pre-tax results for the year differ from the forecasts applied to the most recent interim period, the rates estimated could be materially different from the actual effective tax rates.

For the three and nine months ended September 30, 2015, **DP&L's** current period effective rate is less than the estimated annual effective rate primarily due to the anticipated refund from the IRS for the filing of an amended 2011 predecessor tax return to include the domestic manufacturing deduction and the deduction for the preferred stock dividends.

Note 7 – 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 ERISA and, in addition, make voluntary contributions from time to time. There was $5.0 million and $0.0 million in employer contributions made during the nine months ended September 30, 2015 and 2014, respectively.

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 pension and postretirement costs below have not been adjusted for amounts billed to the Service Company for former **DP&L** employees who are now employed by the Service Company but are still participants in the **DP&L** plan. See "Related Party Transactions" discussion in Note 1, "Overview and Summary of Significant Accounting Policies".

The net periodic benefit cost of the pension and postretirement benefit plans for the three and nine months ended September 30, 2015 and 2014 was:

Net Periodic Benefit Cost	Pension		Postretirement	
	Three months ended September 30,		Three months ended September 30,	
$ in millions	**2015**	2014	**2015**	2014
Service cost	$ **1.8**	$ 1.5	$ **0.1**	$ —
Interest cost	**4.2**	4.3	**0.1**	0.2
Expected return on plan assets	**(5.6)**	(5.7)	**(0.1)**	(0.1)
Amortization of unrecognized:				
Prior service cost	**0.9**	0.7	**0.1**	0.1
Actuarial loss / (gain)	**2.4**	1.6	**(0.2)**	(0.2)
Net periodic benefit cost	$ **3.7**	$ 2.4	$ **—**	$ —

Net Periodic Benefit Cost	Pension		Postretirement	
	Nine months ended September 30,		Nine months ended September 30,	
$ in millions	**2015**	2014	**2015**	2014
Service cost	$ **5.3**	$ 4.4	$ **0.1**	$ 0.1
Interest cost	**12.8**	13.0	**0.5**	0.6
Expected return on plan assets	**(16.8)**	(17.0)	**(0.1)**	(0.2)
Amortization of unrecognized:				
Prior service cost	**2.5**	2.1	**0.1**	0.1
Actuarial loss / (gain)	**7.2**	4.8	**(0.5)**	(0.5)
Net periodic benefit cost	$ **11.0**	$ 7.3	$ **0.1**	$ 0.1

Benefit payments and Medicare Part D reimbursements, which reflect future service, are estimated to be paid as follows:

$ in millions	Pension	Postretirement
2015	$ 6.2	$ 0.5
2016	25.2	1.8
2017	25.7	1.7
2018	26.3	1.6
2019	26.7	1.5
2020 - 2024	137.0	6.1

Note 8 – 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 following table presents the fair value and cost of our non-derivative instruments at September 30, 2015 and December 31, 2014. Information about the fair value of our derivative instruments can be found in Note 9.

	September 30, 2015		December 31, 2014	
$ in millions	**Cost**	**Fair Value**	Cost	Fair Value
Assets				
Money market funds	$ 0.2	$ 0.2	$ 0.1	$ 0.1
Equity securities	**2.7**	**3.4**	2.7	3.7
Debt securities	4.5	4.4	4.7	4.7
Hedge funds	**0.7**	**0.7**	0.8	0.8
Real estate	0.3	0.3	0.4	0.4
Total assets	**$ 8.4**	**$ 9.0**	$ 8.7	$ 9.7
Liabilities				
Debt	**$ 762.9**	**$ 764.3**	$ 877.1	$ 882.5

These financial instruments are not subject to master netting agreements or collateral requirements and as such are presented in the Condensed Balance Sheet at their gross fair value, except for Debt, which is presented at amortized cost.

Debt

Unrealized gains or losses are not recognized in the financial statements as debt is presented at cost, net of unamortized premium or discount in the financial statements. The debt amounts include the current portion payable in the next twelve months and have maturities that range from 2016 to 2061.

Master Trust Assets

DP&L established Master Trusts 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 that 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 $0.7 million ($0.5 million after tax) of unrealized gains and $0.1 million ($0.1 million after tax) of unrealized losses on the Master Trust assets in AOCI at September 30, 2015 and $1.1 million ($0.7 million after tax) in unrealized gains and immaterial unrealized losses on the Master Trust assets in AOCI at December 31, 2014.

During the nine months ended September 30, 2015, $1.0 million ($0.7 million after tax) of various investments were sold to facilitate the distribution of benefits and the unrealized gains were reversed into earnings. An immaterial amount of unrealized gains are expected to be reversed to earnings over the next twelve months to facilitate the disbursement of benefits.

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);
- 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 did not have any transfers of the fair values of our financial instruments between Level 1 and Level 2 of the fair value hierarchy during the three months and nine months ended September 30, 2015 and 2014.

The fair value of assets and liabilities at September 30, 2015 and December 31, 2014 and the respective category within the fair value hierarchy for **DP&L** was determined as follows:

Assets and Liabilities at Fair Value

$ in millions	Fair value at September 30, 2015	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	3.4	—	3.4	—
Debt securities	4.4	—	4.4	—
Hedge funds	0.7	—	0.7	—
Real estate	0.3	—	0.3	—
Total Master Trust assets	9.0	0.2	8.8	—
Derivative assets				
FTRs	0.4	—	—	0.4
Forward power contracts	30.2	—	30.2	—
Total derivative assets	30.6	—	30.2	0.4
Total assets	$ 39.6	$ 0.2	$ 39.0	$ 0.4
Liabilities				
Derivative liabilities				
FTRs	$ 0.7	$ —	$ —	$ 0.7
Forward power contracts	24.5	—	22.3	2.2
Total derivative liabilities	25.2	—	22.3	2.9
Debt	764.3	—	746.2	18.1
Total liabilities	$ 789.5	$ —	$ 768.5	$ 21.0

Assets and Liabilities at Fair Value

$ in millions	Fair value at December 31, 2014	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	$ 0.1	$ 0.1	$ —	$ —
Equity securities	3.7	—	3.7	—
Debt securities	4.7	—	4.7	—
Hedge funds	0.8	—	0.8	—
Real estate	0.4	—	0.4	—
Total Master Trust assets	9.7	0.1	9.6	—
Derivative assets				
Forward power contracts	15.1	—	13.9	1.2
Total Derivative assets	15.1	—	13.9	1.2
Total assets	$ 24.8	$ 0.1	$ 23.5	$ 1.2
Liabilities				
Derivative liabilities				
FTRs	$ 0.6	$ —	$ —	$ 0.6
Heating oil futures	0.4	0.4	—	—
Natural gas futures	0.1	0.1	—	—
Forward power contracts	11.2	—	11.2	—
Total Derivative liabilities	12.3	0.5	11.2	0.6
Debt	882.5	—	864.3	18.2
Total liabilities	$ 894.8	$ 0.5	$ 875.5	$ 18.8

Our financial instruments are valued using the market approach in the following categories:

- 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 (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 observable prices based on the end of day NAV per unit.
- Level 3 inputs such as FTRs are considered a Level 3 input because the monthly auctions are considered inactive. Other Level 3 inputs include the credit valuation adjustment on some of the forward power contracts and forward power contracts in less active markets. 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. Since the Wright-Patterson Air Force Base loan is 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 are not presented since debt is not recorded at fair value.

Approximately 97% 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 is 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. AROs for ash ponds, asbestos, river structures and underground storage tanks increased by a net amount of $38.7 million and $1.2 million during the nine months ended September 30, 2015 and 2014, respectively. The majority of the increase in 2015 is due to an increase in the AROs for ash ponds ($40.6 million) due to new rules promulgated by the USEPA that were published in the Federal Register in April 2015 and became effective in October 2015.

Note 9 – Derivative Instruments and Hedging Activities

In the normal course of business, **DP&L** enters into various financial arrangements, including derivative financial instruments. We use derivatives principally to manage the risk of changes in market prices for commodities. 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 normal purchase/normal sale, cash flow hedges or marked to market each reporting period.

At September 30, 2015, **DP&L** 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	24.7	—	24.7
Forward power contracts	Cash Flow Hedge	MWh	1,361.2	(7,857.7)	(6,496.5)
Forward power contracts	Mark to Market	MWh	5,309.7	(1,916.5)	3,393.2

At December 31, 2014, **DP&L** 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	10.5	—	10.5
Heating oil futures	Mark to Market	Gallons	378.0	—	378.0
Natural Gas	Mark to Market	Dths	200.0	—	200.0
Forward power contracts	Cash Flow Hedge	MWh	175.0	(2,991.0)	(2,816.0)
Forward power contracts	Mark to Market	MWh	1,725.2	(2,804.0)	(1,078.8)

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 is 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.

The following table provides information for **DP&L** concerning gains or losses recognized in AOCI for the cash flow hedges for the three months ended September 30, 2015 and 2014:

	Three months ended September 30, 2015		Three months ended September 30, 2014	
$ in millions (net of tax)	**Power**	**Interest Rate Hedge**	Power	Interest Rate Hedge
Beginning accumulated derivative gain in AOCI	$ 1.1	$ 2.2	$ (14.0)	$ 4.6
Net gains / (losses) associated with current period hedging transactions	**7.8**	**—**	1.4	—
Net gains / (losses) reclassified to earnings:				
Interest expense	**—**	**(0.1)**	—	(0.2)
Revenues	**(2.5)**	**—**	3.2	—
Purchased power	**0.6**	**—**	0.2	—
Ending accumulated derivative gain / (loss) in AOCI	$ 7.0	$ 2.1	$ (9.2)	$ 4.4

The following table provides information for **DP&L** concerning gains or losses recognized in AOCI for the cash flow hedges for the nine months ended September 30, 2015 and 2014:

	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
$ in millions (net of tax)	**Power**	**Interest Rate Hedge**	Power	Interest Rate Hedge
Beginning accumulated derivative gain in AOCI	$ 0.2	$ 2.6	$ 1.0	$ 5.2
Net gains / (losses) associated with current period hedging transactions	**9.6**	**—**	(26.3)	—
Net gains / (losses) reclassified to earnings:				
Interest expense	**—**	**(0.5)**	—	(0.8)
Revenues	**(4.5)**	**—**	16.6	—
Purchased power	**1.7**	**—**	(0.5)	—
Ending accumulated derivative gain / (loss) in AOCI	$ 7.0	$ 2.1	$ (9.2)	$ 4.4
Portion expected to be reclassified to earnings in the next twelve months [a]	$ 3.3	$ (0.8)		
Maximum length of time that we are hedging our exposure to variability in future cash flows related to forecasted transactions (in months)	39	0		

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

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 purchases and sales exceptions under FASC 815. Accordingly, such contracts are recorded at fair value with changes in the fair value charged or credited to the Condensed Statements 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. FTRs, natural gas forwards, heating oil futures and certain forward power contracts are marked to market.

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 and are recognized in the Condensed Statements of Operations on an accrual basis.

Regulatory Assets and Liabilities

In accordance with regulatory accounting under GAAP, a cost or loss that is probable of recovery in future rates should be deferred as a regulatory asset and revenue or 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, a portion of the heating oil futures are assigned to the retail jurisdiction and 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 present the amount and classification within the Condensed Statements of Operations or Condensed Balance Sheets of the gains and losses on **DP&L's** derivatives not designated as hedging instruments for the three and nine months ended September 30, 2015 and 2014:

For the three months ended September 30, 2015

$ in millions	Heating Oil	FTRs	Power	Total
Change in unrealized gain / (loss)	$ 0.1	$ 0.1	$ (3.3)	$ (3.1)
Realized loss	(0.2)	(0.1)	(4.3)	(4.6)
Total	$ (0.1)	$ —	$ (7.6)	$ (7.7)
Recorded in Income Statement: gain / (loss)				
Purchased power	$ —	$ —	$ (11.0)	$ (11.0)
Revenues	—	—	3.4	3.4
Fuel	(0.1)	—	—	(0.1)
Total	$ (0.1)	$ —	$ (7.6)	$ (7.7)

For the three months ended September 30, 2014

$ in millions	Heating Oil	FTRs	Power	Total
Change in unrealized loss	$ (0.2)	$ 0.3	$ (2.7)	$ (2.6)
Realized gain / (loss)	—	0.1	(2.1)	(2.0)
Total	$ (0.2)	$ 0.4	$ (4.8)	$ (4.6)
Recorded on Balance Sheet:				
Regulatory asset	$ (0.1)	$ —	$ —	$ (0.1)
Recorded in Income Statement: gain / (loss)				
Revenues	—	—	(0.3)	(0.3)
Purchased power	—	0.4	(4.5)	(4.1)
Fuel	(0.1)	—	—	(0.1)
Total	$ (0.2)	$ 0.4	$ (4.8)	$ (4.6)

For the nine months ended September 30, 2015

$ in millions	Heating Oil	FTRs	Power	Natural Gas	Total
Change in unrealized gain / (loss)	$ 0.4	$ 0.2	$ (5.0)	$ 0.1	$ (4.3)
Realized loss	(0.3)	(0.1)	(8.1)	(0.1)	(8.6)
Total	$ 0.1	$ 0.1	$ (13.1)	$ —	$ (12.9)
Recorded on Balance Sheet:					
Regulatory Asset	$ 0.1	$ —	$ —	$ —	$ 0.1
Recorded in Income Statement: gain / (loss)					
Purchased power	—	0.1	(21.9)	—	(21.8)
Revenues	—	—	8.8	—	8.8
Total	$ 0.1	$ 0.1	$ (13.1)	$ —	$ (12.9)

	For the nine months ended September 30, 2014			
$ in millions	Heating Oil	FTRs	Power	Total
Change in unrealized loss	$ (0.3)	$ (1.2)	$ (5.7)	$ (7.2)
Realized gain / (loss)	0.1	0.7	(3.0)	(2.2)
Total	$ (0.2)	$ (0.5)	$ (8.7)	$ (9.4)
Recorded on Balance Sheet:				
Regulatory asset	$ (0.1)	$ —	$ —	$ (0.1)
Recorded in Income Statement: gain / (loss)				
Revenues	—	—	1.0	1.0
Purchased power	—	(0.5)	(9.7)	(10.2)
Fuel	(0.1)	—	—	(0.1)
Total	$ (0.2)	$ (0.5)	$ (8.7)	$ (9.4)

DP&L has elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivative agreements.

The following tables summarize the derivative positions presented in the balance sheet where a right of offset exists under these arrangements and related cash collateral received or pledged. The following table presents the fair value and balance sheet classification of **DP&L's** derivative instruments at September 30, 2015:

Fair Values of Derivative Instruments
at September 30, 2015

			Gross Amounts Not Offset in the Condensed Balance Sheets		
$ in millions	Hedging Designation	Gross Fair Value as presented in the Condensed Balance Sheets	Financial Instruments with Same Counterparty in Offsetting Position	Cash Collateral	Net Balance Fair Value
Assets					
Short-term derivative positions (presented in Other current assets)					
Forward power contracts	Cash Flow	$ 10.8	$ (6.0)	$ —	$ 4.8
Forward power contracts	MTM	5.4	(4.0)	—	1.4
FTRs	MTM	0.4	(0.4)	—	—
Long-term derivative positions (presented in Other deferred assets)					
Forward power contracts	Cash Flow	8.2	(3.0)	—	5.2
Forward power contracts	MTM	5.8	(5.2)	—	0.6
Total assets		$ 30.6	$ (18.6)	$ —	$ 12.0
Liabilities					
Short-term derivative positions (presented in Other current liabilities)					
Forward power contracts	Cash Flow	$ 6.0	$ (6.0)	$ —	$ —
Forward power contracts	MTM	9.0	(4.0)	(4.6)	0.4
FTRs	MTM	0.7	(0.4)	—	0.3
Long-term derivative positions (presented in Other deferred liabilities)					
Forward power contracts	Cash Flow	3.0	(3.0)	—	—
Forward power contracts	MTM	6.5	(5.2)	(1.0)	0.3
Total liabilities		$ 25.2	$ (18.6)	$ (5.6)	$ 1.0

The following table presents the fair value and balance sheet classification of **DPL's** derivative instruments at December 31, 2014:

Fair Values of Derivative Instruments
at December 31, 2014

$ in millions	Hedging Designation	Gross Fair Value as presented in the Condensed Balance Sheets	Gross Amounts Not Offset in the Condensed Balance Sheets: Financial Instruments with Same Counterparty in Offsetting Position	Gross Amounts Not Offset in the Condensed Balance Sheets: Cash Collateral	Net Balance Fair Value
Assets					
Short-term derivative positions (presented in Other current assets)					
Forward power contracts	Cash Flow	$ 5.6	$ (2.0)	$ —	$ 3.6
Forward power contracts	MTM	5.6	(3.4)	—	2.2
Long-term derivative positions (presented in Other deferred assets)					
Forward power contracts	Cash Flow	0.3	(0.3)	—	—
Forward power contracts	MTM	3.6	(0.9)	—	2.7
Total assets		$ 15.1	$ (6.6)	$ —	$ 8.5
Liabilities					
Short-term derivative positions (presented in Other current liabilities)					
Forward power contracts	Cash Flow	$ 2.1	$ (2.0)	$ —	$ 0.1
Forward power contracts	MTM	7.5	(3.4)	(4.1)	—
FTRs	MTM	0.6	—	—	0.6
Heating oil futures	MTM	0.4	—	(0.4)	—
Natural gas futures	MTM	0.1	—	(0.1)	—
Long-term derivative positions (presented in Other deferred liabilities)					
Forward power contracts	Cash Flow	0.6	(0.3)	(0.3)	—
Forward power contracts	MTM	1.0	(0.9)	—	0.1
Total liabilities		$ 12.3	$ (6.6)	$ (4.9)	$ 0.8

The aggregate fair value of **DP&L's** commodity derivative instruments that were in a MTM loss position at September 30, 2015 was $25.2 million. $5.6 million of collateral was 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 $18.6 million. Since our debt is below investment grade, we could be required to post collateral for the remaining $1.0 million.

Note 10 – Shareholder's Equity

DP&L has 250,000,000 authorized $0.01 par value common shares, of which 41,172,173 are outstanding at September 30, 2015. All common shares are held by **DP&L's** parent, **DPL**.

As part of the PUCO's approval of the Merger, **DP&L** agreed to maintain a capital structure that includes an equity ratio of at least 50 percent and not to have a negative retained earnings balance.

Note 11 – Contractual Obligations, Commercial Commitments and Contingencies

Equity Ownership Interest

DP&L owns a 4.9% equity ownership interest in OVEC, an electric generation company, which is recorded using the cost method of accounting under GAAP. As of September 30, 2015, **DP&L** could be responsible for the repayment of 4.9%, or $73.9 million, of a $1,507.9 million debt obligation that has maturities from 2018 to 2040.

This would only happen if OVEC defaulted on its debt payments. As of September 30, 2015, 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, 2014.

Contingencies
In the normal course of business, we are subject to various lawsuits, actions, proceedings, claims and other matters asserted under various laws and regulations. We believe the amounts provided in our Condensed 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, 2015, cannot be reasonably determined.

Environmental Matters
DP&L's facilities and operations are subject to a wide range of federal, state and local environmental regulations and laws. The environmental issues that may affect us include:

- The federal CAA and state laws and regulations (including State Implementation Plans) which require compliance, obtaining permits and reporting as to air emissions,
- Litigation with federal and certain state governments and certain special interest groups regarding whether modifications to or maintenance of certain coal-fired generating stations require additional permitting or pollution control technology, or whether emissions from coal-fired generating stations cause or contribute to climate change,
- Rules and future rules issued by the USEPA and the Ohio EPA that require substantial reductions in SO2, particulates, mercury, acid gases, NOx, and other air emissions. **DP&L** has installed emission control technology and is taking other measures to comply with required and anticipated reductions,
- Rules and future rules issued by the USEPA, the Ohio EPA or other authorities that require reporting and reductions of GHGs,
- Rules and future rules issued by the USEPA associated with the federal Clean Water Act, which prohibits the discharge of pollutants into waters of the United States except pursuant to appropriate permits, and
- Solid and hazardous waste laws and regulations, which govern the management and disposal of certain waste. The majority of solid waste created from the combustion of coal and fossil fuels is fly ash and other coal combustion by-products.

In addition to 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 our facilities to comply, or to determine compliance, with such regulations. We record liabilities for loss contingencies related to environmental matters when a loss is probable of occurring and can be reasonably estimated in accordance with the provisions of GAAP. At September 30, 2015, and December 31, 2014, we had accruals of approximately $0.7 million and $0.8 million, respectively, for environmental matters and other claims. We also have a number of environmental matters for which we have not accrued loss contingencies because the risk of loss is not probable or a loss cannot be reasonably estimated, which are disclosed in the paragraphs below. We evaluate the potential liability related to environmental matters quarterly and may revise our accruals. 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 EGUs and stations. Some of these matters could have material adverse effects on the operation of such EGUs and stations or our financial condition.

National Ambient Air Quality Standards
Effective August 23, 2010, the USEPA implemented its revisions to its primary NAAQS for SO_2 replacing the previous 24-hour standard and annual standard with a one-hour standard. Non-attainment areas will be required to

meet the 2010 standard by October 2018. On August 21, 2015, the USEPA finalized a data requirements rule for air agencies to ascertain attainment characterization more extensively across the country by additional modeling and/or monitoring requirements of areas with sources that exceed specified thresholds of SO_2 emissions, which became effective on September 21, 2015. The rule directs state agencies to provide data to characterize air quality in areas with sources of SO_2 above 2,000 tons per year to identify maximum 1-hour concentrations of SO_2 in ambient air. The rule could require installation of monitors at one or more of **DP&L's** coal-fired power plants and result in additional non-attainment designations that could impact our operations. **DP&L** is unable to determine the effect of the rule on its operations.

On October 1, 2015, the USEPA released a final rule lowering the NAAQS for ozone to 70 parts per billion from 75 parts per billion. We are currently reviewing the rule and assessing the impact on our operations. We cannot at this time determine the impact of this rule, but it could be material.

Climate Change Legislation and Regulation

On October 23, 2015, the USEPA's final CO_2 emission rules for existing power plants (called the Clean Power Plan) were published in the Federal Register with an effective date of December 22, 2015. Additionally, the final NSPS for CO_2 emissions from new, modified and reconstructed fossil-fuel-fired power plants were published in the Federal Register on October 23, 2015 and are effective immediately. The Clean Power Plan provides for interim emissions performance rates that must be achieved beginning in 2022 and final emissions performance rates that must be achieved by 2030. Prior to the rule's publication in the Federal Register, fifteen states, including Ohio, filed a petition in the U.S. Court of Appeals for the D.C. Circuit seeking a stay of the Clean Power Plan, which was denied by the Court in September 2015. On October 23, 2015, several states and industry groups filed petitions in the D.C. Circuit Court of Appeals challenging the Clean Power Plan as published in the Federal Register, including a twenty-four state consortium that includes Ohio. The D.C. Circuit Court has issued orders consolidating the current pending challenges to the CPP under the lead case, West Virginia v. EPA. On October 23, 2015, North Dakota filed a petition for review of the GHG NSPS in the D.C. Circuit Court, and a coalition of environmental groups have moved to intervene on behalf of EPA in both the CPP and NSPS litigation. These state petitioners, as well as industry groups separately challenging the rule, have filed motions with the D.C. Circuit Court requesting a stay of the rule. The D.C. Circuit Court has issued orders consolidating the current pending challenges to the Clean Power Plan under the lead case, West Virginia v. USEPA. On October 23, 2015, North Dakota filed a petition for review of the CO2 NSPS in the D.C. Circuit Court, and a coalition of environmental groups have moved to intervene on behalf of USEPA in both the Clean Power Plan and NSPS litigation. Additional legal challenges are expected. We are currently reviewing the rule and assessing the impact on our operations. Our business, financial condition or results of operations could be materially and adversely affected by this rule.

Clean Water Act – Regulation of Water Discharge

In December 2006, **DP&L** submitted a renewal application for the Stuart generating station NPDES permit that was due to expire on June 30, 2007. The Ohio EPA issued a draft permit that was received in November 2008. In September 2010, the USEPA formally objected to the November 2008, draft permit due to questions regarding the basis for the alternate thermal limitation. The Ohio EPA issued a draft permit in December 2011 and a public hearing was held in February 2012. The draft permit required **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. In November 2012, the Ohio EPA issued another draft which included a compliance schedule for performing a study to justify an alternate thermal limitation and to which **DP&L** submitted comments. In December 2012, the USEPA formally withdrew their objection to the permit. On January 7, 2013, the Ohio EPA issued a final permit.

On February 1, 2013, **DP&L** appealed various aspects of the final permit to the Environmental Review Appeals Commission. A hearing before the Commission has been rescheduled for March 2016. Depending on the outcome of the appeal process, the effects on **DP&L's** business, financial condition or results of operations could be material.

On September 30, 2015, the USEPA released its final rule regulating various wastewater streams from steam electric power plants. The regulations were published in the Federal Register on November 3, 2015. We are reviewing the the rule to assess the potential impact on our operations and our current or future NPDES permits.

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. On August 16, 2006, an Administrative Settlement Agreement and Order on Consent ("ASAOC") for the site was executed and became effective among a group of PRPs, not including **DP&L**, and the USEPA. 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 (the "District Court") against **DP&L** and numerous other defendants alleging that **DP&L** and the other defendants contributed to the contamination at the 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 District Court Judge 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 District Court Judge, however, did not dismiss claims alleging financial responsibility for remediation costs based on hazardous substances from **DP&L** that were allegedly delivered by truck directly to the landfill. Discovery, including depositions of past and present **DP&L** employees, was conducted in 2012. On February 8, 2013, the District Court Judge granted **DP&L's** motion for summary judgment on statute of limitations grounds with respect to claims seeking a contribution toward the costs that are expected to be incurred by the PRP group in performing an RI/FS under the August 15, 2006 ASAOC. That summary judgment ruling was appealed on March 4, 2013, and on July 14, 2014, a three-judge panel of the U.S. Court of Appeals for the 6th Circuit affirmed the lower Court's ruling and subsequently denied a request by the PRP group for rehearing. On November 14, 2014, the PRP group appealed the decision to the U.S. Supreme Court, but the writ of certiorari was denied by the Court on January 20, 2015. On April 5, 2013, the PRP group entered into a second ASAOC (the "2013 ASAOC") relating primarily to vapor intrusion from under some of the buildings at the landfill site. On April 13, 2013, as amended July 30, 2013, the PRP group filed another civil complaint against **DP&L** and numerous other defendants alleging that each defendant contributed to the contamination of the site by delivering hazardous waste to the site or by releasing hazardous waste on other sites that migrated to the landfill site. On February 18, 2014, after considering various motions and alternative grounds to dismiss, the District Court Judge dismissed some of the alleged grounds for relief that the PRP group had made, but ruled in the PRP group's favor with respect to motions to dismiss the case in its entirety finding, among other things, that the 2013 ASAOC involved a different scope of work and thus the contributions sought were not seeking the same remedy that had been dismissed in the first civil suit. Appeals of this ruling are pending before the 6th Circuit Court of Appeals. On January 14, 2015, the PRP group served **DP&L** and other defendants a request for production of documents related to any waste management or waste disposal surveys. Information responsive to this request was provided on February 17, 2015. In addition, on January 16, 2015, the USEPA issued a Special Notice Letter and Section 104(e) Information Request to **DP&L** and other defendants, requesting historical information related to waste management practices that may be relevant to the site. **DP&L** responded to this request on March 27, 2015. In June 2015, **DP&L** was again requested to grant access to the **DP&L** service building property for the purpose of collecting groundwater samples from selected monitoring wells. **DP&L** granted access and groundwater sampling took place in June 2015. As a result of an August 11, 2015 meeting among the parties, the parties have agreed to stay the case in order to explore the possibility of a negotiated resolution of some or all of the issues. **DP&L** is unable to predict the outcome of these actions by the plaintiffs and USEPA. Additionally, the District Court's 2013 ruling and the Court of Appeals' affirmation of that ruling in 2014 does not address future litigation that may arise with respect to actual remediation costs. While **DP&L** is unable to predict the outcome of these and any future matters, if **DP&L** were required to contribute to the clean-up of the site, it could have a material adverse effect on its business, financial condition or results of operations.

Regulation of Ash Ponds

There has been increasing advocacy to regulate coal combustion residuals (CCR). 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 released its final rule in December 2014, designating coal combustion residuals that are not beneficially reused as non-hazardous solid waste under RCRA Subtitle D. The rule was published in the Federal Register in April 2015 and became effective October 19, 2015, and applies new detailed management practices to new and existing landfills and surface impoundments, including lateral expansions of such units. Based on our review of the rule, we have adjusted our AROs related to ash ponds (see Note 8), but we

are currently unable to determine the full impact of the rule as it is contingent upon future activities required by the regulation.

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

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.

The following discussion contains forward-looking statements and should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and related footnotes of **DPL** and the Condensed Financial Statements and related footnotes of **DP&L** included in **Part I – Financial Information**, the risk factors in Item 1A to Part I of our Form 10-K for the fiscal year ending December 31, 2014 and in Item 1A to Part II of this Quarterly Report on Form 10-Q, and our "Forward-Looking Statements" section of this Form 10-Q. For a list of certain abbreviations or acronyms in this discussion, see the Glossary at the beginning of this Form 10-Q.

REGULATORY ENVIRONMENT

DPL's, **DP&L's** and our subsidiaries' facilities and operations are subject to a wide range of environmental regulations and laws by federal, state and local authorities. 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 in an effort to comply, or to determine compliance, with such regulations. We record liabilities for losses that are probable of occurring and can be reasonably estimated. See Note 10 of Notes to **DPL's** Condensed Consolidated Financial Statements and Note 11 of Notes to **DP&L's** Condensed Financial Statements.

On October 30, 2015 **DP&L** publicly announced its intent to file an application to increase its distribution rates at the Public Utilities Commission of Ohio on November 30, 2015. **DP&L** plans to use a 12-month test year of June 1, 2015 to May 31, 2016 to measure revenue and expenses and a date certain of September 30, 2015 to measure its asset base.

COMPETITION AND PJM PRICING

Capacity Auction Price

The PJM capacity base residual auction for the 2017/18 period cleared at a per megawatt price of $120/day for our RTO area. The per megawatt prices for the periods 2016/17, 2015/16 and 2014/15 were $59/day, $136/day and $126/day, respectively, based on previous auctions. As discussed below, a new Capacity Performance ("CP") program has been approved by the FERC, which will phase out RPM as of the 2018/19 period. During the phase-out period, the RPM auction results were modified based on transitional auctions that were conducted in the third quarter of 2015. We cannot predict the outcome of future auctions but based on actual results attained, we estimate that a hypothetical increase or decrease of $10/day in the capacity auction price would result in an annual impact to net income of approximately $7.0 million and $5.7 million for **DPL** and **DP&L**, respectively. These estimates do not, however, take into consideration the other factors that may affect the impact of capacity revenues and costs on net income such as our generation capacity, the levels of wholesale revenues and our retail customer load. These estimates are discussed further within Commodity Pricing Risk under the Market Risk section of this Management Discussion & Analysis.

On June 9, 2015, the FERC approved a proposal made by PJM to implement a new CP program. The FERC's conditions on approval include requiring PJM to make additional filings to change certain energy market rules to coordinate better with the new CP program and to make annual filings on the CP performance hours used in its calculations. The FERC's order approved transitional mechanisms under which the results of the auctions under the RPM program for the 2016/17 and 2017/18 periods would be modified based on transitional CP auctions that were held in the third quarter of 2015. The first full CP auction was also held in the third quarter of 2015 for the 2018/19 period.

The PJM CP base residual auction for the 2018/19 period cleared at a per megawatt price of $165/day for our RTO area. PJM also conducted CP transition auctions for the 2016/17 and 2017/18 periods to give market participants the option to upgrade to the new CP product. The CP transition auction for the 2016/17 period cleared at a per megawatt price of $134/day and the auction for the 2017/18 period cleared at a per megawatt price of $152/day.

As approved, the CP program offers the potential for higher capacity revenues, combined with substantially increased penalties for non-performance or under-performance during certain periods identified as "capacity performance hours." This linkage between non- or under-performance during certain specific hours means that a generation unit that is generally performing well on an annual basis, may incur substantial penalties if it happens to be unavailable for service during some capacity performance hours. Similarly, a generation unit that is generally performing poorly on an annual basis may avoid such penalties if its outages happen to occur only during hours that are not capacity performance hours. An annual "stop-loss" provision exists that limits the size of penalties to 150% of the net Cost of New Entry, which is a value computed by PJM. This level is likely to be larger than the capacity price established under the CP program, so that the potential exists that participation in the CP program could result in capacity penalties that exceed capacity revenues.

At present, **DP&L** is unable to project whether the CP program will be beneficial or negative to **DP&L's** operations, but the results could be material to **DP&L's** operations.

Ohio Competitive Considerations and Proceedings

Since January 2001, **DP&L's** electric customers have been permitted to choose their retail electric generation supplier. **DP&L** continues to have the exclusive right to provide delivery service in its state certified territory and the obligation to provide retail generation service to customers that do not choose an alternative supplier; however, the supply of electricity for **DP&L's** SSO customers is partially sourced through a competitive bid auction in 2014 and 2015, with 100% sourced through competitive bid starting January 2016. The PUCO maintains jurisdiction over **DP&L's** delivery of electricity, SSO and other retail electric services.

The following tables provide a summary of the number of electric customers and volumes supplied by DPLER and non-affiliated CRES providers in our service territory during the three and nine months ended September 30, 2015 and 2014:

	Three months ended September 30, 2015		Three months ended September 30, 2014	
	Electric Customers (a)	**Sales (in millions of kWh)**	**Electric Customers (a)**	**Sales (in millions of kWh)**
Supplied by DPLER (b)	112,726	991	134,703	1,366
Supplied by non-affiliated CRES providers	124,625	1,656	102,337	1,181
Total in DP&L's service territory	237,351	2,647	237,040	2,547
Distribution customers/sales by DP&L in our service territory (c)	515,372	3,646	514,371	3,498

(a) Customers at the end of each period.
(b) DPLER's customer mix has shifted from high-volume industrial consumers to lower volume residential consumers.
(c) The volumes supplied by DPLER represent approximately 27% and 39% of **DP&L's** total distribution volumes during the three months ended September 30, 2015 and 2014, respectively. We cannot determine the extent to which customer switching to CRES providers will occur in the future and the effect this will have on our operations, but any additional switching could have a significant adverse effect on our future results of operations, financial condition and cash flows.

	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
	Electric Customers (a)	Sales (in millions of kWh)	Electric Customers (a)	Sales (in millions of kWh)
Supplied by DPLER (b)	112,726	3,094	134,703	4,366
Supplied by non-affiliated CRES providers	124,625	4,525	102,337	3,183
Total in DP&L's service territory	237,351	7,619	237,040	7,549
Distribution customers/sales by DP&L in our service territory (c)	515,372	10,659	514,371	10,588

(a) Customers at the end of each period.
(b) DPLER's customer mix has shifted from high-volume industrial consumers to lower volume residential consumers.
(c) The volumes supplied by DPLER represent approximately 29% and 41% of **DP&L's** total distribution volumes during the nine months ended September 30, 2015 and 2014, respectively. We cannot determine the extent to which customer switching to CRES providers will occur in the future and the effect this will have on our operations, but any additional switching could have a significant adverse effect on our future results of operations, financial condition and cash flows.

DPLER, an affiliated company and one of the registered CRES providers, markets competitive transmission and generation services to **DP&L** customers.

FUEL AND RELATED COSTS

Fuel and Commodity Prices

The coal market is a global market in which domestic prices are affected by international supply disruptions and demand balance. In addition, domestic issues like government-imposed direct costs and permitting issues affect mining costs and supply availability. Our approach is to hedge the fuel costs for our anticipated electric sales. For the year ending December 31, 2015, we have substantially all our coal requirements under contract to meet our committed sales. We may not be able to hedge the entire exposure of our operations from commodity price volatility. If our suppliers do not meet their contractual commitments or we are not hedged against price volatility and we are unable to recover costs through the fuel and purchased power recovery rider, our results of operations, financial condition or cash flows could be materially affected.

RESULTS OF OPERATIONS – DPL

DPL's results of operations include the results of its subsidiaries, including the consolidated results of its principal subsidiary **DP&L**. All material intercompany accounts and transactions have been eliminated in consolidation. A separate specific discussion of the results of operations for **DP&L** is presented elsewhere in this report.

Income Statement Highlights – DPL

	Three months ended September 30,		Nine months ended September 30,	
$ in millions	**2015**	2014	**2015**	2014
Revenues:				
Retail	$ 279.7	$ 351.9	$ 878.5	$ 1,044.9
Wholesale	**76.2**	65.1	**226.7**	144.8
RTO revenues	18.3	18.5	53.8	64.0
RTO capacity revenues	**37.3**	41.2	**114.3**	68.5
Other revenues	2.6	2.6	8.3	8.3
Other mark-to-market losses	**—**	(0.1)	**(0.1)**	(0.9)
Total revenues	414.1	479.2	1,281.5	1,329.6
Cost of revenues:				
Fuel costs	72.1	85.3	203.2	236.1
Gains from the sale of coal	**(0.5)**	(0.3)	**(0.7)**	(0.4)
Mark-to-market losses / (gains)	(0.2)	0.1	(0.3)	0.2
Total fuel	**71.4**	85.1	**202.2**	235.9
Purchased power	**82.4**	76.2	**281.9**	264.8
RTO charges	24.4	37.6	79.5	125.7
RTO capacity charges	**35.5**	37.9	**94.2**	68.5
Mark-to-market losses	3.1	2.0	4.6	7.2
Total purchased power	**145.4**	153.7	**460.2**	466.2
Amortization of intangibles	**—**	0.3	**—**	0.9
Total cost of revenues	**216.8**	239.1	**662.4**	703.0
Gross margin [(a)]	$ **197.3**	$ 240.1	$ **619.1**	$ 626.6
Gross margin as a percentage of revenues	**48%**	50%	**48%**	47%
Operating income / (loss)	$ **40.3**	$ 90.5	$ **166.0**	$ 9.3

(a) For purposes of discussing operating results, we present and discuss gross margins. This format is useful to investors because it allows analysis and comparability of operating trends and includes the same information that is used by management to make decisions regarding our financial performance.

DPL – Revenues

Retail customers, especially residential and commercial customers, consume more electricity during warmer and colder weather than they do during mild temperatures. Therefore, our retail sales volume is impacted by the number of heating and cooling degree days occurring during a year. Cooling degree days typically have a more significant impact than heating degree days since some residential customers do not use electricity to heat their homes.

	Three Months Ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Heating degree days (a)	**35**	81	**3,707**	3,902
Cooling degree days (a)	**637**	576	**1,048**	968

(a) Heating and cooling degree days are a measure of the relative heating or cooling required for a home or business. The heating degrees in a day are calculated as the difference of the average actual daily temperature below 65 degrees Fahrenheit. For example, if the average temperature on March 20th was 40 degrees Fahrenheit, the heating degrees for that day would be the 25 degree difference between 65 degrees and 40 degrees. In a similar manner, cooling degrees in a day are the difference of the average actual daily temperature in excess of 65 degrees Fahrenheit.

Since we plan to utilize our internal generating capacity to supply our retail customers' needs first, increases in retail demand may decrease the volume of internal generation available to be sold in the wholesale market and vice versa. The wholesale market covers a multi-state area and settles on an hourly basis throughout the year. Factors impacting our wholesale sales volume each hour of the year include: wholesale market prices; our retail demand; retail demand elsewhere throughout the entire wholesale market area; availability of our plants and non-affiliated utility plants to sell into the wholesale market; and weather conditions across the multi-state region. Our plan is to make wholesale sales when market prices allow for the economic operation of our generation facilities not being utilized to meet our retail demand or when margin opportunities exist between the wholesale sales and power purchase prices.

The following table provides a summary of changes in revenues from the prior period:

$ in millions	Three months ended September 30, 2015 v 2014	Nine months ended September 30, 2015 v 2014
Retail		
Rate	$ (18.6)	$ (5.3)
Volume	**(53.1)**	**(154.3)**
Other miscellaneous	(0.5)	(6.8)
Total retail change	**(72.2)**	**(166.4)**
Wholesale		
Rate	0.4	24.0
Volume	**10.7**	**57.9**
Total wholesale change	11.1	81.9
RTO capacity & other		
RTO capacity and other revenues	**(4.1)**	**35.6**
Other		
Unrealized MTM	0.1	0.8
Total other revenue	**0.1**	**0.8**
Total revenues change	$ (65.1)	$ (48.1)

During the three months ended September 30, 2015, Revenues decreased $65.1 million to $414.1 million from $479.2 million in the same period of the prior year. This decrease was primarily the result of the sale of MC Squared on April 1, 2015, as well as lower retail revenue at DPLER due to the impact of customer switching. These decreases were partially offset by increased wholesale sales. The changes in the components of revenue are discussed below:

- Retail revenues decreased $72.2 million primarily due to the sale of MC Squared on April 1, 2015, which had sales of $35.8 million in the three months ended September 30, 2014. In addition, volumes decreased due to a loss of DPLER customers both within and outside of **DP&L's** service territory. **DP&L** continues to provide distribution service to all customers within its service territory. Also contributing to the decrease is lower retail revenue for **DP&L's** SSO customers as the competitive auction rate, which represents 60% of our SSO load in 2015 compared to 10% in 2014, is lower than our non-auction generation rate and higher cost recoveries at **DP&L** in the prior year. These decreases were partially offset by an increase in retail sales volume due to weather as cooling degree days were 11% higher.

- Wholesale revenues increased $11.1 million, due to a $10.7 million volume increase, as 60% of **DP&L's** SSO load is now being served through the competitive bid process compared to 10% during 2014, allowing excess generation to be sold in the wholesale market. This was partially offset by net generation being lower by 17% due to the 2014 sale of East Bend, the closing of Beckjord and the impact of unplanned outages.

- RTO capacity and other revenues, consisting primarily of compensation for use of **DP&L's** transmission assets, regulation services, reactive supply and operating reserves, and capacity payments under the RPM construct, decreased $4.1 million. This decrease was primarily the result of a $3.8 million decrease in revenues from the PJM capacity auction. Although the per megawatt capacity prices that became effective in June 2015 were $136/day, compared to $126/day in June 2014, the decrease is a result of the 2014 sale of East Bend and the closing of Beckjord, as well as lower commercial availability due to unplanned outages as noted above, which caused the overall capacity to be less.

During the nine months ended September 30, 2015, Revenues decreased $48.1 million to $1,281.5 million from $1,329.6 million in the same period of the prior year. This decrease was primarily the result of decreased retail revenues partially offset by increased wholesale and RTO capacity revenues. The changes in the components of revenue are discussed below:

- Retail revenues decreased $166.4 million primarily due to the sale of MC Squared on April 1, 2015. MC Squared had sales of $64.6 million during the period after April 1, 2014 through September 30, 2014. In addition, volumes decreased driven by a loss of DPLER customers both within and outside of **DP&L's** service territory. **DP&L** continues to provide distribution service to all customers within its service territory. Also contributing to the decrease is a 5% decrease in heating degree days compared to the same period in 2014, lower retail revenue for SSO customers as the competitive auction rate, which represents 60% of our SSO load in 2015 compared to 10% in 2014, is lower than our non-auction generation rate and higher cost recoveries at **DP&L** in the prior year.

- Wholesale revenues increased $81.9 million due to a $57.9 million increase in volume and a favorable price variance of $24.0 million. The increase in volume is primarily driven by 60% of **DP&L's** SSO load being served through the competitive bid process compared to 10% during 2014, allowing excess generation to be sold in the wholesale market. This was partially offset by a 15% decrease in net generation from **DP&L's** co-owned and operated plants primarily due to the 2014 sale of East Bend, the closing of Beckjord, as well as increased unplanned outages. The year over year price increase is a result of the impact of realized derivative losses in 2014 largely due to extreme weather during January of 2014.

- RTO capacity and other revenues, consisting primarily of compensation for use of **DP&L's** transmission assets, regulation services, reactive supply and operating reserves, and capacity payments under the RPM construct, increased $35.6 million. This increase was primarily the result of a $45.8 million increase in revenues realized from the PJM capacity auction The per megawatt capacity prices that became effective in June 2015 were $136/day, compared to $126/day in June 2014 and $28/day in June 2013. This increase was offset by a $10.1 million decrease in RTO transmission and congestion revenue, as 2014 congestion revenue charges were higher due to extreme weather.

DPL – Cost of Revenues

During the three months ended September 30, 2015, Cost of Revenues decreased $22.3 million, or 9%, compared to the same period in the prior year:

- Net fuel costs, which include coal, gas, oil and emission allowance costs, decreased $13.7 million, or 16%, primarily due to a 17% decrease in internal generation at our plants, partially offset by a 2% increase in average fuel cost per MWh.

- Net purchased power decreased $8.3 million, or 5%, primarily due to decreased other RTO charges of $13.2 million as a result of higher transmission and congestion charges incurred in 2014. In addition, RTO capacity charges decreased $2.4 million driven by our decreased load obligations for retail customers in 2015, partially offset by a $7.3 million PJM penalty accrual associated with low plant availability in 2015 and higher RTO capacity prices, as noted above. RTO charges are incurred as a member of PJM and include costs associated with our load obligations for retail customers. These RTO-related decreases were partially offset by a $6.2 million increase in purchased power due to a $10.7 million increase in price, partially offset by a $4.5 million decrease in volume attributable to decreased power purchased to sell to DPLER, as a result of the sale of MC Squared and decreased customers in 2015 compared to the same period in 2014, partially offset by volume increases driven by increased power purchased to source our SSO load through the competitive bid process. We purchase power for our SSO load sourced through the competitive bid process and to satisfy retail sales volume when generating facilities are not available due to planned and unplanned outages, when market prices are below the marginal costs associated with our generating facilities, or to meet high customer demand.

For the nine months ended September 30, 2015, Cost of Revenues decreased $40.6 million, or 6%, compared to the same period in the prior year:

- Net fuel costs, which include coal, gas, oil and emission allowance costs, decreased $33.7 million, or 14%, primarily due to a 15% decrease in internal generation at our plants partially offset by a 2% increase in average fuel cost per MWh.

- Net purchased power decreased $6.0 million, or 1%, due to a $46.2 million decrease in other RTO charges and a $2.6 million decrease in net MTM losses. These decreases were partially offset by a $17.1 million increase in purchased power, due to an $18.8 million price increase, partially offset by a $1.7 million volume decrease attributable to decreased power purchased to sell to DPLER, as a result of the sale of MC Squared and decreased customers in 2015 compared to the same period in 2014, partially offset by volume increases driven by increased power purchased to source our SSO load through the competitive bid process. In addition, there were increased RTO capacity charges of $25.7 million driven by a $7.3 million PJM penalty associated with low plant availability in 2015 and higher RTO capacity prices, partially offset by a decreased load obligations for retail customers in 2015. As noted above, RTO capacity prices are set by an annual auction. RTO charges are incurred as a member of PJM and include costs associated with our load obligations for retail customers. We purchase power for our SSO load sourced through the competitive bid process and to satisfy retail sales volume when generating facilities are not available due to planned and unplanned outages, when market prices are below the marginal costs associated with our generating facilities, or to meet high customer demand.

DPL – Operation and Maintenance

The following table provides a summary of changes in operation and maintenance expense from the prior year periods:

$ in millions	Three months ended September 30, 2015 v 2014	Nine months ended September 30, 2015 v 2014
Low-income payment program [a]	$ (4.4)	$ (14.9)
Competitive retail operations	(1.2)	(7.7)
Alternative energy and energy efficiency programs [a]	3.5	0.5
Retirement benefits	0.3	(2.1)
Maintenance of overhead transmission and distribution lines	2.4	(2.9)
Deferred storm costs [a]	4.4	13.1
Other, net	2.4	0.8
Total change in operation and maintenance expense	$ 7.4	$ (13.2)

(a) There is a corresponding offset in Revenues associated with these programs.

During the three months ended September 30, 2015, Operation and maintenance expense increased $7.4 million, compared to the same period in the prior year. This variance was primarily the result of:

- increased expenses for the alternative energy and energy efficiency programs,
- increased costs associated with our retirement benefit plans,
- increased maintenance of overhead transmission and distribution lines primarily due to storms in the third quarter of 2015, and
- increased storm costs, which were previously deferred but are now being recognized as they are recovered through customer rates.

These decreases were partially offset by:

- decreased expenses for the low-income payment program which is funded by the USF revenue rate rider, and
- decreased marketing, customer maintenance and labor costs associated with the competitive retail business.

During the nine months ended September 30, 2015, Operation and maintenance expense decreased $13.2 million, compared to the same period in the prior year. This variance was primarily the result of:

- decreased expenses for the low-income payment program which is funded by the USF revenue rate rider,
- decreased marketing, customer maintenance and labor costs associated with the competitive retail business,
- decreased costs associated with our retirement benefit plans, and
- decreased maintenance of overhead transmission and distribution lines primarily due to storms in the first quarter of 2014.

These decreases were partially offset by:

- increased expenses for the alternative energy and energy efficiency programs, and
- increased storm costs, which were previously deferred but are now being recognized as they are recovered through customer rates.
- increased expenses for the alternative energy and energy efficiency programs.

DPL – Depreciation and Amortization

For the three months ended September 30, 2015, Depreciation and amortization expense did not change significantly from the same period in the prior year. Depreciation expense decreased due to the sale of the East Bend Plant and the retirement of the Beckjord Plant; this decrease was offset by increased depreciation associated with increased ARO assets and net plant additions.

For the nine months ended September 30, 2015, Depreciation and amortization expense did not change significantly from the same period in the prior year. Depreciation expense decreased due to the sale of the East Bend Plant and the retirement of the Beckjord Plant; this decrease was offset by increased depreciation associated with increased ARO assets and net plant additions.

DPL – General Taxes
For the three months ended September 30, 2015, General taxes did not change significantly from the same period in the prior year.

For the nine months ended September 30, 2015, General taxes decreased $2.5 million compared to the same period in the prior year. The decrease was primarily due to a 2014 adjustment to the 2013 estimated property tax liability to adjust estimates to actual payments made in 2014 partially offset by higher property tax accruals for 2015 compared to 2014.

DPL – Interest Expense
Interest expense during the three months ended September 30, 2015 decreased $4.2 million compared to the same period in the prior year. This was primarily driven by debt prepayments and the refinancing of certain debt.

Interest expense during the nine months ended September 30, 2015 decreased $5.5 million compared to the same period in the prior year. This was primarily driven by debt prepayments and the refinancing of certain debt, partially offset by an increase related to the recovery of previously deferred carrying costs on regulatory assets of $1.3 million.

DPL – Income Tax Expense
For the three and nine months ended September 30, 2015, Income tax expense increased $41.3 million and decreased $16.2 million, respectively, compared to the same periods in the prior year, primarily due to the application of an estimated annual Effective Tax Rate (ETR) approach in accordance with ASC 740-270, Interim Reporting. The ETR for 2015 is estimated to be 30.8% as compared to the estimated ETR applied to the prior year period of (42.3)%. The primary factor impacting the 2014 ETR was the non-deductible goodwill impairment recorded in the first quarter of 2014. There were several adjustments recorded in 2015 that also contributed to the overall decrease in tax expense in the nine month period, the most significant of which were the tax effects due to the sale of MC Squared of $5.6 million and an anticipated refund of $2.2 million from the IRS for the filing of an amended 2011 predecessor tax return for the inclusion of the domestic manufacturing deduction.

RESULTS OF OPERATIONS BY SEGMENT – DPL

DPL's two segments are the Utility segment, comprised of its **DP&L** subsidiary, and the Competitive Retail segment, comprised of its competitive retail electric service subsidiaries. These segments are discussed further below:

Utility Segment
The Utility segment is comprised of **DP&L's** electric generation, transmission and distribution businesses which generate and distribute electricity to residential, commercial, industrial and governmental customers. **DP&L** generates electricity at five coal-fired power plants and distributes electricity to more than 515,000 retail customers who are located in a 6,000 square mile area of west central Ohio. During 2015, **DP&L** is required to source 60% of the generation for its SSO customers through a competitive bid process, followed by 100% beginning in 2016. By PUCO order, **DP&L** is required to divest its generation assets by January 1, 2017. **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.

Competitive Retail Segment
The Competitive Retail segment was 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. On April 1, 2015, DPLER closed on the sale of MC Squared. MC Squared, a Chicago-based retail electricity supplier, served more than 116,000 customers in Northern Illinois while it was owned by DPLER. As of September 30, 2015, the Competitive Retail segment sold electricity to approximately 128,000 customers currently located throughout Ohio. The Competitive Retail segment's electric energy used to meet its sales obligations was purchased from **DP&L**.

DP&L sells power to DPLER and sold power to MC Squared under wholesale agreements. Under these agreements, intercompany sales from **DP&L** to DPLER (and previously to MC Squared) are based on fixed-price contracts for each DPLER contract. The price approximates market prices for wholesale power at the inception of each customer's contract. The operations of the Competitive Retail segment are not subject to cost-of-service rate regulation by federal or state regulators.

Other

Included within Other are businesses that do not meet the GAAP requirements for separate disclosure as reportable segments as well as certain corporate costs, which include amortization of intangibles recognized in conjunction with the Merger and interest expense on **DPL's** debt.

Management primarily evaluates segment performance based on gross margin.

See Note 11 of Notes to **DPL's** Condensed Consolidated Financial Statements for further discussion of **DPL's** reportable segments.

The following tables presents **DPL's** gross margin by business segment:

	Three months ended September 30,		Increase /
	2015	2014	**(Decrease)**
Utility	$ 177.7	$ 218.0	$ (40.3)
Competitive Retail	**10.4**	12.6	(2.2)
Other	10.0	10.3	(0.3)
Adjustments and eliminations	**(0.8)**	(0.8)	—
Total consolidated	$ 197.3	$ 240.1	$ (42.8)

	Nine months ended September 30,		Increase /
	2015	2014	**(Decrease)**
Utility	$ 561.4	$ 567.8	$ (6.4)
Competitive Retail	**27.5**	34.9	(7.4)
Other	32.7	26.4	6.3
Adjustments and eliminations	**(2.5)**	(2.5)	—
Total consolidated	$ 619.1	$ 626.6	$ (7.5)

The financial condition, results of operations and cash flows of the Utility segment are identical in all material respects, and for both periods presented, to those of **DP&L** which are included in this Form 10-Q. We do not believe that additional discussions of the financial condition and results of operations of the Utility segment would enhance an understanding of this business since these discussions are already included under the **DP&L** discussions following.

Income Statement Highlights – Competitive Retail Segment

$ in millions	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenues:				
Retail	$ 77.0	$ 140.7	$ 273.6	$ 414.9
RTO and other	—	0.6	0.9	—
Total revenues	77.0	141.3	274.5	414.9
Cost of revenues:				
Purchased power	66.6	128.7	247.0	380.0
Gross margin[a]	10.4	12.6	27.5	34.9
Operation and maintenance expense	6.0	7.2	18.3	26.0
Other expense / (income)	0.2	0.9	0.9	2.6
Total expenses	6.2	8.1	19.2	28.6
Earnings before income tax	4.2	4.5	8.3	6.3
Income tax expense / (benefit)	1.6	1.5	(2.6)	2.1
Net income	$ 2.6	$ 3.0	$ 10.9	$ 4.2
Gross margin as a percentage of revenues	14%	9%	10%	8%

(a) For purposes of discussing operating results, we present and discuss gross margins. This format is useful to investors because it allows analysis and comparability of operating trends and includes the same information used by management to make decisions regarding our financial performance.

Competitive Retail Segment – Revenue

For the three months ended September 30, 2015, the segment's retail revenues decreased $64.3 million, or 46%, compared to the same period in the prior year, primarily due to the sale of MC Squared on April 1, 2015, which had sales of $35.8 million in the three months ended September 30, 2014, as well as decreased customer contract renewals in Ohio markets. The Competitive Retail segment sold approximately 1,391 million kWh of power to approximately 128,000 customers for the three months ended September 30, 2015 compared to approximately 2,498 million kWh (which included 571 million kWh for MC Squared) of power to more than 274,000 customers (which included approximately 117,000 MC Squared customers) during the same period of the prior year.

For the nine months ended September 30, 2015, the segment's retail revenues decreased $140.4 million, or 34%, compared to the same period in the prior year, primarily due to decreased customer contract renewals in Ohio and the sale of MC Squared on April 1, 2015, which had sales of $64.5 million in the six months ended September 30, 2014. In addition there were weather related volume decreases. The Competitive Retail segment sold approximately 4,762 million kWh (which included 500 million kWh for MC Squared) of power to approximately 128,000 customers for the nine months ended September 30, 2015 compared to approximately 7,614 million kWh (which included 1,728 million kWh for MC Squared) of power to more than 274,000 customers (which included approximately 117,000 MC Squared customers) customers during the same period of the prior year.

Competitive Retail Segment – Purchased Power

For the three months ended September 30, 2015, the segment's purchased power decreased $62.1 million, or 48%, compared to the same period in the prior year primarily due to the sale of MC Squared and a loss of DPLER customers both within and outside of **DP&L's** service territory. The Competitive Retail segment's electric energy used to meet its sales obligations was purchased from **DP&L**.

For the nine months ended September 30, 2015, the segment's purchased power decreased $133.0 million, or 35%, compared to the same period in the prior year primarily due to the sale of MC Squared.

Competitive Retail Segment – Operation and Maintenance
For both the three and nine months ended September 30, 2015, DPLER's operation and maintenance expenses decreased compared to the same period in the prior year, primarily due to decreased marketing and sales expense, as well as the sale of MC Squared.

Competitive Retail Segment – Income Tax Expense
For the three months ended sep, the segment's income tax expense did not change significantly from the same period in the prior year.

For the nine months ended September 30, 2015, the segment's income tax expense decreased $4.7 million compared to the same period in the prior year primarily due to the discrete adjustment for the sale of MC Squared in the amount of $5.6 million. This decrease is partially offset by an increase to expense due to higher pre-tax income.

RESULTS OF OPERATIONS – DP&L

Income Statement Highlights – DP&L

	Three months ended September 30,		Nine months ended September 30,	
$ in millions	**2015**	2014	**2015**	2014
Revenues:				
Retail	$ 203.6	$ 212.2	$ 607.5	$ 632.5
Wholesale	**138.9**	191.0	**451.4**	502.8
RTO revenues	16.4	17.8	50.3	60.1
RTO capacity revenues	**30.3**	34.1	**93.4**	56.8
Other mark-to-market gains	—	(0.2)	—	0.3
Total revenues	**389.2**	454.9	**1,202.6**	1,252.5
Cost of revenues:				
Fuel costs	**69.7**	84.7	**189.9**	227.6
Gains from the sale of coal	(0.5)	(0.3)	(0.7)	(0.4)
Mark-to-market losses / (gains)	**(0.2)**	0.1	**(0.3)**	0.2
Total fuel	69.0	84.5	188.9	227.4
Purchased power	82.1	75.3	280.5	260.2
RTO charges	**24.0**	37.5	**75.8**	122.0
RTO capacity charges	33.4	37.4	91.4	67.9
Mark-to-market losses	**3.0**	2.2	**4.6**	7.2
Total purchased power	142.5	152.4	452.3	457.3
Total cost of revenues	211.5	236.9	641.2	684.7
Gross margin[a]	$ 177.7	$ 218.0	$ 561.4	$ 567.8
Gross margin as a percentage of revenues	46%	48%	47%	45%
Operating income	$ 28.5	$ 75.5	$ 130.9	$ 126.6

(a) For purposes of discussing operating results, we present and discuss gross margins. This format is useful to investors because it allows analysis and comparability of operating trends and includes the same information used by management to make decisions regarding our financial performance.

DP&L – Revenues

Retail customers, especially residential and commercial customers, consume more electricity on warmer and colder days. Therefore, **DP&L's** retail sales volume is impacted by the number of heating and cooling degree days occurring during a year. Since **DP&L** plans to utilize its internal generating capacity to supply its retail customers' needs first, increases in retail demand will decrease the volume of internal generation available to be sold in the wholesale market and vice versa.

The wholesale market covers a multi-state area and settles on an hourly basis throughout the year. Factors impacting **DP&L's** wholesale sales volume each hour throughout the year include: wholesale market prices, **DP&L's** retail demand and retail demand elsewhere throughout the entire wholesale market area, **DP&L** and non-**DP&L** plants' availability to sell into the wholesale market and weather conditions across the multi-state region. **DP&L's** plan is to make wholesale sales when market prices allow for the economic operation of its generation facilities that are not being utilized to meet its retail demand.

The following table provides a summary of changes in revenues from the prior period:

$ in millions	Three months ended September 30, 2015 v 2014	Nine months ended September 30, 2015 v 2014
Retail		
Rate	$ (17.3)	$ (18.4)
Volume	9.1	1.0
Other miscellaneous	(0.4)	(7.6)
Total retail change	(8.6)	(25.0)
Wholesale		
Rate	(12.6)	15.4
Volume	(39.5)	(66.8)
Total wholesale change	(52.1)	(51.4)
RTO capacity & other		
RTO capacity and other revenues	(5.0)	26.5
Total revenues change	$ (65.7)	$ (49.9)

For the three months ended September 30, 2015, Revenues decreased $65.7 million to $389.2 million from $454.9 million in the same period in the prior year. The changes in the components of revenue are discussed below:

- Retail revenues decreased $8.6 million as a result of a price decrease of $17.3 million due to higher recovery of transmission costs in the prior year and a decrease in the 2015 USF program recovery rate combined with lower retail revenue for SSO customers as the competitive auction rate, which represents 60% of our SSO load in 2015 compared to 10% in 2014, is lower than our non-auction generation rate. These decreases were partially offset by a price increase driven by recovery of deferred storm costs in 2015. The overall price decrease was partially offset by a volume increase of $9.1 million driven by weather.

- Wholesale revenues decreased $52.1 million, $39.5 million primarily due to a decrease in volume driven by decreased intercompany sales to DPLER, as a result of the sale of MC Squared and decreased customers in 2015 compared to the same period in 2014 and an 18% decrease in net generation from **DP&L's** co-owned and operated plants due to the 2014 sale of East Bend, the closing of Beckjord and increased unplanned outages. These decreases were partially offset by increased sales resulting from 60% of SSO load being served through the competitive bid process compared to 10% during 2014 allowing excess generation to be sold in the wholesale market. In addition, there was a $12.6 million decrease due to price.

- RTO capacity and other revenues, consisting primarily of compensation for use of **DP&L's** transmission assets, regulation services, reactive supply and operating reserves, and capacity payments under the RPM construct, decreased $5.0 million. This decrease was primarily the result of a $3.8 million decrease in revenues from the PJM capacity auction due to lower overall capacity as a result of the 2014 sale of East Bend and the closing of Beckjord, as well as lower commercial availability due to unplanned outages as noted above. This was partially offset by increased capacity prices as the per megawatt capacity prices that became effective in June 2015 were $136/day, compared to $126/day in June 2014.

For the nine months ended September 30, 2015, Revenues decreased $49.9 million to $1,202.6 million from $1,252.5 million in the same period in the prior year. The changes in the components of revenue are discussed below:

- Retail revenues decreased $25.0 million primarily due to lower retail prices due to higher recovery of transmission costs in the prior year and a decrease in the 2015 USF program recovery rate combined with decreased retail revenue for SSO customers as the competitive auction rate, which represents 60% of our

SSO load in 2015 compared to 10% in 2014, is lower than our non-auction generation rate. These decreases were partially offset by a price increase driven by recovery of deferred storm costs in 2015.

- Wholesale revenues decreased $51.4 million due to a $66.8 million decrease in volume, partially offset by a favorable price variance of $15.4 million. The decrease in volume is driven by decreased intercompany sales to DPLER and a 17% decrease in net generation from **DP&L's** co-owned and operated plants primarily due to the 2014 sale of East Bend and the closing of Beckjord as well as increased unplanned outages, partially offset by increased sales resulting from 60% of SSO load being served through the competitive bid process compared to 10% during 2014 allowing excess generation to be sold in the wholesale market. The year over year price increase is a result of the impact of realized derivative losses in 2014 largely due to extreme weather during January 0f 2014.

- RTO capacity and other revenues, consisting primarily of compensation for use of **DP&L's** transmission assets, regulation services, reactive supply and operating reserves, and capacity payments under the RPM construct, increased $26.5 million. This increase was primarily the result of a $36.6 million increase in revenues realized from the PJM capacity auction offset by a $9.8 million decrease in RTO transmission and congestion revenue, as 2014 congestion revenue charges were higher due to extreme weather. The per megawatt capacity prices for the PJM base residual auction for the 2015-2016 delivery year that became effective in June of 2015 were $136/day, compared to $126/day in June of 2014 and $28/day per day in June of 2013.

DP&L – Cost of Revenues

For the three months ended September 30, 2015, Cost of Revenues decreased $25.4 million, or 11%, compared to the same period in the prior year:

- Net fuel costs, which include coal, gas, oil and emission allowance costs, decreased $15.5 million, or 18%, primarily due to an 18% decrease in internal generation at our plants.

- Net purchased power decreased $9.9 million, or 6%, due largely to a $4.3 million volume decrease attributable to decreased power purchased to sell to DPLER, as a result of the sale of MC Squared and decreased customers in 2015 compared to the same period in the prior year, partially offset by volume increases driven by increased power purchased to source our SSO load through the competitive bid process. In addition, other RTO charges decreased $13.5 million and RTO capacity charges decreased $4.0 million driven by our decreased load obligations for retail customers in 2015, partially offset by a $7.3 million PJM penalty accrual associated with low plant availability in 2015 and higher RTO capacity prices. These decreases were partially offset by an $11.1 million increase due to higher average prices compared to the same period in 2014 and a slight increase in net MTM losses. As noted above, RTO capacity prices are set by an annual auction. RTO charges are incurred as a member of PJM and include costs associated with our load obligations for retail customers. We purchase power for our SSO load sourced through the competitive bid process and to satisfy retail sales volume when generating facilities are not available due to planned and unplanned outages, when market prices are below the marginal costs associated with our generating facilities, or to meet high customer demand.

For the nine months ended September 30, 2015, Cost of Revenues decreased $43.5 million, or 6%, compared to the same period in the prior year:

- Net fuel costs, which include coal, gas, oil and emission allowance costs, decreased $38.5 million, or 17%, primarily due to a 17% decrease in internal generation at our plants.

- Net purchased power decreased $5.0 million, or 1%, due largely to a $46.2 million decrease in other RTO charges and a $2.6 million decrease in net MTM losses. These decreases were partially offset by a $20.3 million increase in purchased power, due to a $21.9 million price increase, partially offset by a $1.6 million volume decrease, and increased RTO capacity charges of $23.5 million driven by a $7.3 million PJM penalty accrual associated with low plant availability in 2015 and higher RTO capacity prices, partially offset by decreased load obligations for retail customers in 2015. As noted above, RTO capacity prices are set by an annual auction. RTO charges are incurred as a member of PJM and include costs associated with our load obligations for retail customers. We purchase power for our SSO load sourced through the competitive bid process and to satisfy retail sales volume when generating facilities are not available due to

planned and unplanned outages, when market prices are below the marginal costs associated with our generating facilities, or to meet high customer demand.

DP&L – Operation and Maintenance

The following table provides a summary of changes in Operation and maintenance expense from the prior year periods:

$ in millions	Three months ended September 30, 2015 v 2014	Nine months ended September 30, 2015 v 2014
Low-income payment program [a]	$ (4.4)	$ (14.9)
Alternative energy and energy efficiency programs [a]	3.5	0.5
Retirement benefits	0.5	(1.5)
Maintenance of overhead transmission and distribution lines	2.4	(2.9)
Deferred storm costs [a]	4.4	13.1
Other, net	2.2	1.4
Total change in operation and maintenance expense	$ 8.6	$ (4.3)

(a) There is a corresponding offset in Revenues associated with these programs.

For the three months ended September 30, 2015, Operation and maintenance expense increased $8.6 million, compared to the same period in the prior year. This variance was primarily the result of:

- increased expenses for the alternative energy and energy efficiency programs,
- increased costs associated with our retirement benefits plan,
- increased maintenance of overhead transmission and distribution lines primarily due to storms in the third quarter of 2015, and
- increased storm costs, which were previously deferred but are now being recognized as they are recovered through customer rates.

These increases were partially offset by:

- decreased expenses for the low-income payment program which is funded by the USF revenue rate rider.

For the nine months ended September 30, 2015, Operation and maintenance expense decreased $4.3 million, compared to the same period in the prior year. This variance was primarily the result of:

- decreased expenses for the low-income payment program which is funded by the USF revenue rate rider,
- decreased costs associated with our retirement benefits plan,
- and decreased maintenance of overhead transmission and distribution lines primarily due to storms in the first quarter of 2014.

These decreases were partially offset by:

- increased expenses for the alternative energy and energy efficiency programs, and
- increased storm costs, which were previously deferred but are now being recognized as they are recovered through customer rates.

DP&L – Depreciation and Amortization

For the three months ended September 30, 2015, Depreciation and amortization expense decreased $1.8 million compared to the same period in the prior year primarily due to the sale of the East Bend Plant and the retirement of the Beckjord Plant, partially offset by increased depreciation associated with increased ARO assets and net plant additions.

For the nine months ended September 30, 2015, Depreciation and amortization expense decreased $4.7 million compared to the same period in the prior year primarily due to the sale of the East Bend Plant and the retirement of

the Beckjord Plant, partially offset by increased depreciation associated with increased ARO assets and net plant additions.

DP&L – General Taxes
For the three months ended September 30, 2015, General taxes did not change significantly from the same period in the prior year.

For the nine months ended September 30, 2015, General taxes decreased $2.1 million compared to the same period in the prior year. The decrease was primarily due to a 2014 adjustment to the 2013 estimated property tax liability to adjust estimates to actual payments made in 2014 partially offset by higher property tax accruals for 2015 compared to the prior year.

DP&L – Interest Expense
Interest expense during the three months ended September 30, 2015 decreased $2.5 million compared to the same period in the prior year. This was primarily driven by debt prepayments and the refinancing of certain debt as well as the timing of deferrals and recoveries of carrying charges on **DP&L's** regulatory riders. Deferrals of carrying charges are recorded as a decrease to interest expense, while recoveries are recorded as an increase to interest expense.

Interest expense during the nine months ended September 30, 2015 decreased $0.9 million compared to the same period in the prior year. This was primarily driven by debt prepayments and the refinancing of certain debt as well as the timing of deferrals and recoveries of carrying charges on **DP&L's** regulatory riders.

DP&L – Income Tax Expense
For the three months ended September 30, 2015, Income tax expense decreased $12.3 million compared to the same period in the prior year primarily due to lower pre-tax income in 2015 and an anticipated refund from the IRS for the filing of an amended 2011 predecessor tax return to include the domestic manufacturing deduction. Partially offsetting the decrease is the 2014 adjustment to the tax reserves which did not occur in 2015.

For the nine months ended September 30, 2015, Income tax expense increased $1.9 million compared to the same period in the prior year primarily due to a 2014 adjustment to the tax reserves which did not occur in 2015. Partially offsetting the 2014 adjustment is the anticipated refund from the IRS for the filing of an amended 2011 predecessor tax return to include the domestic manufacturing deduction.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL REQUIREMENTS

DPL's financial condition, liquidity and capital requirements include the results of its principal subsidiary **DP&L**. All material intercompany accounts and transactions have been eliminated in consolidation.

The significant items that have affected the cash flows for **DPL** and **DP&L** are discussed in greater detail below:

Net cash from operating activities
The revenue from our utility business continues to be the principal source of cash from operating activities while our primary uses of cash include payments for fuel, purchased power, operation and maintenance expenses, interest and taxes. For the nine months ended September 30, 2015, net cash from operating activities increased $86.0 million compared to the net cash from operating activities for the nine months ended September 30, 2014 and was primarily driven by higher net income adjusted for depreciation and amortization, the impact of deferred income taxes, 2014 impairments, increased supplier security deposits related to the competitive bid process and the timing of collections year over year.

Net cash from investing activities
Capital expenditures, primarily related to transmission and distribution continue to be our principal use of cash related to investing activities. For the nine months ended September 30, 2015, there was a $3.9 million decrease in net cash used by investing activities compared to the nine months ended September 30, 2014, primarily driven by the change in restricted cash year over year and less purchases of renewable energy credits in 2015, partially offset by increased capital expenditures in 2015.

Net cash from financing activities
During the nine months ended September 30, 2015, **DPL** issued $125.0 million of long-term debt and paid $160.0 million of long-term debt related to the refinancing of its term loan. **DP&L** issued $200.0 million of long-term debt and paid $314.5 million for the retirement of long-term debt. In addition, **DP&L** borrowed $50.0 million from its revolving credit facilities and repaid $40.0 million, and paid dividends on its preferred stock and on its common stock to its parent, **DPL**.

During the nine months ended September 30, 2014, **DPL** borrowed and repaid $115.0 million to revolving credit facilities and also repaid $30.0 million on its term loan. In addition, **DP&L** borrowed and subsequently repaid $15.0 million from **DPL** and paid dividends and preferred stock to its parent, **DPL**.

Liquidity
We expect our existing sources of liquidity to remain sufficient to meet our anticipated operating needs. Our business is capital intensive, requiring significant resources to fund operating expenses, construction expenditures, scheduled debt maturities and carrying costs, potential margin requirements related to energy hedges and dividend payments. In 2015 and subsequent years, we expect to satisfy these requirements with a combination of cash from operations and funds from debt financing as internal liquidity needs and market conditions warrant. We also expect that the borrowing capacity under bank credit facilities will continue to be available to us to manage working capital requirements during these periods.

At the filing date of this quarterly report on Form 10-Q, **DP&L** and **DPL** have access to the following revolving credit facilities:

$ in millions	Type	Maturity	Commitment	Amounts available as of filing date
DP&L	Revolving	July 2020	$ 175.0	$ 163.6
DPL	Revolving	July 2020	205.0	202.7
			$ 380.0	$ 366.3

DP&L has an unsecured revolving credit agreement with a syndicated bank group. Prior to refinancing the facility on July 31, 2015, as discussed below, this facility had a $300.0 million borrowing limit, a five-year term expiring on May 10, 2018, a $100.0 million letter of credit sublimit and a feature that provided **DP&L** the ability to increase the size of the facility by an additional $100.0 million.

On July 31, 2015, **DP&L** refinanced its revolving credit facility, reducing the total size from $300.0 million to $175.0 million, with a $50.0 million letter of credit sublimit and a feature that provides **DP&L** the ability to increase the size of the facility by an additional $100.0 million, and extending the life of the facility from May 2018 to July 2020. At September 30, 2015, **DP&L** had drawn $10.0 million under this facility and had two letters of credit in the amount of $1.4 million outstanding, with the remaining $163.6 million available to **DP&L**. Fees associated with this letter of credit facility were not material during the nine months ended September 30, 2015 or 2014.

DPL has a revolving credit facility. This facility has a letter of credit sublimit and a feature that provides **DPL** the ability to increase the size of the facility. Prior to refinancing the facility on July 31, 2015, as discussed below, this facility was unsecured and had a borrowing limit of $100.0 million with a $100.0 million letter of credit sublimit, was able to be increased in size by **DPL** by an additional $50.0 million and had a five year term expiring on May 10, 2018; with a springing maturity, meaning that if **DPL** had not refinanced its senior unsecured bonds due October 2016 before July 15, 2016, then the maturity of this facility would have been July 15, 2016.

On July 31, 2015, **DPL** refinanced its revolving credit facility, increasing the total size from $100.0 million to $205.0 million, with a $200.0 million letter of credit sublimit and a feature that provides **DPL** the ability to increase the size of the facility by an additional $95.0 million This facility is secured by a pledge of common stock that **DPL** owns in **DP&L**, limited to the amount permitted to be pledged under certain Indentures dated October 3, 2011 and October 6, 2014 between **DPL** and Wells Fargo Bank, NA and U.S. Bank National Association, respectively, as Trustee and a limited recourse guarantee by DPLE secured by assets of DPLE. On October 29, 2015, **DPL** further secured the credit facility through a leasehold mortgage on additional assets of DPLE. The refinancing extended the life of the facility from May 2018 to July 2020. **DPL's** new credit facility has a springing maturity feature providing that if, before July 1, 2019, **DPL** has not refinanced its senior unsecured bonds due October 2019 to have a maturity date that is at least six months later than July 31, 2020, then the maturity of this facility shall be July 1, 2019.

Cash and cash equivalents for **DPL** and **DP&L** amounted to $43.0 million and $10.7 million, respectively, at September 30, 2015. At that date, neither **DPL** nor **DP&L** had any short-term investments that were not included in cash and cash equivalents.

Capital Requirements

Planned construction additions for 2015 relate primarily to new investments in and upgrades to **DP&L's** power plant equipment and transmission and distribution system. Capital projects are subject to continuing review and are revised in light of changes in financial and economic conditions, load forecasts, legislative and regulatory developments and changing environmental standards, among other factors.

DPL is projecting to spend an estimated $469.0 million in capital projects for the period 2015 through 2017, of which $383.0 million is projected to be spent by **DP&L**. **DP&L** is subject to the mandatory reliability standards of NERC and Reliability First Corporation (RFC), one of the eight NERC regions of which **DP&L** is a member. **DP&L** anticipates spending approximately $6.8 million within the next five years to reinforce its 138 kV system to comply with NERC standards. Our ability to complete capital projects and the reliability of future service will be affected by our financial condition, the availability of internal funds and the reasonable cost of external funds. We expect to finance our construction additions with a combination of cash on hand, short-term financing, long-term debt and cash flows from operations.

Debt Covenants

The **DPL** revolving credit facility and the **DPL** term loan agreement have a Total Debt to EBITDA ratio that will be 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 ratio in the agreements is not to exceed 7.25 to 1.00 for any fiscal quarter ending September 30, 2015 through December 31, 2018; it then steps down to not exceed 6.25 to 1.00 for any fiscal quarter ending March 31, 2019 through December 31, 2019; and it then steps down not to exceed 5.75 to 1.00 for any fiscal quarter ending March 31, 2020 through July 31, 2020. As of September 30, 2015, the financial covenant was met with a ratio of 5.13 to 1.00.

The **DPL** revolving credit facility and the **DPL** term loan agreement also have an EBITDA to Interest Expense ratio that is calculated at the end of each fiscal quarter by dividing consolidated EBITDA for the four prior fiscal quarters by the consolidated interest charges for the same period. The ratio, per the agreements, is to be not less than 2.10 to 1.00 for any fiscal quarter ending September 30, 2015 through December 31, 2018; it then steps up to be not less than 2.25 to 1.00 for any fiscal quarter ending March 31, 2019 through July 31, 2020. As of September 30, 2015, this financial covenant was met with a ratio of 3.31 to 1.00.

DP&L's revolving credit facility has two financial covenants. Prior to the date of completion of the separation of **DP&L's** generation assets from its transmission and distribution assets, **DP&L's** Total Debt to Total Capitalization may not be greater than 0.65 to 1.00 at any time; and, on and after the date of completion of the separation of **DP&L's** generation assets from its transmission and distribution assets, **DP&L's** Total debt to Total Capitalization may not be greater than 0.75 to 1.00 at any time, except that required compliance with this financial covenant shall be suspended if **DP&L** maintains a rating of BBB- (or in the case of Moody's Baa3) or higher with a stable outlook from at least one of Fitch Investors Service Inc., Standard & Poor's Ratings Services or Moody's Investors Service, Inc., as determined in accordance with the terms of the revolving credit facility. As of September 30, 2015, **DP&L** met this financial covenant with a ratio of 0.39 to 1.00. This covenant is calculated as the sum of **DP&L's** current and long-term portion of debt, divided by the total of **DP&L's** shareholder's equity and total debt. The above covenant was retained in **DP&L's** revolving credit facility refinanced on July 31, 2015, and was modified only such that this covenant shall also be suspended between January 1, 2017 and December 31, 2017, if during this same time **DP&L's** long-term indebtedness (as determined by the PUCO) is less than or equal to $750.0 million.

The **DP&L** revolving credit facility also has an EBITDA to Interest Expense financial covenant that will be calculated at the end of each fiscal quarter, by dividing EBITDA for the four prior fiscal quarters by the interest charges for the same period. Both prior to and after completion of the separation of **DP&L's** generation assets from its transmission and distribution assets, **DP&L's** EBITDA to Interest Expense cannot be less than 2.50 to 1.00. As of September 30, 2015, this covenant was met with a ratio of 10.83 to 1.00.

Debt and Credit Ratings

The following table presents the debt ratings and outlook for **DPL** and **DP&L**, along with the effective dates of each rating.

	DPL	DP&L	Outlook	Effective
Fitch Ratings	BB(a) / BB-(b)	BBB(c)	Stable	August 2015 / September 2014(d)
Moody's Investors Service, Inc.	Ba3(b)	Baa2(c)	Stable	October 2015
Standard & Poor's Financial Services LLC	BB(b)	BBB-(c)	Stable	May 2014

The following table presents the credit ratings (issuer/corporate rating) and outlook for **DPL** and **DP&L**, along with the effective dates of each rating.

	DPL	DP&L	Outlook	Effective
Fitch Ratings	B+	BB+	Stable	August 2015 / September 2014(d)
Moody's Investors Service, Inc.	Ba3	Baa3	Stable	October 2015
Standard & Poor's Financial Services LLC	BB	BB	Stable	May 2014

(a) Rating relates to **DPL's** Senior secured debt.
(b) Rating relates to **DPL's** Senior unsecured debt.
(c) Rating relates to **DP&L's** Senior secured debt.
(d) **DPL** ratings were updated in August 2015; **DP&L** ratings have not been updated since September 2014.

If the rating agencies were to reduce our debt or credit ratings, our borrowing costs may increase, our potential pool of investors and funding resources may be reduced, and we may be required to post additional collateral under selected contracts. These events may have an adverse effect on our results of operations, financial condition and cash flows. In addition, any such reduction in our debt or credit ratings may adversely affect the trading price of our outstanding debt securities.

Off-Balance Sheet Arrangements

For information on guarantees, commercial commitments, and contractual obligations, see Note 10 of Notes to **DPL's** Condensed Consolidated Financial Statements and Note 11 of Notes to **DP&L's** Condensed Financial Statements.

Market Risk

We are subject to certain market risks including, but not limited to, changes in commodity prices for electricity, coal, environmental emissions and gas, changes in capacity prices and fluctuations in interest rates. We use various market risk sensitive instruments, including derivative contracts, primarily to limit our exposure to fluctuations in commodity pricing. Our Commodity Risk Management Committee (CRMC), comprised of members of senior management, is responsible for establishing risk management policies and the monitoring and reporting of risk exposures relating to our generation units. The CRMC meets on a regular basis with the objective of identifying, assessing and quantifying material risk issues and developing strategies to manage these risks.

Commodity Pricing Risk

Commodity pricing risk exposure includes the impacts of weather, market demand, increased competition and other economic conditions. To manage the volatility relating to these exposures at our **DP&L**-operated generation units, we use a variety of non-derivative and derivative instruments including forward contracts and futures contracts. These instruments are used principally for economic hedging purposes and none are held for trading purposes. Derivatives that fall within the scope of derivative accounting under GAAP must be recorded at their fair value and marked to market unless they qualify for cash flow hedge accounting. MTM gains and losses on derivative instruments that qualify for cash flow hedge accounting are deferred in AOCI until the forecasted transactions occur. We adjust the derivative instruments that do not qualify for cash flow hedging to fair value on a monthly basis through the Statement of Operations or, where applicable, we recognize a corresponding Regulatory asset for above-market costs or a Regulatory liability for below-market costs in accordance with regulatory accounting under GAAP.

The coal market has increasingly been influenced by both international and domestic supply and consumption, making the price of coal more volatile than in the past, and while we have substantially all of the total expected coal volume needed to meet our retail and firm wholesale sales requirements for 2015 under contract; sales requirements may change. The majority of the contracted coal is purchased at fixed prices. Some contracts provide for periodic adjustments. Fuel costs are affected by changes in volume and price and are driven by a number of variables including weather, the wholesale market price of power, certain provisions in coal contracts related to government imposed costs, counterparty performance and credit, scheduled outages and generation plant mix. To the extent we are not able to recover increases through our fuel and purchased power recovery rider that began in January 2010, our results of operations, financial condition or cash flows could be materially affected.

For purposes of potential risk analysis, we use a sensitivity analysis to quantify potential impacts of market rate changes on the statements of results of operations. The sensitivity analysis represents hypothetical changes in market values that may or may not occur in the future.

Commodity Derivatives

To minimize the risk of fluctuations in the market price of commodities, such as coal, power and heating oil, we may enter into commodity-forward and futures contracts to effectively hedge the cost/revenues of the commodity. Maturity dates of the contracts are scheduled to coincide with market purchases/sales of the commodity. Cash proceeds or payments between the counter-party and us at maturity of the contracts are recognized as an adjustment to the cost of the commodity purchased or sold. We generally do not enter into forward contracts beyond thirty-six months.

A 10% increase or decrease in the market price of our FTRs at September 30, 2015 would not have a significant effect on Net income.

At September 30, 2015, a 10% increase or decrease in the market price of our forward power purchase contracts would result in an impact on unrealized gains/losses of $12.3 million, while a 10% increase or decrease in the market price of our forward power sale contracts would result in an impact on unrealized gains/losses of $4.0 million.

Wholesale Revenues

Energy in excess of the needs of existing retail customers and contracted obligations is sold in the wholesale spot market when we can identify opportunities with positive margins. **DP&L's** electric revenues in the wholesale market are reduced for sales to DPLER. The following table presents the percentages of **DPL's** and **DP&L's** electric revenue derived from wholesale sales

DPL	**Three months ended September 30,**		**Nine months ended September 30,**	
	2015	2014	**2015**	2014
Percent of electric revenues from wholesale market	27%	22%	27%	16%

DP&L	**Three months ended September 30,**		**Nine months ended September 30,**	
	2015	2014	**2015**	2014
Percent of electric revenues from wholesale market	43%	49%	45%	45%

The following table presents the effect on annual Net income (net of estimated income taxes at 35%) as of September 30, 2015, of a hypothetical increase or decrease of 10% in the price per MWh of wholesale power (**DP&L's** electric revenues in the wholesale market are reduced for sales to DPLER), including the impact of a corresponding 10% change in the portion of purchased power used as part of the sale (note that the share of the internal generation used to meet the DPLER wholesale sale would not be affected by the 10% change in wholesale prices):

$ in millions	**DPL**	**DP&L**
Effect of 10% change in price per MWh	$ 14.0	$ 12.8

Capacity Revenues and Costs

As a member of PJM, **DP&L** receives revenues from the RTO related to its transmission and generation assets and incurs costs associated with its load obligations for retail customers. PJM, which has a delivery year that runs from June 1 to May 31, has conducted auctions for capacity through the delivery year. The clearing prices for capacity during the PJM delivery periods from 2014/15 through 2018/19 are as follows:

	PJM Delivery Year				
($/MW-day)	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Capacity clearing price	$ 126	$ 136	$ 134	$ 152	$ 165

Our computed average capacity prices by calendar year are reflected in the following table:

	Calendar Year				
($/MW-day)	**2014**	**2015**	**2016**	**2017**	**2018**
Computed average capacity price	$ 85	$ 132	$ 135	$ 145	$ 159

The above tables reflect the capacity prices after the transitional auctions discussed earlier. Substantially all of **DP&L's** capacity cleared in the CP auction. The results of these auctions could have a significant effect on **DP&L's** revenues in the future.

Future RPM auction results are dependent on a number of factors, which include the overall supply and demand of generation and load, other state legislation or regulation, transmission congestion and PJM's RPM business rules. The volatility in the RPM capacity auction pricing has had and will continue to have a significant impact on **DPL's** capacity revenues and costs. RPM costs and revenues associated with the **DP&L** portion of the SSO supply are included in the RPM rider which will be phased out as a result of SSO load being served via 100% competitive bid beginning January 2016. As discussed above, the FERC approved a proposal made by PJM to implement a new CP program. The FERC's conditions on approval include requiring PJM to make additional filings to change certain energy market rules to coordinate better with the new CP program and to make annual filings on the CP performance hours used in its calculations.

The following table provides estimates of the effect on annual Net income (net of estimated income taxes at 35%) as of September 30, 2015 of a hypothetical increase or decrease of $10/MW-day in the RPM auction price. The table shows the impact resulting from capacity revenue changes, using the percent of SSO customers as of the balance sheet date and the percentage of our supply we are required to source through auction. We did not include the impact of a change in the RPM capacity costs since these costs will either be recovered through the RPM rider for SSO retail customers or recovered through the development of our overall energy pricing for customers who do not fall under the SSO.

$ in millions	DPL	DP&L
Effect of $10/MW-day change in capacity auction pricing	$ 7.0	$ 5.7

Capacity revenues and costs are also impacted by, among other factors, the levels of customer switching, our generation capacity, the levels of wholesale revenues and our retail customer load. In determining the capacity price sensitivity above, we did not consider the impact that may arise from the variability of these other factors.

Fuel and Purchased Power Costs

DPL's and **DP&L's** fuel (including coal, gas, oil and emission allowances) and purchased power costs as a percentage of total operating costs in the nine months ended September 30, 2015 were 43% and 44%, respectively. We have a significant portion of projected 2015 fuel needs under contract. The majority of our contracted coal is purchased at fixed prices although some contracts provide for periodic pricing adjustments. We may purchase SO_2 allowances for 2015, however, the exact consumption of SO_2 allowances will depend on market prices for power, availability of our generation units and the actual sulfur content of the coal burned. We may purchase some NOx allowances for 2015 depending on NOx emissions. Fuel costs are affected by changes in volume and price and are driven by a number of variables including weather, reliability of coal deliveries, scheduled outages and generation plant mix.

Purchased power costs depend, in part, upon the timing and extent of planned and unplanned outages of our generating capacity. We will purchase power on a discretionary basis when wholesale market conditions provide opportunities to obtain power at a cost below our internal generation costs.

Effective January 1, 2010, **DP&L** was allowed to recover its SSO retail customers' share of fuel and purchased power costs as part of the fuel rider approved by the PUCO. As a result of customer switching and 60% of our SSO load being sourced through a competitive bid auction, less of **DP&L's** fuel costs are recoverable from retail customers. Beginning January 1, 2016, 100% of the SSO will be sourced through a competitive bid, therefore at that time the fuel rider will be phased out.

The following table provides the effect on annual Net income (net of estimated income taxes at 35%) using the estimated SSO share of costs as of September 30, 2015 and the current 60% of SSO load sourced through the competitive bid auction, of a hypothetical increase or decrease of 10% in the prices of fuel and purchased power:

$ in millions	DPL	DP&L
Effect of 10% change in fuel and purchased power	$ 35.3	$ 35.6

Interest Rate Risk

As a result of our normal investing and borrowing activities, our financial results are exposed to fluctuations in interest rates which we manage through our regular financing activities. We maintain both cash on deposit and investments in cash equivalents that may be affected by adverse interest rate fluctuations. **DPL** and **DP&L** have both fixed-rate and variable-rate long-term debt. **DPL's** variable-rate debt consists of a $125.0 million term loan with a syndicated bank group. The term loan interest rate fluctuates with changes in an underlying interest rate index, typically LIBOR. **DP&L's** variable-rate debt is comprised of bank held pollution control bonds. The variable-rate bonds bear interest based on an underlying interest rate index, typically LIBOR. Market indexes can be affected by market demand, supply, market interest rates and other economic conditions. See Note 5 of Notes to **DPL's** Condensed Consolidated Financial Statements and Note 5 of Notes to **DP&L's** Condensed Financial Statements.

In the past, **DPL** partially hedged against interest rate fluctuations by entering into interest rate swap agreements to limit the interest rate exposure on the underlying financing activities. As of September 30, 2015, **DPL** has settled all outstanding interest rate swaps. Any additional credit rating downgrades could affect our liquidity and further increase our cost of capital.

Principal Payments and Interest Rate Detail by Contractual Maturity Date

The carrying value of **DPL's** debt was $2,009.4 million at September 30, 2015, consisting of **DPL's** unsecured notes and unsecured term loan, along with **DP&L's** first mortgage bonds, tax-exempt pollution control bonds and the Wright-Patterson Air Force Base note. All of **DPL's** debt was adjusted to fair value at the date of the Merger. The fair value of this debt at September 30, 2015 was $2,033.7 million, based on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The following table provides information about **DPL's** debt obligations, subsequent to the refinancing discussed above, that are sensitive to interest rate changes:

DPL

	Principal payments due during the twelve months ending September 30,						At September 30, 2015	
$ in millions	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Principal Amount**	**Fair Value**
Variable-rate debt	$ —	$ 18.8	$ 25.0	$ 25.0	$ 256.2	$ —	$ 325.0	$ 325.0
Average interest rate [(a)]	—%	2.4%	2.4%	2.4%	1.4%	—%		
Fixed-rate debt	$ 445.1	$ 130.1	$ 0.1	$ 0.2	$ 200.2	$ 913.0	1,688.7	1,708.7
Average interest rate	1.9%	6.5%	4.2%	4.2%	6.7%	6.9%		
Total							$ 2,013.7	$ 2,033.7

(a) Based on rates in effect at September 30, 2015

The carrying value of **DP&L's** debt was $762.9 million at September 30, 2015, consisting of its first mortgage bonds, tax-exempt pollution control bonds and the Wright-Patterson Air Force Base note. The fair value of this debt was $764.3 million, based on current market prices or discounted cash flows using current rates for similar issues with similar terms and remaining maturities. The following table provides information about **DP&L's** debt obligations, subsequent to the refinancing discussed in the "Financial Condition, Liquidity and Capital Requirements" section above, that are sensitive to interest rate changes. **DP&L's** debt was not revalued as a result of the Merger.

DP&L

	Principal payments due during the twelve months ending September 30,						At September 30, 2015	
$ in millions	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Principal Amount**	**Fair Value**
Variable-rate debt	$ —	$ —	$ —	$ —	$ 200.0	$ —	$ 200.0	$ 200.0
Average interest rate [(a)]	—%	—%	—%	—%	1.1%	—%		
Fixed-rate debt	$ 445.1	$ 0.1	$ 0.1	$ 0.2	$ 0.2	$ 117.4	563.1	564.3
Average interest rate	1.9%	4.2%	4.2%	4.2%	4.2%	4.7%		
Total							$ 763.1	$ 764.3

(a) Based on rates in effect at September 30, 2015

Debt maturities and repayments occurring in 2015 are discussed under "FINANCIAL CONDITION, LIQUIDITY AND CAPITAL REQUIREMENTS".

Long-term Debt Interest Rate Risk Sensitivity Analysis

Our estimate of market risk exposure is presented for our fixed-rate and variable-rate debt at September 30, 2015 for which an immediate adverse market movement causes a potential material impact on our financial condition, results of operations or the fair value of the debt. We believe that the adverse market movement represents the hypothetical loss to future earnings and does not represent the maximum possible loss nor any expected actual loss, even under adverse conditions, because actual adverse fluctuations would likely differ. As of September 30, 2015, we did not hold any market risk sensitive instruments that were entered into for trading purposes.

The following tables present the carrying value and fair value of our debt, along with the impact of a change of one percent in interest rates:

DPL	At September 30, 2015		One percent interest rate risk
$ in millions	Carrying Value	Fair Value	
Long-term debt			
Variable-rate debt	$ 325.0	$ 325.0	$ 3.3
Fixed-rate debt	1,684.4	1,708.7	17.1
Total	$ 2,009.4	$ 2,033.7	$ 20.4

DP&L	At September 30, 2015		One percent interest rate risk
$ in millions	Carrying Value	Fair Value	
Long-term debt			
Variable-rate debt	$ 200.0	$ 200.0	$ 2.0
Fixed-rate debt	562.9	564.3	5.6
Total	$ 762.9	$ 764.3	$ 7.6

DPL's debt is comprised of both fixed-rate debt and variable-rate debt. In regard to fixed-rate debt, the interest rate risk with respect to **DPL's** long-term debt primarily relates to the potential impact a decrease of one percentage point in interest rates has on the fair value of **DPL's** $1,708.7 million of fixed-rate debt and not on **DPL's** financial condition or results of operations. On the variable-rate debt, the interest rate risk with respect to **DPL's** long-term debt represents the potential impact an increase of one percentage point in the interest rate has on **DPL's** results of operations related to **DPL's** $325.0 million variable-rate long-term debt outstanding as of September 30, 2015.

DP&L's interest rate risk with respect to **DP&L's** long-term debt primarily relates to the potential impact a decrease in interest rates of one percentage point has on the fair value of **DP&L's** 564.3 million of fixed-rate debt and not on **DP&L's** financial condition or **DP&L's** results of operations. On the variable-rate debt, the interest rate risk with respect to **DP&L's** long-term debt represents the potential impact an increase of one percentage point in the interest rate has on **DP&L's** results of operations related to **DP&L's** $200.0 million variable-rate long-term debt outstanding as of September 30, 2015.

Credit Risk

Credit risk is the risk of an obligor's failure to meet the terms of any investment contract, loan agreement or otherwise perform as agreed. Credit risk arises from all activities in which success depends on issuer, borrower or counterparty performance, whether reflected on or off the balance sheet. We limit our credit risk by assessing the creditworthiness of potential counterparties before entering into transactions with them and continue to evaluate their creditworthiness after transactions have been originated. We use the three leading corporate credit rating agencies and other current market-based qualitative and quantitative data to assess the financial strength of our *counterparties on an ongoing basis. We may require various forms of credit assurance from our counterparties in* order to mitigate credit risk.

Critical Accounting Estimates

DPL's Condensed Consolidated Financial Statements and **DP&L's** Condensed Financial Statements are prepared in accordance with GAAP. In connection with the preparation of these financial statements, our management is required to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosure of contingent liabilities. These assumptions, estimates and judgments are based on our historical experience and assumptions that we believe to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. Our critical accounting estimates are those which require assumptions to be made about matters that are highly uncertain.

Different estimates could have a material effect on our financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions or circumstances. Historically, however, recorded estimates have not differed materially from actual results. Significant items subject to such 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; liabilities recorded for income tax exposures; litigation; contingencies; the valuation of AROs; assets and liabilities related to employee benefits and goodwill and intangible assets. Refer to our Form 10-K for the year ended December 31, 2014 for a complete listing of our critical accounting policies and estimates. There have been no material changes to these critical accounting policies and estimates.

ELECTRIC SALES AND CUSTOMERS

	DPL		DP&L (a)		DPLER (b)	
	Three months ended		***Three months ended***		***Three months ended***	
	September 30,		**September 30,**		**September 30,**	
	2015	2014	**2015**	2014	**2015**	2014
Electric Sales (millions of kWh)	4,349	5,134	4,297	5,112	1,391	2,498
Billed electric customers (end of period)	531,051	653,801	515,372	514,371	128,405	274,133

(a) This table contains electric sales from **DP&L's** generation and purchased power. **DP&L** sold 991 million kWh and 1,367 million kWh of power to DPLER during the three months ended September 30, 2015 and 2014, respectively, not included above to avoid duplication.
(b) This chart includes all sales of DPLER, both within and outside of the **DP&L** service territory.

ELECTRIC SALES AND CUSTOMERS

	DPL		DP&L (a)		DPLER (b)	
	Nine months ended		**Nine months ended**		**Nine months ended**	
	September 30,		**September 30,**		**September 30,**	
	2015	2014	**2015**	2014	**2015**	2014
Electric Sales (millions of kWh)	12,980	14,352	12,735	14,220	4,762	7,614
Billed electric customers (end of period)	531,051	653,801	515,372	514,371	128,405	274,133

(a) This table contains electric sales from **DP&L's** generation and purchased power. **DP&L** sold 3,094 million kWh and 4,366 million kWh of power to DPLER during the nine months ended September 30, 2015 and 2014, respectively, not included above to avoid duplication.
(b) This chart includes all sales of DPLER and MC Squared, both within and outside of the **DP&L** service territory.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

See the "MARKET RISK" section in Item 2 of this Part I, which is incorporated by reference into this item.

Item 4 – Controls and Procedures

Disclosure Controls and Procedures
Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining our disclosure controls and procedures. These controls and procedures were designed to ensure that material information relating to us and our subsidiaries is communicated to the CEO and CFO. We evaluated these disclosure controls and procedures as of the end of the period covered by this report with the participation of our CEO and CFO. Based on this evaluation, our CEO and CFO concluded that, as of September 30, 2015, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

Changes in Internal Controls over Financial Reporting
We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management assessed the effectiveness of our internal control over financial reporting as of September 30, 2015. In making this assessment, management used the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations ("COSO") in 2013. As disclosed in our Form 10-K for the fiscal year ended December 31, 2014, management determined that a material weakness in internal control over financial reporting existed as of December 31, 2014 as a result of an incorrect formula within the spreadsheet used to support an account balance, creating an understatement of earnings. **DPL** determined that sufficient controls did not exist to identify this error in a timely manner; therefore this deficiency could have led to a material error in the financial statements. As evidenced by this material weakness, management concluded that, as of December 31, 2014, **DPL** did not maintain effective internal control over financial reporting. This material weakness did not result in any misstatements in our audited financial statements. In response to this material weakness, changes were made to our internal control over financial reporting, including enhancements to our journal entry and spreadsheet reviews. We has completed the documentation and testing of these corrective actions and as of September 30, 2015, has concluded that this material weakness has been remediated. There were no other changes that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management and our Board of Directors are committed to the continued improvement of **DPL's** overall system of internal control over financial reporting.

Part II – Other Information

Item 1 – Legal Proceedings

In the normal course of business, we are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations. We are also from time to time involved in other reviews, investigations and proceedings by governmental and regulatory agencies regarding our business, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. We believe the amounts provided in our Financial Statements, as prescribed by GAAP, for these matters 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 and other matters (including those matters noted below), and to comply with applicable laws and regulations will not exceed the amounts reflected in our Financial Statements. As such, costs, if any, that may be incurred in excess of those amounts provided for in our Financial Statements, cannot be reasonably determined.

Our Form 10-K for the fiscal year ended December 31, 2014, and Form 10-Q for the three months ended March 31, 2015, six months ended June 30, 2015 and the Notes to **DPL's** Consolidated Financial Statements and **DP&L's** Financial Statements included therein, contain descriptions of certain legal proceedings in which we are or were involved. The information in or incorporated by reference into this Item 1 to Part II is limited to certain recent developments concerning our legal proceedings and new legal proceedings, since the filing of such Form 10-K and Form 10-Qs, and should be read in conjunction with such Form 10-K and Form 10-Q.

The following information is incorporated by reference into this Item: information about the legal proceedings contained in Part I, Item 1 — Note 10 of Notes to **DPL's** Condensed Consolidated Financial Statements and Note 11 of Notes to **DP&L's** Condensed Financial Statements of this Quarterly Report on Form 10-Q.

Item 1A – Risk Factors

A listing of the risk factors that we consider to be the most significant to a decision to invest in our securities is provided in our Form 10-K for the fiscal year ended December 31, 2014. As of September 30, 2015, there have been no material changes with respect to the risk factors disclosed in our Form 10-K. If any of the events described in our risk factors occur, it could have a material effect on our results of operations, financial condition and cash flows.

The risks and uncertainties described in our risk factors are not the only ones we face. In addition, new risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our business or financial performance. Our risk factors should be read in conjunction with the other detailed information concerning **DPL** and **DP&L** set forth in the Notes to **DPL's** and **DP&L's** Financial Statements and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections included in our filings.

Item 2 – Unregistered Sale of Equity Securities and Use of Proceeds

None

Item 3 – Defaults Upon Senior Securities

None

Item 4 – Mine Safety Disclosures

Not applicable.

Item 5 – Other Information

None

Item 6 – Exhibits

DPL Inc.	DP&L	Exhibit Number	Exhibit	Location
X		10(a)	Open-End Leasehold Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Filing from DPL Energy, LLC to U.S. Bank National Association, dated as of October 29, 2015	Filed herewith as Exhibit 10 (a)
X		31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 31(a)
X		31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 31(b)
	X	31(c)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 31(c)
	X	31(d)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 31(d)
X		32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 32(a)
X		32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 32(b)
	X	32(c)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 32(c)
	X	32(d)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith as Exhibit 32(d)
X	X	101.INS	XBRL Instance	Filed herewith as Exhibit 101.INS
X	X	101.SCH	XBRL Taxonomy Extension Schema	Filed herewith as Exhibit 101.SCH
X	X	101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith as Exhibit 101.CAL
X	X	101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith as Exhibit 101.DEF
X	X	101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith as Exhibit 101.LAB
X	X	101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith as Exhibit 101.PRE

Exhibits referencing File No. 1-9052 have been filed by **DPL Inc.** and those referencing File No. 1-2385 have been filed by **The Dayton Power and Light Company**.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, DPL Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DPL Inc.
(Registrant)

Date: November 4, 2015 /s/ Kenneth J. Zagzebski
Kenneth J. Zagzebski
President and Chief Executive Officer
(principal executive officer)

November 4, 2015 /s/ Craig L. Jackson
Craig L. Jackson
Chief Financial Officer
(principal financial officer)

November 4, 2015 /s/ Kurt A. Tornquist
Kurt A. Tornquist
Controller
(principal accounting officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, The Dayton Power and Light Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The Dayton Power and Light Company

(Registrant)

Date: November 4, 2015 /s/ Thomas A. Raga

Thomas A. Raga

President and Chief Executive Officer

(principal executive officer)

November 4, 2015 /s/ Craig L. Jackson

Craig L. Jackson

Chief Financial Officer

(principal financial officer)

November 4, 2015 /s/ Kurt A. Tornquist

Kurt A. Tornquist

Controller

(principal accounting officer)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): July 31, 2015

Commission File Number	Registrant, State of Incorporation Address and Telephone Number	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**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

Credit Agreements

On July 31, 2015 (the "Credit Facilities Closing Date"), the following two credit agreements were entered into by DPL Inc. ("DPL") or DPL's principal subsidiary, The Dayton Power and Light Company ("DP&L"), as applicable:

DPL Credit Agreement

On July 31, 2015, DPL entered into a credit agreement among DPL, each lender from time to time party thereto, U.S. Bank, National Association ("US Bank"), as administrative agent, collateral agent, swing line lender and a letter of credit issuer, PNC Bank, National Association ("PNC Bank"), as syndication agent and a letter of credit issuer, and Bank of America, N.A. ("Bank of America"), as documentation agent and a letter of credit issuer (the "US Bank Credit Agreement").

The US Bank Credit Agreement provides, on the Credit Facilities Closing Date, and on a secured basis, for term loans in an aggregate principal amount of $125 million, and revolving loans, swing-line loans and letters of credit in an aggregate principal amount of $205 million. After it delivers the Ohio Mortgage (noted below) to US Bank, as administrative agent, and subject to customary conditions and the approval of any lender whose commitment would be increased, DPL has the option to increase the maximum principal amount of the revolving loans swingline loans and letters of credit available under the US Bank Credit Agreement, or to add one or more new term loans for the purpose of refinancing indebtedness, by up to an additional $95 million to up to $300 million. Letters of credit are subject to a sub-limit not to exceed $200 million at any one time, and swing-line loans are subject to a sub-limit not to exceed ten percent of the total revolving commitments under the US Bank Credit Agreement at any one time. Funds borrowed under the US Bank Credit Agreement may be used for general corporate purposes and must be repaid no later than July 31, 2020, or, if certain conditions set forth in the US Bank Credit Agreement have not been met, July 1, 2019. On the Credit Facilities Closing Date, DPL borrowed $125 million of term loans under the US Bank Credit Agreement and $20 million of revolving loans under the US Bank Credit Agreement to apply toward payment in full of the 2013 PNC Bank Credit Agreement as described in Item 1.02 below.

Funds borrowed under the US Bank Credit Agreement may be prepaid at any time and must be prepaid upon certain circumstances in connection with the issuance of additional debt or equity by DPL or with the sale of property or assets by DPL or its subsidiaries. The US Bank Credit Agreement includes customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including, among other things, two financial covenants. The first financial covenant requires DPL's consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) not to exceed (i) 7.25 to 1.00 as of the end of any fiscal quarter of DPL during the period September 30, 2015 to December 31, 2018, (ii) 6.25 to 1.00 as of the end of any fiscal quarter of DPL during the period January 1, 2019 to December 31, 2019, and (iii) 5.75 to 1.00 as of the end of any fiscal quarter of DPL after January 1, 2020; and the second financial covenant requires DPL's consolidated EBITDA to consolidated interest charges to be not less than (i) 2.10 to 1.00 as of the end of any fiscal quarter of DPL during the period September 30, 2015 to December 31, 2018, and (ii) 2.25 to 1.00 as of the end of any fiscal quarter of DPL after January 1, 2019, all as

determined in accordance with the terms of the US Bank Credit Agreement.

DPL secured its obligations to lenders under the US Bank Credit Agreement with (i) a pledge of equity that DPL owns in DP&L pursuant to a Pledge Agreement, dated as of July 31, 2015, between DPL and U.S. Bank, as Collateral Agent (the "Pledge Agreement"), limited to the amount permitted to be pledged under certain Indentures dated October 3, 2011 between DPL and U.S. Bank National Association, as Trustee and (ii) a mortgage, effective as of the Credit Facilities Closing Date, on an electricity generating peaker plant located in Indiana and owned by a subsidiary of DPL, DPL Energy, LLC, an Ohio limited liability company ("DPLE"), pursuant to an Open-end Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Filing, dated as of July 31, 2015, made by DPLE to U.S. Bank, as Collateral Agent and Mortgagee (the "Indiana Mortgage"). DPL also must use its reasonable efforts to further secure its obligations under the US Bank Credit Agreement with a leasehold mortgage, to be effective after the Credit Facilities Closing Date, on an electricity generating peaker plant located in Ohio and leased by DPLE (the "Ohio Mortgage"). Additionally, DPLE is a guarantor of DPL's obligations under the US Bank Credit Agreement pursuant to a Guaranty Agreement, dated as of July 31, 2015, between DPLE and U.S. Bank, as Administrative Agent (the "Guarantee Agreement").

DPL has agreed to pay interest on outstanding borrowings under, and as determined in accordance with, the US Bank Credit Agreement, and to pay customary administrative agent and other fees.

The foregoing descriptions of the US Bank Credit Agreement, the Guaranty Agreement, the Pledge Agreement and the Indiana Mortgage are qualified in their entirety by reference to the US Bank Credit Agreement, the Guaranty Agreement, the Pledge Agreement and the Indiana Mortgage, copies of which are attached as Exhibits 4.1, 4.2, 4.3 and 4.4 hereto, respectively, and are incorporated herein by reference.

DP&L Credit Agreement

On the Credit Facilities Closing Date, DP&L entered into a credit agreement among DP&L, the lenders from time to time party thereto, PNC Bank, as administrative agent, swing-line lender and a letter of credit issuer, Fifth Third Bank ("Fifth Third Bank"), as syndication agent and a letter of credit issuer, and Bank of America, as documentation agent and a letter of credit issuer (the "PNC Bank Credit Agreement").

The PNC Bank Credit Agreement provides, on an unsecured basis, for revolving loans, swing-line loans and letters of credit. The maximum principal amount of all revolving loans, swing-line loans and letters of credit available under the PNC Bank Credit Agreement may not exceed $175 million at any one time. Letters of credit are subject to a sub-limit not to exceed $50 million at any one time, and swing line loans are subject to a sub-limit not to exceed the lesser of $10 million and the aggregate amount of commitments under the PNC Bank Credit Agreement at any one time. Subject to customary conditions and the approval of any lender whose commitment would be increased, DP&L has the option to increase the maximum principal amount available under the PNC Bank Credit Agreement by up to an additional $100 million, for a total maximum available amount of $275 million. None of the lenders under the PNC Bank Credit Agreement has committed at this time or is obligated to provide any such increase in the commitments. Funds may be prepaid at any time, and DP&L has the right to permanently reduce or terminate the lenders commitments provided for under the PNC Bank Credit Agreement. On the Credit Facilities Closing Date, DPL borrowed $30 million under the PNC Bank Credit

Agreement to apply toward the refunding of certain of DP&L's pollution control bonds.

Funds provided under the PNC Bank Credit Agreement may be used for general corporate purposes. Unless the lenders commitments are terminated earlier in accordance with the PNC Bank Credit Agreement, the revolving loans and swing line loans provided for under the US Bank Credit Agreement are available until July 31, 2020, and letters of credit provided for under the PNC Bank Credit Agreement are available until seven days prior to that date.

The PNC Bank Credit Agreement includes customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including, among other things, two financial covenants, depending on whether the restructuring of DP&L's operations in accordance with an order by the Public Utilities Commission of Ohio ("PUCO"), including the separation of DP&L's generation assets from its transmission and distribution assets, in compliance with the laws of the state of Ohio and any rules and regulations thereunder (the "Separation Transactions") has been completed. Prior to the date of completion of the Separation Transactions, DP&L's (i) consolidated total debt to consolidated total capitalization shall not be greater than 0.65 to 1.00 at any time and (ii) consolidated EBITDA to consolidated interest charges shall be no less than 2.50 to 1.00 at any time; and, on and after the date of completion of the Separation Transactions, DP&L's (iii) consolidated total debt to consolidated total capitalization shall not be greater than 0.75 to 1.00 at any time and (iv) consolidated EBITDA to consolidated interest charges shall be no less than 2.50 to 1.00 (provided that compliance with the ratio in clause (iii) shall be suspended if (x) DP&L's long term indebtedness, as determined by PUCO, is less than or equal to $750 million between January 1, 2017 and December 31, 2017 or (y) as long as DP&L maintains a rating of BBB-/Baa3/BBB- or higher with a stable outlook from at least one of Fitch Investors Service Inc., Standard & Poor's Ratings Services or Moody's Investors Service, Inc., all as determined in accordance with the terms of the PNC Bank Credit Agreement.

DP&L has agreed to pay interest on outstanding revolving loans, swing-line loans and letters of credit as determined in accordance with the PNC Bank Credit Agreement, and to pay unused commitment fees and customary administrative agent, letter of credit and other fees.

The foregoing description of the PNC Bank Credit Agreement is qualified in its entirety by reference to the PNC Bank Credit Agreement, a copy of which is attached as Exhibit 4.5 hereto and is incorporated herein by reference.

DP&L Mortgage Bonds

On August 3, 2015, DP&L entered into a 48th Supplemental Indenture (the "48th Supplemental Indenture") and a 49th Supplemental Indenture (the "49th Supplemental Indenture," and together with the 48th Supplemental Indenture, the "Supplemental Indentures"), each dated as of August 1, 2015, with the Bank of New York, as Trustee, to its First and Refunding Mortgage (as amended and supplemented, the "First and Refunding Mortgage"), dated as of October 1, 1935, with the Bank of New York Mellon, in connection with the refinancing of $200,000,000 of pollution control bonds. The specific issues refinanced consisted of:

- $50 million of State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds 2008 Series A (The Dayton Power and Light Company Project) issued by the Ohio Air Quality Development Authority (the "OAQDA");
- $50 million of State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds 2008 Series B (The Dayton Power and Light Company Project) issued by the

OAQDA; and

- $ 137.8 million of State of Ohio Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series B (The Dayton Power and Light Company Project) issued by the OAQDA, of which $100 million was refinanced and $37.8 million was refunded.

As part of the pollution control bond refinancing, on August 3, 2015, DP&L entered into two separate loan agreements with the OAQDA in connection with new 2015 Series A and Series B pollution control bonds issued by the OAQDA (together, the "loan agreements") at a variable rate of interest. The proceeds of the bonds were used to repay existing pollution control bonds on August 3, 2015, the date of redemption for the existing bonds. To secure the repayment of its obligations to the OAQDA under the loan agreements, DP&L entered into the Supplemental Indentures. The Supplemental Indentures set forth proposed amendments to the First and Refunding Mortgage to, among other things, allow DP&L to effect the Separation Transactions detailed above (such amendments, the "Proposed Amendments"). The Proposed Amendments become effective on the date either (i) none of DP&L's first mortgage bonds that were outstanding on August 3, 2015 are outstanding or (ii) supplemental indentures embodying the Proposed Amendments are consented to by holders of at least a majority of DP&L's outstanding first mortgage bonds. In connection with the sale of the new 2015 Series A and Series B pollution control bonds, DP&L also entered into a Bond Purchase and Covenants Agreement, dated as of August 1, 2015, among DP&L, SunTrust Bank ("SunTrust Bank") as administrative agent, and the purchasers of the new pollution control bonds (the "Covenants Agreement"). The Covenants Agreement contains representations, warranties, covenants and defaults consistent with those contained in similar financing documents of DP&L.

Payments of interest on the loans are payable at the applicable rate set forth in the loan agreements. Principal on each loan is payable on the applicable maturity date or in connection with certain optional or mandatory tenders for purchase or optional or mandatory redemptions. The maturity date for the new 2015 Series A pollution control bonds is November 1, 2040, and the maturity date for the new 2015 Series B pollution control bonds is January 1, 2034. A default by DP&L under either of the two loan agreements would create a corresponding default under the 48th Supplemental Indenture or 49th Supplemental Indenture to the First and Refunding Mortgage, as appropriate, and provide similar rights granted previously to other first mortgage bond holders under separate supplemental indentures.

The foregoing descriptions of the terms of the respective loan agreements, the 48th Supplemental Indenture and 49th Supplemental Indenture to the First and Refunding Mortgage, and the Covenants Agreement are qualified in their entirety by reference to the loan agreements, the 48th Supplemental Indenture and 49th Supplemental Indenture to the First and Refunding Mortgage and the Covenants Agreement, respectively, copies of which are attached as Exhibits 4.6, 4.7, 4.8, 4.9 and 4.10 hereto, respectively, and are incorporated herein by reference.

Item 1.02 Termination of a Material Definitive Agreement.

In connection with DPL entering into the US Bank Credit Agreement described in Item 1.01 above, on the Credit Facilities Closing Date, DPL, without incurring any penalties, terminated (i) the credit agreement, dated as of May 10, 2013, among DPL, the lenders party thereto and PNC Bank, as administrative agent, Fifth Third Bank and US Bank, as co-syndication agents, and Bank of America, as documentation agent (the "2013 PNC Credit Agreement"); and (ii) the credit agreement, dated as of May 10, 2013, among DPL, the lenders party thereto, US Bank, as administrative agent, swing line lender and letter of credit issuer, and PNC Bank, as co-syndication agent, and Bank of America, as documentation agent (the "2013 US Bank Credit

Agreement"). Each of the 2013 PNC Bank Credit Agreement and the 2013 US Bank Credit Agreement had been scheduled to mature by its terms on May 10, 2018.

At termination, DPL applied (i) $125 million borrowed under the US Bank Credit Agreement described in Item 1.01 above, (ii) $20 million borrowed under the US Bank Credit Agreement described in Item 1.01 above, and (iii) $ 15 million in cash to repayment in full of the 2013 PNC Bank Credit Agreement.

In connection with DP&L entering into the US Bank Credit Agreement described in Item 1.01 above, on the Credit Facilities Closing Date, DP&L, without incurring any penalties, terminated in whole the commitments available under the credit agreement, dated as of May 10, 2013, among DP&L, the lenders party thereto and Fifth Third Bank, as administrative agent, swing line lender and a letter of credit issuer (the "2013 Fifth Third Bank Credit Agreement"). The 2013 Fifth Third Bank Credit Agreement had been scheduled to mature by its terms on May 10, 2018.

Item 2.03. Creation of a Direct Financial Obligation.

The information set forth above in response to Item 1.01 is incorporated by reference into this Item 2.03.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit 4.1	Credit Agreement, dated as of July 31, 2015, among DPL Inc., each lender from time to time party thereto, U.S. Bank National Association, as Administrative Agent, Collateral Agent, Swing Line Lender and an L/C Issuer, PNC Bank, National Association, as Syndication Agent and an L/C Issuer, and Bank of America, N.A., as Documentation Agent
Exhibit 4.2	Guaranty Agreement, dated as of July 31, 2015, between DPL Energy, LLC and U.S. Bank National Association, as Administrative Agent
Exhibit 4.3	Pledge Agreement, dated as of July 31, 2015, between DPL Inc. and U.S. Bank National Association, as Collateral Agent
Exhibit 4.4	Open-end Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Filing, dated as of July 31, 2015, made by DPL Energy, LLC to U.S. Bank National Association, as Collateral Agent and Mortgagee
Exhibit 4.5	Credit Agreement, dated as of July 31, 2015, among The Dayton Power and Light Company, each lender from time to time party thereto, PNC Bank, National Association, as Administrative Agent, Swing Line Lender and an L/C Issuer, Fifth Third Bank, as Syndication Agent and an L/C Issuer, and Bank of America, N.A., as Documentation Agent and an L/C Issuer

Exhibit 4.6	Loan Agreement, dated August 1, 2015, between the Ohio Air Quality Development Authority and The Dayton Power and Light Company, relating to the 2015 Series A pollution control bonds
Exhibit 4.7	Loan Agreement, dated August 1, 2015, between the Ohio Air Quality Development Authority and The Dayton Power and Light Company, relating to the 2015 Series B pollution control bonds
Exhibit 4.8	Forty-Eighth Supplemental Indenture, dated as of August 1, 2015, between The Bank of New York Mellon, as Trustee, and The Dayton Power and Light Company
Exhibit 4.9	Forty-Ninth Supplemental Indenture, dated as of August 1, 2015, between The Bank of New York Mellon, as Trustee, and The Dayton Power and Light Company
Exhibit 4.10	Bond Purchase and Covenants Agreement, dated as of August 1, 2015, among The Dayton Power and Light Company, SunTrust Bank, as Administrative Agent, and the purchasers party thereto

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DPL INC.

Date: August 6, 2015

By: _____
Name: Judi L. Sobecki
Title: General Counsel and Secretary

THE DAYTON POWER AND LIGHT COMPANY

Date: August 6, 2015

By: _____
Name: Judi L. Sobecki
Title: Vice President, General Counsel and Secretary

EXECUTION

LOAN AGREEMENT

between

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

and

THE DAYTON POWER AND LIGHT COMPANY

$100,000,000
State of Ohio
Collateralized Air Quality Development Revenue Refunding Bonds
2015 Series A
(The Dayton Power and Light Company Project)

Dated

as of

August 1, 2015

INDEX

(This Index is not a part of the Agreement
but rather is for convenience of reference only.)

LOAN AGREEMENT

THIS LOAN AGREEMENT is made and entered into as of August 1, 2015 between the OHIO AIR QUALITY DEVELOPMENT AUTHORITY (the "Issuer"), a body politic and corporate organized and existing under the laws of the State of Ohio, and THE DAYTON POWER AND LIGHT COMPANY (the "Company"), a public utility and corporation organized and existing under the laws of the State of Ohio. Capitalized terms used in the following recitals are used as defined in Article I of this Agreement.

Pursuant to Section 13 of Article VIII of the Ohio Constitution and the Act, the Issuer has determined to issue, sell and deliver the Bonds as provided in the Indenture and to lend the proceeds derived from the sale thereof to the Company to assist in the refunding of the Refunded Bonds. The Refunded Bonds were issued to assist the Company in the financing and refinancing of its portion of the costs of the Projects.

The Company and the Issuer each have full right and lawful authority to enter into this Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW THEREFORE, in consideration of the premises and the mutual representations and agreements hereinafter contained, the Issuer and the Company agree as follows (provided that any obligation of the Issuer or the State created by or arising out of this Agreement shall never constitute a general debt of the Issuer or the State or give rise to any pecuniary liability of the Issuer or the State but shall be payable solely out of Revenues, including the Loan Payments made pursuant hereto):

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement, the Indenture or by reference to another document, the words and terms set forth in Section 1.2 hereof shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Definitions. As used herein:

"Additional Payments" means the amounts required to be paid by the Company pursuant to the provisions of Section 4.2 hereof.

"Administration Expenses" means the compensation (which compensation shall not be greater than that typically charged in similar circumstances; and which shall not be limited by any provision of law in regard to the compensation of a trustee of any express trust) and reimbursement of reasonable expenses, disbursements and advances incurred or made by or on behalf of the Trustee, the Registrar, the Remarketing Agent, any Auction Agent, any Paying Agent and any Authenticating Agent (including the reasonable compensation and the expenses and disbursements of its counsel and of all other persons not regularly in its employ), and shall also include all fees, charges, expenses, advances, compensation and reimbursements and all other amounts due the Trustee, the Registrar and any Paying Agent or Authenticating Agent under or pursuant to Section 6.03 of the Indenture.

"Agreement" means this Loan Agreement, as amended or supplemented from time to time.

"Air Quality Facility" or "Air Quality Facilities" means those facilities which are air quality facilities as defined in Section 3706.01, Ohio Revised Code.

"Engineer" means an engineer (who may be an employee of the Company) or engineering firm qualified to practice the profession of engineering under the laws of the State and who or which is acceptable to the Trustee.

"EPA" means the Environmental Protection Agency of the State and any successor body, agency, commission or department.

"Event of Default" means any of the events described as an Event of Default in Section 7.1 hereof.

"Force Majeure" means any of the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, nuclear accidents or other malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of a utility serving the Projects; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Company.

"Generating Stations" means, respectively, the Miami Fort Generating Station, the Killen Generating Station, the Stuart Generating Station and the Conesville Generating Station, all as defined and described in Exhibit A hereto.

"Indenture" means the Trust Indenture related to the Bonds, dated as of the same date as this Agreement, between the Issuer and the Trustee, as amended or supplemented from time to time.

"Interest Rate for Advances" means the interest rate per year payable on the Bonds.

"Investment Grade Rating" means a long-term debt rating by a Rating Agency that is included in one of the four highest debt rating categories of the Rating Agency, provided that such rating categories shall mean generic categories and without regard to or other qualifications of ratings within each such generic rating category such as "+", "-", "1", "2" or "3".

"Issuance Costs" means those costs relating to the issuance of the Bonds as that term is used in Section 147(g) of the Code, including financial, legal, accounting and printing fees, charges and expenses, underwriting fees, the Issuer Fee, initial acceptance fees of the Trustee, any Authenticating Agent, the Registrar and any Paying Agent, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds.

"Issuer Fee" means the aggregate fee of $213,750 due to the Issuer from the Company in connection with the issuance of the Bonds hereunder.

"Loan" means the loan by the Issuer to the Company of the proceeds received from the sale of the Bonds.

"Loan Payment Date" means any date on which any Bond Service Charges are due and payable.

"Loan Payments" means the amounts required to be paid by the Company on the First Mortgage Bonds in repayment of the Loan pursuant to Section 4.1 hereof.

"Notice Address" means:

(a)	As to the Issuer:	Ohio Air Quality Development Authority 1718 LeVeque Tower 50 West Broad Street Columbus, Ohio 43215 Attention: Executive Director
(b)	As to the Company:	The Dayton Power & Light Company 1 Monument Circle Indianapolis, IN 46204 Attention; Treasurer
	With a copy to:	The Dayton Power & Light Company 1 Monument Circle Indianapolis, IN 46204 Attention; Assistant Treasurer

(c) As to the Trustee: The Bank of New York Mellon
385 Rifle Camp Road, 3rd Floor
Woodland Park, New Jersey 07424
Attention: Corporate Trust Administration

or such additional or different address, notice of which is given under Section 8.3 hereof.

"Opinion of Bond Counsel" means a written opinion of nationally recognized bond counsel selected by the Company and acceptable to the Trustee who is experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions. Bond Counsel may be counsel to the Trustee or the Company.

"Original Bonds" means the $90,000,000 State of Ohio Collateralized Air Quality Development Revenue Bonds, 2007 Series A (The Dayton Power and Light Company Project) issued November 15, 2007.

"Person" or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), limited liability entities, joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"Prior Bonds" means the Original Bonds and the Refunded Bonds.

"Projects" or "Project Facilities" means the real, personal or real and personal property, including undivided or other interests therein, identified in the Project Descriptions, financed with the proceeds of the Bonds, at least 95% of which constitute "solid waste disposal facilities" under Section 142(a)(6) of the Code.

"Project Descriptions" means the descriptions of the Project Facilities attached hereto as Exhibit A, as the same may be amended in accordance with this Agreement.

"Project Purposes" means the purposes of Air Quality Facilities as described in the Act and as particularly described in Exhibit A hereto.

"Project Sites" means the respective sites of the Generating Stations.

"Purchasers" means STI Institutional & Government Inc., PNC Bank, National Association, U.S. Bank National Association, Fifth Third Commercial Funding, Inc., Huntington Public Capital Corporation, Regions Capital Advantage, Inc., and BMO Harris Bank, N.A.

"Redemption Date" means August 3, 2015 being the date on which all of the Refunded Bonds are to be redeemed under the Refunded Bonds Indentures in accordance with Section 3.3 hereof.

"Refunded Bonds" means (a) the $50,000,000 State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 2008 Series A (The Dayton Power and Light Company Project) issued December 4, 2008 and (b) the $50,000,000 State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 2008 Series B (The Dayton Power and Light Company Project) issued December 4, 2008.

"Restructuring Transaction" means the restructuring of the Company's operations in accordance with an order by PUCO, including the separation of the Company's generation assets from its transmission and distribution assets (the "GenCo"), in compliance with the laws of the state of Ohio and any rules and regulations thereunder.

"Revenues" means (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer (excluding the Issuer Fee) or the Trustee in respect of repayment of the Loan, including without limitation, all moneys and investments in the Bond Fund, (c) any moneys and investments in the Refunding Fund, and (d) all income and profit from the investment of the foregoing moneys. The term "Revenues" does not include any moneys or investments in the Rebate Fund or the Bond Purchase Fund.

"State" means the State of Ohio.

"Trustee" means The Bank of New York Mellon, a corporation organized and existing under the laws of the State of New York, as trustee under the Indenture, unless and until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean the successor Trustee. "Principal Office" of the Trustee shall mean the principal corporate trust office of the Trustee for municipal securities, which office at the date of issuance of the Bonds is located at its Notice Address.

"Unassigned Issuer Rights" means all of the rights of the Issuer to receive Additional Payments under Section 4.2 hereof, to perform inspections pursuant to Section 5.1 hereof, to be held harmless and indemnified under Section 5.9 hereof, to be reimbursed for attorney's fees and expenses under Section 7.4 hereof and to give or withhold consent to amendments, changes, modifications, alterations and termination of this Agreement under Section 8.6 hereof and its right to enforce such rights.

Section 1.3. Interpretation. Any reference herein to the State, to the Issuer or to any member or officer of either includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Ohio Revised Code, or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Issuer, the State, the Holders, the Trustee, the Registrar, the Auction Agent, an Authenticating Agent, a Paying Agent, the Credit Facility Issuer, the Remarketing Agent, or the Company under this Agreement, the Bond Legislation, the Bonds, the Indenture, the Company Mortgage, the Supplemental Mortgage Indenture or the First Mortgage Bonds or any other instrument or document entered into in connection with any of the foregoing, including without limitation, any alteration of the obligation to pay Bond Service Charges in the amount and manner, at the times, and from the sources provided in the Bond Legislation and the Indenture, except as permitted in the Indenture.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; the terms "hereof", "hereby", "herein", "hereto", "hereunder" and similar terms refer to this Agreement; and the term "hereafter" means after, and the term "heretofore" means before, the date of delivery of the Bonds. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.4. Captions and Headings. The captions and headings in this Agreement are used solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs or subparagraphs or clauses hereof.

(End of Article I)

ARTICLE II

REPRESENTATIONS

Section 2.1. Representations of the Issuer. The Issuer represents that: (a) it is a body politic and corporate duly organized and validly existing under the laws of the State; (b) it has duly accomplished all conditions necessary to be accomplished by it prior to the issuance and delivery of the Bonds and the execution and delivery of this Agreement and the Indenture; (c) it is not in violation of or in conflict with any provisions of the laws of the State which would impair its ability to carry out its obligations contained in this Agreement or the Indenture; (d) it is empowered to enter into the transactions contemplated by this Agreement and the Indenture; (e) it has duly authorized the execution, delivery and performance of this Agreement and the Indenture; and (f) it will do all things in its power in order to maintain its existence or assure the assumption of its obligations under this Agreement and the Indenture by any successor public body.

Section 2.2. No Warranty by Issuer of Condition or Suitability of the Projects. The Issuer makes no warranty, either express or implied, as to the suitability or utilization of the Projects for the Project Purposes, or as to the condition of the Project Facilities or that the Project Facilities are or will be suitable for the Company's purposes or needs.

Section 2.3. Representations and Covenants of the Company. The Company represents that:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State, with power and authority (corporate and other) to own its properties and conduct its business, to execute and deliver this Agreement, the Supplemental Mortgage Indenture, the First Mortgage Bonds, and to perform its obligations under this Agreement, the Company Mortgage, the Supplemental Mortgage Indenture and the First Mortgage Bonds;

(b) This Agreement, the Supplemental Mortgage Indenture and the Company Mortgage have been duly authorized, executed and delivered by the Company; the First Mortgage Bonds have been duly authorized, executed, issued and delivered; and this Agreement, the Supplemental Mortgage Indenture, the Company Mortgage and the First Mortgage Bonds constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights, to laws relating to or affecting the enforcement of the security provided by the Company Mortgage and to general equity principles;

(c) The execution, delivery and performance by the Company of this Agreement, the Supplemental Mortgage Indenture, the Company Mortgage and the First Mortgage Bonds and the consummation of the transactions contemplated hereby and thereby will not violate any provision of law or regulation applicable to the Company, or of any writ or decree of any court or governmental instrumentality, or of the Articles of Incorporation, as amended, or the Regulations, as amended, of the Company, or of any mortgage, indenture, contract, agreement or other undertaking to which the

Company is a party or which purports to be binding upon the Company or upon any of its assets;

(d) The acquisition, construction, installation, equipping and improvement of the Projects were not commenced prior to the adoption of Resolution No. 04-61 of the Issuer on September 14, 2004, with respect to the portion of the Projects located at the Miami Fort Generating Station, and the adoption of Resolution No. 04-72 of the Issuer on October 12, 2004, with respect to the portion of the Projects located at the other Generating Stations, in each case evidencing the intent of the Issuer to issue the Bonds with the exception of "preliminary expenditures" within the meaning of Treas. Reg. §1.150-2(f)(2); provided further, however, with respect to certain costs of the Projects that were paid or incurred on and prior to such date, such costs were not financed with the net proceeds of the Prior Bonds, except to the extent that they (i) consist of costs paid on or after 60 days prior to September 14, 2004 with respect to the portion of the Projects located at the Miami Fort Generating Station, (ii) consist of costs paid on or after 60 days prior to October 12, 2004 with respect to the portion of the Projects located at the other Generating Stations or (iii) consist, in an amount not in excess of 20% of the aggregate issue price of the Bonds, of "preliminary expenditures" within the meaning of Treas. Reg. §1.150-2(f)(2), which include architectural, engineering, surveying, soil testing and similar costs that were incurred prior to commencement of acquisition or construction of the Projects, other than land acquisition, site preparation and similar costs incident to commencement of acquisition or construction. Moreover, no costs of the Projects to be financed with the respective net proceeds of the Bonds or the Refunded Bonds and any Transferred Proceeds (as defined below) were originally expended more than 3 years prior to the respective issuance date of the Bonds or the Prior Bonds;

(e) The Projects have been substantially completed. The Projects constitute Air Quality Facilities under the Act and are consistent with and will further the purposes of the Act and Section 13 of Article VIII of the Ohio Constitution and are located entirely within the State. The Company will cause the Projects to be operated and maintained in such manner as to conform with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, including the permit-to-install for each portion of the Projects, which permits, variances and orders have not been withdrawn or otherwise suspended, and to be consistent with the Act;

(f) It has used or operated or has caused to be used or operated, and presently intends to use or operate or cause to be used or operated the Projects in a manner consistent with the Project Purposes until the date on which the Bonds have been fully paid and knows of no reason why the Projects will not be so operated. The Company does not, as of the date hereof, intend to sell or otherwise dispose of the Projects or any portion thereof, other than in connection with a Restructuring Transaction;

(g) At least 95% of the net proceeds (as defined in Section 150 of the Code) of the Original Bonds and any unspent proceeds of the Original Bonds which become transferred proceeds of the Refunded Bonds under the Code upon the retirement of the Original Bonds (the "Transferred Proceeds") were used to provide land or property of a character subject to the allowance for depreciation for purposes of Section 167 of the Code. The Issuance Costs of the Original Bonds financed with the proceeds of the Original Bonds did not exceed 2% of the proceeds of the Original Bonds and the Issuance Costs of the new money portion of the Refunded Bonds financed with the proceeds of the new money portion of the Refunded Bonds did not exceed 2% of the proceeds of the new money portion of the Bonds (within the meaning of Section 147(g) of the Code). None of the proceeds of the Prior Bonds or the Bonds were or will be used to provide working capital. $90,000,000 of the proceeds of the Refunded Bonds (other than any accrued interest thereon) were used exclusively to refund the Original Bonds, any investment earnings thereon were used to pay principal, premium or interest on the Original Bonds. The proceeds of the Refunded Bonds were used to retire the Original Bonds not later than 90 days after the date of issuance of the Refunded Bonds. The proceeds of the Bonds (other than any accrued interest thereon) will be used exclusively to refund the Refunded Bonds, any investment earnings thereon will be used to pay principal, premium or interest on the Refunded Bonds, and none of the proceeds of the Bonds will be used to pay for any costs of issuance of the Bonds. The principal amount of the Bonds does not exceed the outstanding principal amount of the Refunded Bonds. The proceeds of the Bonds will be used to retire the Refunded Bonds not later than 90 days after the date of issuance of the Bonds.

(h) In accordance with Section 147(b) of the Code, the respective weighted average maturity of the Prior Bonds did not and the weighted average maturity of the Bonds does not exceed 120% of the weighted average reasonably expected economic life of the facilities being financed by the proceeds thereof;

(i) None of the proceeds of the Prior Bonds were used and none of the proceeds of the Bonds will be used to provide any airplane; skybox or other private luxury box; health club facility; any facility primarily used for gambling; or any store the principal business of which is the sale of alcoholic beverages for consumption off premises;

(j) Less than 25% of the net proceeds of the Prior Bonds have been used and none of the proceeds of the Bonds will be used directly or indirectly to acquire land or any interest therein, and none of such land is being or will be used for farming purposes;

(k) No portion of the proceeds of the Prior Bonds has been used and no portion of the proceeds of the Bonds will be used to acquire existing property or any interest therein unless the first use of such property or interest therein is pursuant to such acquisition;

(l) At no time will any funds constituting gross proceeds of the Bonds be used in a manner as would constitute failure of compliance with Section 148 of the Code;

(m) It is not anticipated that as of the date hereof, there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code;

(n) The Prior Bonds were not, and the Bonds are not, "federally guaranteed" within the meaning of Section 149(b) of the Code;

(o) At least 95% of the proceeds of the Prior Bonds and any Transferred Proceeds were or will be used to provide "solid waste disposal facilities" within the meaning of Section 142(a)(6) of the Code;

(p) The information furnished by the Company and used by the Issuer in preparing the certifications and statements pursuant to Sections 148 and 149(e) of the Code with respect to the Prior Bonds was accurate and complete as of the respective date of issuance thereof, and the information furnished by the Company and used by the Issuer in preparing the certification pursuant to Section 148 of the Code and in preparing any necessary information statement pursuant to Section 149(e) of the Code, both referred to in the Bond Legislation, will be accurate and complete as of the date of issuance of the Bonds;

(q) The Project Facilities do not include any office except for offices (i) located on the Project Sites and (ii) not more than a de minimis amount of the functions to be performed at which is not directly related to the day-to-day operations of the Project Facilities; and

(r) Except as disclosed in the Company's filings with the U.S. Securities and Exchange Commission, the Company believes that, as of the date hereof, it is in material compliance with all terms and provisions of all material permits, variances and orders heretofore issued or granted by the EPA with respect to the Generating Stations and its other facilities within the State, including any permits-to-install and permits-to-operate issued with respect thereto.

(End of Article II)

ARTICLE III

COMPLETION OF THE PROJECTS; ISSUANCE OF THE BONDS

Section 3.1. Acquisition, Construction and Installation. The Company represents and agrees that it and any other public utility company which owns any undivided interest in the Project Facilities with the Company as tenants-in-common have caused the Projects to be acquired, constructed and installed on the Project Sites in accordance with the Project Descriptions and in conformance with all applicable, valid and enforceable (i) zoning, planning, building, environmental and other similar regulations of all governmental authorities having jurisdiction over the Projects and (ii) permits, variances and orders issued in respect of the Projects by EPA, noncompliance with which would have a material adverse effect on the Company's ability to operate and maintain the Projects or to perform its obligations hereunder, provided that the Company reserves the right to contest in good faith any such regulations, permits, variances or orders. The proceeds derived from the Original Bonds and the Refunded Bonds, including any investment thereof, were expended in accordance with the trust indentures and the loan agreements relating to the Original Bonds and the Refunded Bonds.

Section 3.2. Project Descriptions. The Project Descriptions may be changed from time to time by, or with the consent of, the Company provided that any such change shall also be filed with the Issuer and the Trustee and provided further that no change in the Project Descriptions shall materially change the function of the Project Facilities unless the Trustee shall have received (i) an Engineer's certificate that such changes will not impair the significance or character of the Project Facilities as Air Quality Facilities and (ii) an Opinion of Bond Counsel or ruling of the Internal Revenue Service to the effect that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 3.3. Issuance of the Bonds; Application of Proceeds. To provide funds to make the Loan to the Company to assist the Company in the refunding of the Refunded Bonds, the Issuer will issue, sell and deliver the Bonds to the Purchasers. The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Company hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered. The Company, for the benefit of the Issuer, the Trustee and each Bondholder, shall do and perform all acts and things required or contemplated in the Indenture to be done or performed by the Company.

The proceeds from the sale of the Bonds shall be loaned to the Company to assist the Company in the refunding of the Refunded Bonds. Those proceeds shall be deposited in the Refunding Fund with all investment earnings thereon being credited to the Refunding Fund and applied in accordance with Section 5.02 of the Indenture.

Pursuant to Section 5.02 of the Indenture, on the Redemption Date, all moneys in the Refunding Fund shall be transferred by the Trustee to the Refunded Bonds Trustee for deposit in the Series 2008A Company Account of the bond fund created in the Series 2008A Indenture and the Series 2008B Company Account of the bond fund created in the Series 2008B Indenture, respectively, in the manner provided therein. Further, in accordance with said Section 5.02 of the Indenture, such funds will be applied solely and exclusively by the Refunded Bonds Trustee to reimburse the credit facility issuer for draws on the Series 2008A Credit Facility and the Series 2008B Credit Facility used to redeem the Refunded Bonds on the Redemption Date. Any remaining reimbursement due to the Credit Facility Issuer after the application of all such moneys shall be paid from moneys provided by the Company.

Pending disbursement pursuant to this Section, the proceeds so deposited in the Refunding Fund, together with any investment earnings thereon, shall constitute a part of the Revenues assigned by the Issuer to the Trustee for the payment of Bond Service Charges.

The Company acknowledges that the proceeds of the Bonds (including any interest income thereon) may be insufficient to pay the full costs of refunding the Refunded Bonds and that the Issuer has made no representation or warranty with respect to the sufficiency thereof. The Company further acknowledges that it is (and will remain after the issuance of the Bonds) obligated to, and hereby confirms that it will, pay all costs of the redemption of the Refunded Bonds on the Redemption Date.

The Company and the Issuer hereby confirm that the Refunded Bonds Trustee has been notified that the entire outstanding principal amount of the Refunded Bonds is to be redeemed on the Redemption Date, at the redemption price of 100% of the principal amount thereof, plus interest accrued to that date.

Section 3.4. Investment of Fund Moneys. Moneys held as part of the Bond Fund, the Refunding Fund or the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments at the written direction of the Company pursuant to Section 5.05 of the Indenture. The Issuer (to the extent it retained or retains direction or control) and the Company each hereby covenants that it will restrict that investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

The Company shall provide the Issuer with, and the Issuer may base its certificate and statement, each as authorized by the Bond Legislation, on a certificate of an appropriate officer, employee or agent of or consultant to the Company for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the Company on the date of delivery of and payment for the Bonds regarding the amount and use of the proceeds of the Bonds and the facts, estimates and circumstances on which those expectations are based.

Section 3.5. Rebate Fund. To the extent required by Section 5.09 of the Indenture, within five days after the end of the fifth Bond Year and every fifth Bond Year thereafter, and within five days after payment in full of all outstanding Bonds, the Company shall calculate the amount of Excess Earnings as of the end of that Bond Year or the date of such payment and shall notify the Trustee of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the amount of Excess Earnings (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to Section 5.09 of the Indenture and this Section), the Company shall, within five days after the date of the aforesaid calculation, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Excess Earnings. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the Indenture. The Company shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

(End of Article III)

ARTICLE IV

LOAN BY ISSUER; LOAN PAYMENTS; ADDITIONAL PAYMENTS; CREDIT FACILITY AND FIRST MORTGAGE BONDS

Section 4.1. Loan Repayment; Delivery of First Mortgage Bonds. Upon the terms and conditions of this Agreement, the Issuer agrees to make the Loan to the Company. The proceeds of the Loan shall be deposited with the Trustee pursuant to Section 3.3 hereof. As evidence of its obligation hereunder to repay the Loan, the Company agrees to execute and deliver the First Mortgage Bonds to the Issuer, in the manner provided in Section 4.9 hereof. In consideration of and in repayment of the Loan, the Company shall under all circumstances and without reduction for any reason (other than any credits to which the Company is entitled to under this Agreement or the Indenture) make, as Loan Payments, to the Trustee for the account of the Issuer, payments on the First Mortgage Bonds which correspond, as to time, and are equal in amount as of the Loan Payment Date, to the corresponding Bond Service Charges payable on the Bonds. All Loan Payments received by the Trustee shall be held and disbursed in accordance with the provisions of the Indenture for application to the payment of Bond Service Charges.

The Company shall be entitled to a credit against the Loan Payments required to be made on any Loan Payment Date to the extent that the balance of the Bond Fund is then in excess of amounts required (a) for the payment of Bonds theretofore matured or theretofore called for redemption, or to be called for redemption pursuant to Section 6.1 hereof (b) for the payment of interest for which checks or drafts have been drawn and mailed by the Trustee or Paying Agent, and (c) to be deposited in the Bond Fund by the Indenture for use other than for the payment of Bond Service Charges due on that Loan Payment Date.

The Company's obligation to make Loan Payments shall be reduced to the extent of (a) any payments made by the Credit Facility Issuer to the Trustee in respect of the principal of, premium, if any, or interest on the Bonds when due pursuant to the Credit Facility, provided, that the Credit Facility Issuer has been reimbursed for such payments in accordance with the terms of the Reimbursement Agreement, or (b) the availability of remarketing proceeds to pay the purchase price pursuant to Section 4.08 of the Indenture.

Except for such interest of the Company as may hereafter arise pursuant to Section 8.2 hereof or Sections 5.07 or 5.08 of the Indenture, the Company acknowledges that the Company has no interest in the Bond Fund or the Bond Purchase Fund and the Issuer acknowledges that neither the State nor the Issuer has any interest in the Bond Fund or the Bond Purchase Fund, and the Company and the Issuer acknowledge that any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders.

Section 4.2. Additional Payments. The Company shall pay to the Issuer, promptly after the filing of any necessary Form 8038 information statement, the Issuer Fee and, as Additional Payments hereunder, any and all reasonable costs and expenses incurred or to be paid by the Issuer in connection with the issuance and delivery of the Bonds or otherwise related to actions taken by the Issuer under this Agreement or the Indenture.

The Company shall pay the Administration Expenses to the Trustee, the Registrar, the Remarketing Agent, the Auction Agent, and any Paying Agent or Authenticating Agent, as appropriate, as Additional Payments hereunder.

The Company may, without creating a default hereunder, contest in good faith the reasonableness of any such cost or expense incurred or to be paid by the Issuer and any Administration Expenses claimed to be due to the Trustee, the Registrar, the Auction Agent, the Remarketing Agent, any Paying Agent or any Authenticating Agent.

In the event the Company should fail to pay any Loan Payments, Additional Payments or Administration Expenses as provided herein when due, the payment in default shall continue as an obligation of the Company until the amount in default shall have been fully paid together with interest thereon during the default period at the Interest Rate for Advances.

Section 4.3. Place of Payments. The Company shall make all Loan Payments directly to the Trustee at its Principal Office. Additional Payments shall be made directly to the person or entity to whom or to which they are due.

Section 4.4. Obligations Unconditional. The obligations of the Company to make Loan Payments, Additional Payments and any payments required of the Company under Section 5.09 of the Indenture shall be absolute and unconditional, and the Company shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Company may have or assert against the Issuer, the Trustee, the Registrar, the Remarketing Agent, the Auction Agent, the Paying Agent or any other Person.

Section 4.5. Assignment of Revenues, Agreement and First Mortgage Bonds. To secure the payment of Bond Service Charges, the Issuer shall absolutely assign to the Trustee, its successors in trust and its and their assigns forever, by the Indenture, all right, title and interest of the Issuer in and to (a) the Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Issuer under the Agreement in respect of repayment of the Loan, (b) the Agreement except for the Unassigned Issuer's Rights, and (c) the First Mortgage Bonds. The Company hereby agrees and consents to those assignments.

Section 4.6. Credit Facility; Cancellation; Notices.

(a) The Company may, but shall not be required to, provide for the delivery of a Credit Facility with respect to the Bonds.

(b) Upon satisfaction of the requirements contained in Section 14.03 of the Indenture, the Company may provide for the delivery of an Alternate Credit Facility.

(c) Upon satisfaction of the conditions contained in Section 14.02 of the Indenture, the Company may cancel any Credit Facility then in effect at such time and direct the Trustee in writing to surrender such Credit Facility to the Credit Facility Issuer by which it was issued in accordance with the Indenture; provided, that no such cancellation shall become effective and no such surrender shall take place until all Bonds subject to purchase pursuant to Section 4.07(e) of the Indenture have been so purchased or redeemed with the proceeds of such Credit Facility.

Section 4.7. Company's Option to Elect Rate Period; Changes in Auction Date and Length of Auction Periods. The Company shall have, and is hereby granted, the option to elect to convert on any Conversion Date the interest rate borne by the Bonds to Variable Rate or an Auction Rate to be effective for a Rate Period pursuant to the provisions of Article II of the Indenture and subject to the terms and conditions set forth therein. In addition, the Company at its option, with prior written consent of the Holders, may determine to establish a new Index Rate Period in accordance with the provisions of Section 2.03(f)(iv) of the Indenture. Prior to conversion to an Auction Rate, the Company shall designate an Auction Agent and at least one Broker-Dealer; until any such conversion is made any references herein to the Auction Agent and the Broker-Dealer shall be ineffective. When the Bonds bear interest at an Auction Rate, the Company also shall have the option to direct the change of Auction Dates and/or the length of Auction Periods in accordance with the Indenture. To exercise such options, the Company shall give the written notice required by the Indenture.

Section 4.8. Company's Obligation to Purchase Bonds. The Company hereby agrees to pay or cause to be paid to the Trustee or the Paying Agent, on each day on which Bonds may be or are required to be tendered for purchase, amounts equal to the amounts to be paid by the Trustee or the Paying Agent with respect to the Bonds tendered for purchase on such dates pursuant to Article

IV of the Indenture; provided, however, that the obligation of the Company to make any such payment under this Section shall be reduced by the amount of (A) moneys paid by the Remarketing Agent as proceeds of the remarketing of such Bonds by the Remarketing Agent, (B) moneys drawn under a Credit Facility, if any, for the purpose of paying such purchase price and (C) other moneys made available by the Company, as set forth in Section 4.08(b)(ii) of the Indenture.

Section 4.9. First Mortgage Bonds. To evidence and secure the obligations of the Company to make the Loan Payments and repay the Loan, the Company will, concurrently with the issuance of the Bonds, execute and deliver First Mortgage Bonds to the Issuer in an aggregate principal amount equal to the aggregate principal amount of the Bonds. The Company agrees that First Mortgage Bonds authorized pursuant to the Company Mortgage, will be issued containing the terms and conditions and in substantially the form set forth in the Supplemental Mortgage Indenture. The First Mortgage Bonds shall:

(a) provide for payments of interest equal to the payments of interest on the Bonds;

(b) provide for payments of principal and any premium equal to the payments of principal (whether at maturity or by call for mandatory or optional redemption or tender for purchase or pursuant to acceleration or otherwise) and any premium on the Bonds;

(c) require all such payments on such First Mortgage Bonds to be made on or prior to the due date for the corresponding payments to be made on the Bonds; and

(d) contain redemption provisions corresponding with such provisions of the Bonds.

Unless the Company is entitled to a credit under this Agreement or the Indenture, all payments on the First Mortgage Bonds shall be in the full amount required thereunder. The First Mortgage Bonds shall be registered in the name of the Trustee (as assignee of the Issuer under the Indenture) and shall not be transferred by the Trustee, except to effect transfers to any successor trustee under the Indenture.

(End of Article IV)

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

Section 5.1. Right of Inspection. The Company agrees that, subject to reasonable security and safety regulations and to reasonable requirements as to notice, the Issuer and the Trustee and their or any of their respective duly authorized agents shall have the right at all reasonable times to enter upon the Project Sites to examine and inspect the Projects.

Section 5.2. Maintenance. The Company shall use its best efforts to keep and maintain the Project Facilities, including all appurtenances thereto and any personal property therein or thereon, in good repair and good operating condition so that the Project Facilities will continue to constitute Air Quality Facilities for the purposes of the operation thereof as required by Section 5.4 hereof.

So long as such shall not be in violation of the Act or impair the character of the Project Facilities as Air Quality Facilities, and provided there is continued compliance with applicable laws and regulations of governmental entities having jurisdiction thereof, the Company shall have the right to remodel the Project Facilities or make additions, modifications and improvements thereto, from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, the cost of which remodeling, additions, modifications and improvements shall be paid by the Company and the same shall, when made, become a part of the Project Facilities.

Section 5.3. Removal of Portions of the Project Facilities. The Company shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary portions of the Project Facilities, except that, subject to Section 5.4 hereof, it will use its best efforts to ensure the continued character of the Project Facilities as Air Quality Facilities. The Company shall have the right from time to time to substitute personal property or fixtures for any portions of the Project Facilities, provided that the personal property or fixtures so substituted shall not impair the character of the Project Facilities as Air Quality Facilities. Any such substituted property or fixtures shall, when so substituted, become a part of the Project Facilities. The Company shall also have the right to remove any portion of the Project Facilities, without substitution therefor; provided, that the Company shall deliver to the Trustee a certificate signed by an Engineer describing said portion of the Project Facilities and stating that the removal of such property or fixtures will not impair the character of the Project Facilities as Air Quality Facilities.

Section 5.4. Operation of Project Facilities. The Company will, subject to its obligations and rights to maintain, repair or remove portions of the Project Facilities, as provided in Sections 5.2 and 5.3 hereof, use its best efforts to continue operation of the Project Facilities so long as and to the extent that operation thereof is required to comply with laws or regulations of governmental entities having jurisdiction thereof or unless the Issuer shall have approved the discontinuance of such operation (which approval shall not be unreasonably withheld). The Company agrees that it will, within the design capacities thereof, use its best efforts to operate and maintain the Project Facilities in accordance with all applicable, valid and enforceable rules and regulations of governmental entities having jurisdiction thereof; provided, that the Company reserves the right to contest in good faith any such laws or regulations.

Nothing in this Agreement shall prevent or restrict the Company, in its sole discretion, at any time, from discontinuing or suspending either permanently or temporarily its use of any facility of the Company served by the Project Facilities and in the event such discontinuance or suspension shall render unnecessary the continued operation of the Project Facilities, the Company shall have the right to discontinue the operation of the Project Facilities during the period of any such discontinuance or suspension.

Section 5.5. Insurance. The Company agrees to insure its interest in the Project Facilities in the amount and with the coverage required by the Company Mortgage.

Section 5.6. Workers' Compensation Coverage. Throughout the term of this Agreement, the Company shall comply, or cause compliance, with applicable workers' compensation laws of the State.

Section 5.7. Damage; Destruction and Eminent Domain. If, during the term of this Agreement, the Project Facilities or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project Facilities or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Company or the Company Mortgage Trustee receives net proceeds from insurance or any condemnation award in connection therewith, the Company (unless it shall have exercised its option to prepay the Loan Payments pursuant to Section 6.2 hereof), to the extent required to comply with applicable laws and regulations with respect to the operations of facilities of the Company served by the Projects, shall promptly cause such net proceeds or an amount equal thereto to be used to repair, rebuild or restore the portion of the Project Facilities so damaged, destroyed or taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be necessary or desirable for the administration and operation of the Project Facilities as Air Quality Facilities and as shall not impair the character or significance of the Project Facilities as furthering the purposes of the Act. It is hereby acknowledged and agreed that any net proceeds from insurance or any condemnation award relating to the Project Facilities are subject to the lien of the Company Mortgage and shall be disposed of in accordance with the terms and provisions of the Company Mortgage and that any obligations of the Company under this Section 5.7 not satisfied by application of such net proceeds shall be limited to the general credit of the Company and does not require disposition of such net proceeds contrary to the requirements of the Company Mortgage.

Section 5.8. Company to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Company agrees that during the term of this Agreement it will maintain its corporate existence and, will not sell, merge or consolidate with or into any other Person or sell, lease or transfer all or substantially all of its property to any Person, except that the following shall be permitted:

(a) the Company may transfer property, including the Project Facilities, as part of a Restructuring Transaction;

(b) the Company may consolidate with or merge with or into any other Person or sell, lease or transfer all or substantially all of its properties to any Person so long as either (A) the Company shall be the surviving corporation or (B) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer or lease the properties of the Company substantially as an entirety shall be organized and validly existing under the laws of the United States or any state thereof or the District of Columbia and shall expressly assume all of the obligations of the Company under this Agreement;

(c) a subsidiary of the Company shall be permitted to merge or consolidate with or into or sell, lease or transfer all or substantially all of its property to the Company (provided, with

respect to a merger, the Company is the surviving entity) or another subsidiary of the Company;

(d) the Company may wind up, voluntarily liquidate or dissolve any subsidiary if (A) such subsidiary is not a Significant Subsidiary (as defined in Rule 1-02 of Regulation S-X promulgated under the Securities Act of 1933, as amended) and (B) the winding up, voluntary liquidation or dissolution of such subsidiary will not result in an Event of Default hereunder or otherwise have a material adverse effect on the business, property, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, which materially and adversely affects the ability of the Company to perform its obligations under this Agreement.

If a consolidation, merger, sale, lease or other transfer is made as provided in this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger, sale, lease or other transfer shall be made except in compliance with the provisions of this Section.

Section 5.9. Indemnification. The Company releases the Issuer from, agrees that the Issuer shall not be liable for, and indemnifies the Issuer against, all liabilities, claims, costs and expenses imposed upon or asserted against the Issuer on account of: (a) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project Facilities; (b) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this Agreement or any related document, or arising from any act or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (c) the authorization, issuance and sale of the Bonds, or the subsequent remarketing or determination of the interest rate or rates on the Bonds, and the provision of any information furnished in connection therewith concerning the Project Facilities or the Company (including, without limitation, any information furnished by the Company for inclusion in any certifications made by the Issuer under Section 3.7 hereof or for inclusion in, or as a basis for preparation of, the Form 8038 information statement to be filed by the Issuer; and (d) any claim or action or proceeding with respect to the matters set forth in (a), (b) and (c) above brought thereon.

The Company agrees to indemnify the Trustee (including any predecessor Trustee), the Paying Agent, the Remarketing Agent, the Auction Agent and the Registrar (each hereinafter referred to in this section as an "indemnified party") for and to hold each of them harmless from and against all losses, liabilities, obligations, damages, claims, costs and expenses of any kind or nature whatsoever (including the compensation and expenses of their counsel) incurred without negligence or willful misconduct on the part of the indemnified party arising out of, relating to or connected with the Indenture or the Auction Agreement, including, but not limited to, on account of the Trustee's acceptance or administration of the trusts created by, or the performance of its powers or duties under the Indenture, or of any action taken or omitted to be taken by the indemnified party in accordance with the terms of this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company, including the costs and expenses of the indemnified party in defending itself against or investigating any claim, loss, or liability, action, suits or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Agreement, the Bonds or the Indenture.

In case any action or proceeding is brought against the Issuer or an indemnified party in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Company, and the Company upon receipt of that notice

shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Company from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Company. At its own expense, an indemnified party may employ separate counsel and participate in the defense; provided, however, where it is reasonably determined by Issuer or indemnified parties to be ethically inappropriate or that it would create an actual or potential conflict of interest for one firm to represent the interests of the Issuer and any other indemnified party or parties, the Company shall, to the extent applicable, pay the Issuer's and the indemnified parties' legal expenses in connection with the Issuer's and the indemnified parties' retention of separate counsel. The Company shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees and agents of the Issuer, the Trustee, the Paying Agent, the Remarketing Agent, the Auction Agent and the Registrar, respectively. That indemnification is intended to and shall be enforceable by the Issuer, the Trustee, the Paying Agent, the Remarketing Agent and the Registrar, respectively, to the full extent permitted by law. Each of the Trustee and each indemnified Person not a party to this Agreement is an express third party beneficiary of this Section 5.9 and shall have the right to enforce or pursue remedies under the provisions hereof as fully as though an original party hereto.

Section 5.10. Issuer and Company Not to Adversely Affect Exclusion of Interest on Bonds From Gross Income For Federal Income Tax Purposes. The Issuer, solely to the extent within its control, and the Company each hereby covenants and represents that it has taken and caused to be taken and shall take and cause to be taken all actions that may be required of it for the interest on the Bonds to be and remain excluded from the gross income of the Holders for federal income tax purposes, and that it has not taken or permitted to be taken on its behalf, and covenants that it will not take, or permit to be taken on its behalf, any action which, if taken, would adversely affect that exclusion under the provisions of the Code. Neither the Issuer nor the Company shall cause any proceeds of the Bonds to be expended, except pursuant to the Indenture and this Agreement.

Section 5.11. Ownership of Projects; Use of Projects. The Issuer agrees that it does not have and shall not have any interest in, title to or ownership of the Projects or the Project Sites. The Issuer does hereby covenant and agree that it will not take any action, or cause any action to be taken on its behalf, during the term of this Agreement, other than pursuant to Article VII of this Agreement or Article VII of the Indenture, to interfere with the Company's ownership interest in the Projects or to prevent the Company from having possession, custody, use and enjoyment of the Projects, except such action as is requested by the Trustee in enforcing any remedies available to it under this Agreement or the Indenture.

Section 5.12. Assignment of Agreement in Whole or in Part by Company. This Agreement may be assigned in whole or in part by the Company without the necessity of obtaining the consent of either the Issuer or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 5.8 or Section 5.13 hereof) shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Company shall continue to remain primarily liable for the payment of the Loan Payments and Additional Payments and for performance and observance of the agreements on its part herein provided to be performed and observed by it.

(b) Any assignment by the Company must retain for the Company such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the

Company shall assume the obligations of the Company hereunder to the extent of the interest assigned.

(c) The Company shall furnish to the Issuer and the Trustee an Opinion of Bond Counsel addressed to the Issuer and the Trustee to the effect that such assignment is authorized or permitted by the Act and will not adversely affect the exclusion from gross income of interest on the Bonds.

(d) The Company shall, within 30 days after execution thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment together with any instrument of assumption.

(e) Any assignment from the Company shall not materially impair fulfillment of the Project Purposes to be accomplished by operation of the Projects as herein provided.

5.13 Assignment of Agreement in Whole by Company (Novation). In addition to an assignment contemplated by Sections 5.8 and 5.12 hereof, this Agreement may be assigned as a whole by the Company, subject, however, to each of the following conditions:

(a) The Company's rights, duties and obligations under this Agreement and all related documents are assigned to, and assumed in full by, the assignee either (i) as of a date the Bonds are subject to mandatory purchase under Section 4.07 of the Indenture or (ii) as of a date specified by the Company in connection with a Restructuring Transaction but, in such case, only if the assignee is the GenCo and the Company has delivered to the Issuer and the Trustee written evidence of an Investment Grade Rating (taking into account such assignment to, and assumption in full by, the GenCo) with respect to the Bonds from each Rating Agency.

(b) The assignee and the Company shall execute an assignment and assumption agreement, in form and substance reasonably acceptable to the Company, and acknowledged and agreed to by the Issuer, whereby the assignee shall confirm and acknowledge that it has assumed all of the rights, duties and obligations of the Company under this Agreement and all related documentation and agrees to be bound by and to perform and comply with the terms and provisions of this Agreement and all related documentation as if it had originally executed the same; provided further that if there is more than one assignee, such assignment and assumption agreement shall be on a joint and several basis among all assignees.

(c) The Company shall furnish to the Issuer and the Trustee (i) an Opinion of Bond Counsel to the effect that such assignment is authorized or permitted by the Act and will not adversely affect the exclusion from gross income of interest on the Bonds, (ii) an opinion of counsel to the assignee to the effect that such assignment and assumption agreement has been duly authorized by the assignee and constitutes the legal, valid and binding obligation of the assignee, enforceable against the assignee

in accordance with its terms, subject to laws relating to or affecting generally the enforcement of creditors' rights, including, without limitation, bankruptcy and insolvency laws and to general principles of equity (regardless of whether considered in a proceeding in equity or at law) and (iii) a certificate of an Authorized Company Representative and an opinion of counsel to the Company, each stating to the effect that such assignment complies with this Section 5.13 and that all conditions precedent herein relating to such assignment have been complied with.

(d) The Company shall, within 30 days after execution thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of such assignment and assumption agreement.

(e) Any assignment from the Company shall not materially impair fulfillment of the purpose of the Projects as herein provided.

(f) Upon the effectiveness of such assignment and assumption, the assignee shall be deemed to be the "Company" hereunder and the assignor shall be relieved of all liability hereunder.

(End of Article V)

ARTICLE VI

REDEMPTION

Section 6.1. Optional Redemption. Provided no Event of Default shall have occurred and be subsisting, at any time and from time to time, the Company may deliver moneys to the Trustee in addition to Loan Payments or Additional Payments required to be made and direct the Trustee to use the moneys so delivered for the purpose of redeeming Bonds called for optional redemption in accordance with the applicable provisions of the Indenture providing for optional redemption at the redemption price stated in the Indenture. Pending application for those purposes, any moneys so delivered shall be held by the Trustee in a special account in the Bond Fund and delivery of those moneys shall not, except as set forth in Section 4.1 hereof, operate to abate or postpone Loan Payments or Additional Payments otherwise becoming due or to alter or suspend any other obligations of the Company under this Agreement.

Section 6.2. Extraordinary Optional Redemption. The Company shall have, subject to the conditions hereinafter imposed, the option during a Term Rate Period to direct the redemption of the Bonds in whole or in part in accordance with Section 4.01(a) of the Indenture upon the occurrence of any of the following events:

(a) A Project or a Generating Station shall have been damaged or destroyed to such an extent that (1) it cannot reasonably be expected to be restored, within a period of six consecutive months, to the condition thereof immediately preceding such damage or destruction or (2) the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months.

(b) Title to, or the temporary use of, all or a significant part of a Project or a Generating Station shall have been taken under the exercise of the power of eminent domain (1) to such extent that it cannot reasonably be expected to be restored within a period of six consecutive months to a condition of usefulness comparable to that existing prior to the taking or (2) to such an extent that the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months.

(c) As a result of any changes in the Constitution of the State, the Constitution of the United States of America or any state or federal laws or as a result of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after any contest thereof by the Issuer or the Company in good faith, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in this Agreement.

(d) Unreasonable burdens or excessive liabilities shall have been imposed upon the Issuer or the Company with respect to a Project or a Generating Station or the operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes other than ad valorem

taxes at the rates presently levied upon privately owned property used for the same general purpose as a Project or a Generating Station.

(e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of a Project or a Generating Station for the Project Purposes occur or technological or other changes occur which the Company cannot reasonably overcome or control and which in the Company's reasonable judgment render a Project or a Generating Station uneconomic or obsolete for the Project Purposes.

(f) Any court or administrative body shall enter a judgment, order or decree, or shall take administrative action, requiring the Company to cease all or any substantial part of its operations served by a Project or a Generating Station to such extent that the Company is or will be prevented from carrying on its normal operations at a Project or a Generating Station for a period of six consecutive months.

(g) The termination by the Company of operations at a Generating Station.

As used in this Section 6.2, the term "a Project" means the portion of the Project Facilities at a particular Generating Station.

The amount payable by the Company in the event of its exercise of the option granted in this Section shall be the sum of the following:

(i) An amount of money which, when added to the moneys and investments held to the credit of the Bond Fund, will be sufficient pursuant to the provisions of the Indenture to pay, at a redemption price of 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date, and discharge, the Outstanding Bonds then being redeemed on the earliest applicable redemption date, that amount to be paid to the Trustee, plus

(ii) An amount of money equal to the Additional Payments relating to those Bonds accrued and to accrue until actual final payment and redemption of those Bonds, that amount or applicable portions thereof to be paid to the Trustee or to the Persons to whom those Additional Payments are or will be due.

The requirement of (ii) above with respect to Additional Payments to accrue may be met if provisions satisfactory to the Trustee and the Issuer are made for paying those amounts as they accrue.

The rights and options granted to the Company in this Section may be exercised whether or not the Company is in default hereunder; provided, that such default will not relieve the Company from performing those actions which are necessary to exercise any such right or option granted hereunder.

Section 6.3. Mandatory Redemption. The Company shall deliver to the Trustee the moneys needed to redeem the Bonds in accordance with any mandatory redemption provisions relating thereto as may be set forth in Section 4.01(b) of the Indenture.

Section 6.4. Notice of Redemption. In order to exercise an option granted in, or to consummate a redemption required by, this Article VI, the Company shall, within 180 days following the event authorizing the exercise of such option, or at any time during the continuation of the condition referred to in paragraphs (c), (d) or (e) of Section 6.2 hereof, or at any time that optional redemption of the Bonds is permitted under the Indenture as provided in Section 6.1 hereof, or promptly upon the occurrence of a Determination of Taxability, give written notice to the Issuer, the Trustee and the Company Mortgage Trustee that it is exercising its option to direct the redemption of Bonds, or that the redemption thereof is required by Section 4.01(b) of the Indenture due to the occurrence of a Determination of Taxability, as the case may be, in accordance with the Agreement and the Indenture, and shall specify therein the date on which such redemption is to be made, which date shall not be more than 180 days from the date such notice is mailed. The Company shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption to the Holders of the Bonds, in which arrangements the Issuer shall cooperate. The Company shall make arrangements satisfactory to the Company Mortgage Trustee to effect a concurrent redemption of an equivalent principal amount of corresponding First Mortgage Bonds under the Supplemental Mortgage Indenture.

Section 6.5. Actions by Issuer. Subject to Section 4.2 hereof, at the request of the Company or the Trustee, the Issuer shall take all steps required of it under the applicable provisions of the Indenture or the Bonds to effect the redemption of all or a portion of the Bonds pursuant to this Article VI.

Section 6.6. Concurrent Discharging of First Mortgage Bonds. In the event any of the Bonds or portion thereof shall be paid and discharged, or deemed to be paid and discharged, pursuant to any provisions of this Agreement and the Indenture, so that such Bonds or such portion thereof are not thereafter outstanding within the meaning of the Indenture, a like principal amount of corresponding First Mortgage Bonds shall be deemed fully paid for purposes of this Agreement and to such extent the obligations of the Company hereunder shall be deemed terminated.

(End of Article VI)

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. Each of the following shall be an Event of Default:

(a) The occurrence of an event of default as defined in Section 7.01 (a), (b), (c), (d) or (g) of the Indenture;

(b) The Company shall fail to observe and perform any other agreement, term or condition contained in this Agreement, other than such failure as will have resulted in an event of default described in (a) above and the continuation of that failure for a period of 90 days after notice thereof shall have been given to the Company by the Issuer or the Trustee, or for such longer period as the Issuer may agree to in writing; provided, that such failure shall not constitute an Event of Default so long as the Company institutes curative action within the applicable period and diligently pursues that action to completion within 150 days after the expiration of initial cure period as determined above, or within such longer period as the Issuer may agree to in writing; and

(c) The occurrence of a "completed default" as defined in Section 1 of Article Twelve of the Company Mortgage.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Company is unable to perform or observe any agreement, term or condition hereof which would give rise to an Event of Default under subsection (b) hereof, the Company shall not be deemed in default during the continuance of such inability. However, the Company shall promptly give written notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The exercise of remedies hereunder shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Section 7.2. Remedies on Default. Whenever an Event of Default shall have happened and be subsisting, either or both of the following remedial steps may be taken:

(a) The Issuer or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Company, only, however, insofar as they pertain to the Projects; or

(b) The Issuer or the Trustee may pursue all remedies now or hereafter existing at law or in equity to recover all amounts, including all Loan Payments and Additional Payments, then due and thereafter to become due under this Agreement (including Loan Payments due upon tender for purchase or pursuant to acceleration), or to enforce the performance and observance of any other obligation or agreement of the Company under this Agreement.

Notwithstanding the foregoing, the Issuer shall not be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Issuer at no cost or expense to the Issuer. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Section 5.08 of the Indenture for transfers of remaining amounts in the Bond Fund.

The provisions of this Section are subject to the further limitation that the rescission and annulment by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute a rescission and annulment of any corresponding declaration made pursuant to this Section and a rescission and annulment of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such rescission and annulment shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Section 7.3. No Remedy Exclusive. No remedy conferred upon or reserved to the Issuer or the Trustee by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made herein.

Section 7.4. Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default should occur and the Issuer or the Trustee should incur expenses, including attorneys' fees and expenses, in connection with the enforcement of this Agreement or the collection of sums due hereunder, the Company shall be required, to the extent permitted by law, to reimburse the Issuer and the Trustee, as applicable, for the fees and expenses so incurred upon demand.

Section 7.5. No Waiver. No failure by the Issuer or the Trustee to insist upon the strict performance by the Company of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Company to observe or comply with any provision hereof.

Section 7.6. Notice of Default. The Company shall notify the Trustee immediately if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

(End of Article VII)

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Term of Agreement. This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds until such time as (i) all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture and the Indenture has been released pursuant to Section 9.01 thereof and (ii) all other sums payable by the Company under this Agreement shall have been paid; provided, however, the provisions of Sections 4.2, 5.9 and 7.4 of this Agreement shall survive the payment in full of the Bonds, the satisfaction, discharge and termination of this Agreement or the Indenture, and the resignation or removal of the Trustee, any Paying Agent, any Auction Agent, any Remarketing Agent, the Registrar and any Authenticating Agent as the case may be.

Section 8.2. Amounts Remaining in Funds. Any amounts in the Bond Fund remaining unclaimed by the Holders of Bonds for four years after the due date thereof (whether at stated maturity, by redemption, upon acceleration or otherwise), at the option of the Company, shall be deemed to belong to and shall be paid, subject to Section 5.07 of the Indenture, at the written request of the Company, to the Company by the Trustee. With respect to that principal of and any premium and interest on the Bonds to be paid from moneys paid to the Company pursuant to the preceding sentence, the Holders of the Bonds entitled to those moneys shall look solely to the Company for the payment of those moneys. Further, any amounts remaining in the Bond Fund and any other special funds or accounts created under this Agreement or the Indenture, except the Rebate Fund, after all of the Bonds shall be deemed to have been paid and discharged under the provisions of the Indenture and all other amounts required to be paid under this Agreement and the Indenture have been paid, shall be paid to the Company to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the Outstanding Bonds.

Section 8.3. Notices. All notices, certificates, requests or other communications hereunder shall be in writing, except as provided in Section 3.7 hereof, and shall be deemed to be sufficiently given when mailed by registered or certified mail, postage prepaid, and addressed to the appropriate Notice Address; provided, however, that no notice shall be deemed sufficiently given to the Trustee unless and until actually received by the Trustee at the Principal Office of the Trustee. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Issuer, the Company, the Credit Facility Issuer or the Trustee shall also be given to the others. The Company, the Issuer, the Credit Facility Issuer and the Trustee, by notice given hereunder, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 8.4. Extent of Covenants of the Issuer; No Personal Liability. All covenants, obligations and agreements of the Issuer contained in this Agreement or the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than his official capacity, and neither the members of the Issuer nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Agreement or in the Indenture.

Section 8.5. Binding Effect. This Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Issuer, the Company and their respective permitted successors and assigns provided that this Agreement may not be assigned by the Company (except as permitted under Sections 5.8, 5.12 or 5.13 hereof) and may not be assigned by the Issuer except to (i)

the Trustee pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of Bond Service Charges or (ii) any successor public body to the Issuer. Sections 4.2, 5.9, 7.4 and 7.7 of this Agreement shall inure to the benefit of the Trustee, the Registrar, any Paying Agent and any Authenticating Agent and their respective successors and assigns.

Section 8.6. Amendments and Supplements. Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to all conditions provided for in the Indenture for release of the Indenture having been met, this Agreement may not be amended, changed, modified, altered or terminated by the parties hereto except with the consents required by, and in accordance with, the provisions of Article XI of the Indenture, as applicable. In no event may the Agreement be amended so as to affect the rights, privileges, duties or immunities of the Trustee, the Registrar, any Paying Agent or any Authenticating Agent without its consent.

Section 8.7. Execution Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.8. Severability. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a judicial or administrative authority to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.9. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

Section 8.10. References to Credit Facility. During such time or times as no Credit Facility is in effect and all of the payment obligations of the Company under any Reimbursement Agreement shall have been well and truly paid, references herein to the Credit Facility Issuer shall be ineffective. If an Event of Default shall have occurred hereunder or under the Indenture due to failure by the Credit Facility Issuer to honor a properly presented and conforming drawing by the Trustee under the Credit Facility then in effect in accordance with the terms thereof, references herein to the Credit Facility Issuer shall be ineffective until the earlier of the cure of such failure or such time as all of the Bonds have been paid in full.

(End of Article VIII)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be duly executed in their respective names, all as of the date hereinbefore written.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

By: _____
Executive Director

THE DAYTON POWER AND LIGHT COMPANY

By: _____
Treasurer

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be duly executed in their respective names, all as of the date hereinbefore written.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

By: _____
Executive Director

THE DAYTON POWER AND LIGHT COMPANY

By: _____
Treasurer

EXHIBIT A

DESCRIPTION OF AIR QUALITY FACILITIES

The Projects being financed under this Agreement are described below and consist of any property or portion thereof used for the collection, storage, treatment, utilization, processing, or final disposal of solid waste resulting from the supply, installation and construction of Flue Gas Desulfurization Systems (FGDS) for the Units at the Generating Stations described below for the purpose of the removal and disposal of flue gas particulates, sulfur dioxide (SO_2) and nitrogen oxides (NOx). Removal of SO_2 from the flue gas exhaust is to be accomplished using a wet limestone FGDS scrubber technology. In that scrubber process, calcium carbonate (reagent) neutralizes and absorbs the SO_2 which produces a solid waste of primarily gypsum (waste reagent). The waste reagent must be processed and disposed of as a solid waste. Use of the FGDS to remove sulfur dioxide from the flue gas stream creates a solid waste that is collected, transported, processed and stored in a waste disposal or recycling facility.

1. PROJECT AT MIAMI FORT GENERATING STATION:

The Miami Fort Units 7 & 8 scrubber projects (collectively, the "Miami Fort Project") are located at the Miami Fort Generating Station, which is a coal-fired, steam powered electric generating station located in the southwest area of Hamilton County, Ohio (the "Miami Fort Generating Station"). The Miami Fort Generating Station consists of five coal-fired boilers of various ages and ratings. Units 7 & 8 are of similar size and rating, each being 525 MW. Units 7 and 8 are co-owned by the Company (36% ownership interest) and Dynegy Inc. ("Dynegy"; 64% ownership interest)[1]. Dynegy is responsible for operation of the Miami Fort Generating Station. Air emission control regulations require removal and disposal of combustion byproducts from the Miami Fort Generating Station, including from Units 7 & 8. These byproducts include flue gas particulates and SO_2.

The design of the Miami Fort Project is based on two principal requirements. First, the Miami Fort Project must achieve the required level of the applicable emission control. Second, the Miami Fort Project must produce a waste by-product that is suitable for solid waste disposal. The Miami Fort Project includes the construction, expansion of and improvements to solid waste collection, transport, processing and disposal facilities for the Miami Fort Generating Station related in whole or in part to removing SO_2 from the flue gas stream of Units 7 & 8 by means of the installation and use of the FGDS.

2. PROJECT AT KILLEN GENERATING STATION:

The Killen Unit 2 scrubber project (the "Killen Project") is located at the Killen Generating Station, which is a coal-fired, steam powered electric generating station located near Manchester, Ohio in Adams County, Ohio (the "Killen Generating Station"). The Killen Generating Station consists of one unit, Unit 2, which is rated at 600 MW. This unit is co-owned by the Company (67% ownership interest) and Dynegy (33% ownership interest). The Company is responsible for operation of the Killen Generating Station. Air emission control regulations require removal and disposal of combustion byproducts from the Killen Generating Station, including from Unit 2. These byproducts include flue gas particulates, SO_2 and NOx.

[1] The ownership percentages are different with respect to certain common facilities.

The design of the Killen Project is based on two principal requirements. First, the Killen Project must achieve the required level of the applicable emission control. Second, the Killen Project must produce a waste by-product that is suitable for solid waste disposal. The Killen Project includes the construction, expansion of, and improvements to solid waste collection, transport, processing and disposal facilities for the Killen Generating Station related in whole or in part to removing SO_2 from the flue gas stream of Unit 2 by means of the installation and use of the FGDS.

3. PROJECT AT J.M. STUART GENERATING STATION:

The J.M. Stuart Station Units 1-4 scrubber projects (collectively, the "Stuart Project") are located at the J.M. Stuart Generating Station, which is a coal-fired, steam powered electric generating station located near Aberdeen, Ohio in Brown and Adams Counties, Ohio (the "Stuart Generating Station"). The Stuart Generating Station consists of four (4) coal-fired boilers each rated at 585MW. This Stuart Generating Station is co-owned by the Company (35% ownership interest), Dynegy (39% ownership interest) and Columbus Southern Power Company ("CSP"; 26% ownership interest). The Company is responsible for operation of the Stuart Generating Station. Air emission control regulations require removal and disposal of combustion byproducts from all four (4) units at the Stuart Generating Station. These byproducts include flue gas particulates, SO_2 and NOx.

The design of the Stuart Project is based on two principal requirements. First, the Stuart Project must achieve the required level of the applicable emission control. Second, the Stuart Project must produce a waste by-product that is suitable for solid waste disposal. The Stuart Project includes the construction, expansion of, and improvements to solid waste collection, transport, processing and disposal facilities for the Stuart Generating Station related in whole or in part to removing SO_2 from the flue gas stream of Units 1-4 by means of the installation and use of the FGDS.

4. PROJECT AT CONESVILLE GENERATING STATION:

The Conesville Unit 4 scrubber project (the "Conesville Project") is located at the Conesville Generating Station, which is a coal-fired, steam powered electric generating station located near Conesville, Ohio in Coshocton County, Ohio (the "Conesville Generating Station"). The Conesville Generating Station consists of four (4) coal-fired boilers of various ages and ratings. Unit 4 is rated at 780 MW. This unit is co-owned by the Company (16.5% ownership interest), Dynegy (40% ownership interest) and CSP (43.5% ownership interest). CSP is responsible for operation of the Conesville Generating Station. Air emission control regulations require removal and disposal of combustion byproducts from the Conesville Generating Station, including from Unit 4. These byproducts include flue gas particulates, SO_2 and NOx.

The design of the Conesville Project is based on two principal requirements. First, the Conesville Project must achieve the required level of the applicable emission control. Second, the Conesville Project must produce a waste by-product that is suitable for solid waste disposal. The Conesville Project includes the construction, expansion of, and improvements to solid waste collection, transport, processing and disposal facilities for the Conesville Generating Station related in whole or in part to removing SO_2 from the flue gas stream of Unit 4 by means of the installation and use of the FGDS.

EXECUTION

LOAN AGREEMENT

between

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

and

THE DAYTON POWER AND LIGHT COMPANY

$100,000,000
State of Ohio
Collateralized Air Quality Development Revenue Refunding Bonds
2015 Series B
(The Dayton Power and Light Company Project)

Dated

as of

August 1, 2015

INDEX

(This Index is not a part of the Agreement
but rather is for convenience of reference only.)

LOAN AGREEMENT

THIS LOAN AGREEMENT is made and entered into as of August 1, 2015 between the OHIO AIR QUALITY DEVELOPMENT AUTHORITY (the "Issuer"), a body politic and corporate organized and existing under the laws of the State of Ohio, and THE DAYTON POWER AND LIGHT COMPANY (the "Company"), a public utility and corporation organized and existing under the laws of the State of Ohio. Capitalized terms used in the following recitals are used as defined in Article I of this Agreement.

Pursuant to Section 13 of Article VIII of the Ohio Constitution and the Act, the Issuer has determined to issue, sell and deliver the Bonds as provided in the Indenture and to lend the proceeds derived from the sale thereof to the Company to assist in the refunding of the Refunded Bonds. The Refunded Bonds were issued to assist the Company in the refinancing of its portion of the costs of the Projects.

The Company and the Issuer each have full right and lawful authority to enter into this Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW THEREFORE, in consideration of the premises and the mutual representations and agreements hereinafter contained, the Issuer and the Company agree as follows (provided that any obligation of the Issuer or the State created by or arising out of this Agreement shall never constitute a general debt of the Issuer or the State or give rise to any pecuniary liability of the Issuer or the State but shall be payable solely out of Revenues, including the Loan Payments made pursuant hereto):

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement, the Indenture or by reference to another document, the words and terms set forth in Section 1.2 hereof shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Definitions. As used herein:

"Additional Payments" means the amounts required to be paid by the Company pursuant to the provisions of Section 4.2 hereof.

"Administration Expenses" means the compensation (which compensation shall not be greater than that typically charged in similar circumstances; and which shall not be limited by any provision of law in regard to the compensation of a trustee of any express trust) and reimbursement of reasonable expenses, disbursements and advances incurred or made by or on behalf of the Trustee, the Registrar, the Remarketing Agent, any Auction Agent, any Paying Agent and any Authenticating Agent (including the reasonable compensation and the expenses and disbursements of its counsel and of all other persons not regularly in its employ), and shall also include all fees, charges, expenses, advances, compensation and reimbursements and all other amounts due the Trustee, the Registrar and any Paying Agent or Authenticating Agent under or pursuant to Section 6.03 of the Indenture.

"Agreement" means this Loan Agreement, as amended or supplemented from time to time.

"Air Quality Facility" or "Air Quality Facilities" means those facilities which are air quality facilities as defined in Section 3706.01, Ohio Revised Code.

"Engineer" means an engineer (who may be an employee of the Company) or engineering firm qualified to practice the profession of engineering under the laws of the State and who or which is acceptable to the Trustee.

"EPA" means the Environmental Protection Agency of the State and any successor body, agency, commission or department.

"Event of Default" means any of the events described as an Event of Default in Section 7.1 hereof.

"Force Majeure" means any of the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, nuclear accidents or other malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of a utility serving the Projects; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Company.

"Generating Stations" means, respectively, the Killen Electric Generating Station Unit 2, the Walter C. Beckjord Generating Station Unit 6 and the William H. Zimmer Electric Generating Station.

"Indenture" means the Trust Indenture related to the Bonds, dated as of the same date as this Agreement, between the Issuer and the Trustee, as amended or supplemented from time to time.

"Interest Rate for Advances" means the interest rate per year payable on the Bonds.

"Investment Grade Rating" means a long-term debt rating by a Rating Agency that is included in one of the four highest debt rating categories of the Rating Agency, provided that such rating categories shall mean generic categories and without regard to or other qualifications of ratings within each such generic rating category such as "+", "-", "1", "2" or "3".

"Issuance Costs" means those costs relating to the issuance of the Bonds as that term is used in Section 147(g) of the Code, including financial, legal, accounting and printing fees, charges and expenses, underwriting fees, the Issuer Fee, initial acceptance fees of the Trustee, any Authenticating Agent, the Registrar and any Paying Agent, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds.

"Issuer Fee" means the aggregate fee of $213,750 due to the Issuer from the Company in connection with the issuance of the Bonds hereunder.

"Loan" means the loan by the Issuer to the Company of the proceeds received from the sale of the Bonds.

"Loan Payment Date" means any date on which any Bond Service Charges are due and payable.

"Loan Payments" means the amounts required to be paid by the Company on the First Mortgage Bonds in repayment of the Loan pursuant to Section 4.1 hereof.

"Notice Address" means:

(a)	As to the Issuer:	Ohio Air Quality Development Authority 1718 LeVeque Tower 50 West Broad Street Columbus, Ohio 43215 Attention: Executive Director
(b)	As to the Company:	The Dayton Power & Light Company 1 Monument Circle Indianapolis, IN 46204 Attention; Treasurer
	With a copy to:	The Dayton Power & Light Company 1 Monument Circle Indianapolis, IN 46204 Attention; Assistant Treasurer

(c) As to the Trustee: The Bank of New York Mellon
385 Rifle Camp Road, 3rd Floor
Woodland Park, New Jersey 07424
Attention: Corporate Trust Administration

or such additional or different address, notice of which is given under Section 8.3 hereof.

"1954 Code" means the Internal Revenue Code of 1954 as amended from time to time through the date of enactment of the Code. References to the 1954 Code and Sections of the 1954 Code include relevant applicable regulations (including temporary regulations) and proposed regulations thereunder and any successor provisions to those Sections, regulations or proposed regulations.

"Opinion of Bond Counsel" means a written opinion of nationally recognized bond counsel selected by the Company and acceptable to the Trustee who is experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions. Bond Counsel may be counsel to the Trustee or the Company.

"Original Bonds" means the Series 1980 Bonds, the Series 1982 Bonds and the Series 1985 Bonds.

"Person" or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), limited liability entities, joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"Prior Bonds" means the Original Bonds, the Series 1992 Bonds, the Series 1995 Bonds and the Series 2005 Bonds.

"Projects" or "Project Facilities" means the real, personal or real and personal property, including undivided or other interests therein, identified in the Project Descriptions.

"Project Descriptions" means the descriptions of the Project Facilities attached hereto as Exhibit A (with respect to the Series 1980 Project), Exhibit B (with respect to the Series 1982 Project) and Exhibit C (with respect to the Series 1985 Project), as the same may be amended in accordance with this Agreement.

"Project Purposes" means the purposes of Air Quality Facilities as described in the Act and as particularly described in Exhibits A, B and C hereto.

"Project Sites" means, with respect to the Series 1980 Bonds and the Series 1982 Bonds, the Walter C. Beckjord Electric Generating Station in Clermont County, Ohio and the Killen Electric Generating Station in Adams County, Ohio, and with respect to the Series 1985 Bonds, the William H. Zimmer Electric Generating Station in Clermont County, Ohio.

"Purchasers" means STI Institutional & Government Inc., PNC Bank, National Association, U.S. Bank National Association, Fifth Third Commercial Funding, Inc., Huntington Public Capital Corporation, Regions Capital Advantage, Inc., and BMO Harris Bank, N.A.

"Redemption Date" means August 3, 2015 being the date on which all of the Refunded Bonds are to be redeemed under the Refunded Bonds Indenture in accordance with Section 3.3 hereof.

"Refunded Bonds" means the $100,000,000 portion of the currently outstanding principal amount of the Series 2005 Bonds being refunded by the Bonds.

"Restructuring Transaction" means the restructuring of the Company's operations in accordance with an order by PUCO, including the separation of the Company's generation assets from its transmission and distribution assets (the "GenCo"), in compliance with the laws of the state of Ohio and any rules and regulations thereunder.

"Revenues" means (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer (excluding the Issuer Fee) or the Trustee in respect of repayment of the Loan, including without limitation, all moneys and investments in the Bond Fund, (c) any moneys and investments in the Refunding Fund, and (d) all income and profit from the investment of the foregoing moneys. The term "Revenues" does not include any moneys or investments in the Rebate Fund or the Bond Purchase Fund.

"Series 1980 Bonds" means the $6,700,000 State of Ohio Air Quality Development Revenue Bonds, 1980 Series (The Dayton Power and Light Company Project) dated as of May 1, 1980.

"Series 1982 Bonds" means the $21,100,000 State of Ohio Collateralized Air Quality Development Revenue Bonds, 1982 Series (The Dayton Power and Light Company Project) dated as of November 1, 1982.

"Series 1985 Bonds" means the $110,000,000 State of Ohio Pollution Control Revenue Bonds, 1985 Series (The Dayton Power and Light Company Project) dated as of December 1, 1985.

"Series 1992 Bonds" means the $27,800,000 State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 1992 Series B (The Dayton Power and Light Company Project) dated as of August 15, 1992, now outstanding in the aggregate principal amount of $27,800,000.

"Series 1995 Bonds" means the $110,000,000 State of Ohio Air Quality Development Revenue Refunding Bonds, 1995 Series (The Dayton Power and Light Company Project) dated as of September 1, 1995, now outstanding in the aggregate principal amount of $110,000,000.

"Series 1980 Project" means the real, personal or real and personal property, including undivided or other interests therein financed with the proceeds of the Series 1980 Bonds and identified as Exhibit A hereto.

"Series 1982 Project" means the real, personal or real and personal property, including undivided or other interests therein financed with the proceeds of the Series 1982 Bonds and identified in Exhibit B hereto.

"Series 1985 Project" means the real, personal or real and personal property, including undivided or other interests therein financed with the proceeds of the Series 1985 Bonds and identified in Exhibit C hereto.

"Series 2005 Bonds" means the $137,800,000 State of Ohio Collateralized Pollution Control Revenue Refunding Bonds, 2005 Series B (The Dayton Power and Light Company Project) dated as of August 17, 2005, now outstanding in the aggregate principal amount of $137,800,000.

"State" means the State of Ohio.

"Trustee" means The Bank of New York Mellon, a corporation organized and existing under the laws of the State of New York, as trustee under the Indenture, unless and until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean the successor Trustee. "Principal Office" of the Trustee shall mean the principal corporate trust office of the Trustee for municipal securities, which office at the date of issuance of the Bonds is located at its Notice Address.

"Unassigned Issuer Rights" means all of the rights of the Issuer to receive Additional Payments under Section 4.2 hereof, to perform inspections pursuant to Section 5.1 hereof, to be held harmless and indemnified under Section 5.9 hereof, to be reimbursed for attorney's fees and expenses under Section 7.4 hereof and to give or withhold consent to amendments, changes, modifications, alterations and termination of this Agreement under Section 8.6 hereof and its right to enforce such rights.

Section 1.3. Interpretation. Any reference herein to the State, to the Issuer or to any member or officer of either includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Ohio Revised Code, or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Issuer, the State, the Holders, the Trustee, the Registrar, the Auction Agent, an Authenticating Agent, a Paying Agent, the Credit Facility Issuer, the Remarketing Agent, or the Company under this Agreement, the Bond Legislation, the Bonds, the Indenture, the Company Mortgage, the Supplemental Mortgage Indenture or the First Mortgage Bonds or any other instrument or document entered into in connection with any of the foregoing, including without limitation, any alteration of the obligation to pay Bond Service Charges in the amount and manner, at the times, and from the sources provided in the Bond Legislation and the Indenture, except as permitted in the Indenture.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; the terms "hereof", "hereby", "herein", "hereto", "hereunder" and similar terms refer to this Agreement; and the term "hereafter" means after, and the term "heretofore" means before, the date of delivery of the Bonds. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.4. Captions and Headings. The captions and headings in this Agreement are used solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs or subparagraphs or clauses hereof.

(End of Article I)

ARTICLE II

REPRESENTATIONS

Section 2.1. Representations of the Issuer. The Issuer represents that: (a) it is a body politic and corporate duly organized and validly existing under the laws of the State; (b) it has duly accomplished all conditions necessary to be accomplished by it prior to the issuance and delivery of the Bonds and the execution and delivery of this Agreement and the Indenture; (c) it is not in violation of or in conflict with any provisions of the laws of the State which would impair its ability to carry out its obligations contained in this Agreement or the Indenture; (d) it is empowered to enter into the transactions contemplated by this Agreement and the Indenture; (e) it has duly authorized the execution, delivery and performance of this Agreement and the Indenture; and (f) it will do all things in its power in order to maintain its existence or assure the assumption of its obligations under this Agreement and the Indenture by any successor public body.

Section 2.2. No Warranty by Issuer of Condition or Suitability of the Projects. The Issuer makes no warranty, either express or implied, as to the suitability or utilization of the Projects for the Project Purposes, or as to the condition of the Project Facilities or that the Project Facilities are or will be suitable for the Company's purposes or needs.

Section 2.3. Representations and Covenants of the Company. The Company represents that:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State, with power and authority (corporate and other) to own its properties and conduct its business, to execute and deliver this Agreement, the Supplemental Mortgage Indenture, the First Mortgage Bonds, and to perform its obligations under this Agreement, the Company Mortgage, the Supplemental Mortgage Indenture and the First Mortgage Bonds;

(b) This Agreement, the Supplemental Mortgage Indenture and the Company Mortgage have been duly authorized, executed and delivered by the Company; the First Mortgage Bonds have been duly authorized, executed, issued and delivered; and this Agreement, the Supplemental Mortgage Indenture, the Company Mortgage and the First Mortgage Bonds constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights, to laws relating to or affecting the enforcement of the security provided by the Company Mortgage and to general equity principles;

(c) The execution, delivery and performance by the Company of this Agreement, the Supplemental Mortgage Indenture, the Company Mortgage and the First Mortgage Bonds and the consummation of the transactions contemplated hereby and thereby will not violate any provision of law or regulation applicable to the Company, or of any writ or decree of any court or governmental instrumentality, or of the Articles of Incorporation, as amended, or the Regulations, as amended, of the Company, or of any mortgage, indenture, contract, agreement or other undertaking to which the

Company is a party or which purports to be binding upon the Company or upon any of its assets;

(d) Substantially all (at least 90%) of the proceeds of the Original Bonds were used to provide "solid waste disposal facilities" and "pollution control facilities" within the meaning of Sections 103(b)(4)(E) and (F) of the 1954 Code, respectively, the original use of which facilities commenced with the Company and all of the proceeds of the Original Bonds have been spent for the Projects or to pay costs of issuance of the Original Bonds. All of such Projects consist of land or property of a character subject to the allowance for depreciation provided in Section 167 of the Code. The proceeds of the Bonds (other than any accrued interest thereon) will be used exclusively to refund the Refunded Bonds and none of the proceeds of the Bonds will be used to pay for any costs of issuance of the Bonds. The principal amount of the Bonds does not exceed the outstanding principal amount of the Refunded Bonds. All of the proceeds of the Bonds will be used to retire the Refunded Bonds not later than 90 days after the date of issuance of the Bonds. The proceeds of the Series 2005 Bonds (other than any accrued interest thereon) were used exclusively to refund the Series 1992 Bonds and the Series 1995 Bonds and none of the proceeds of the Series 2005 Bonds was used to pay for any costs of issuance of the Series 2005 Bonds. The proceeds of the Series 1992 Bonds (other than any accrued interest thereon) were used exclusively to refund the Series 1980 Bonds and the Series 1982 Bonds and none of the proceeds of the Series 1992 Bonds was used to pay for any costs of issuance of the Series 1992 Bonds. The principal amount of the Series 1992 Bonds did not exceed the outstanding aggregate principal amount of the Series 1980 Bonds and the Series 1982 Bonds. All of the proceeds of the Series 1992 Bonds were used to retire the Series 1980 Bonds and the Series 1982 Bonds not later than 90 days after the date of issuance of the Series 1992 Bonds. The proceeds of the Series 1995 Bonds (other than any accrued interest thereon) were used exclusively to refund the Series 1985 Bonds and none of the proceeds of the Series 1995 Bonds was used to pay for any costs of issuance of the Series 1995 Bonds. The principal amount of the Series 1995 Bonds did not exceed the outstanding principal amount of the Series 1985 Bonds. All of the proceeds of the Series 1995 Bonds were used to retire the Series 1985 Bonds not later than 90 days after the date of issuance of the Series 1995 Bonds. The respective issue date of each of the issues of which the Original Bonds were a part is prior to August 16, 1986;

(e) Either (1) the acquisition and construction of the Series 1980 Project, the Series 1982 Project and the Series 1985 Project financed, respectively, with the Series 1980 Bonds, the Series 1982 Bonds and the Series 1985 Bonds, was not commenced (within the meaning of Treasury Regulations §1.103-8(a)(5)) prior to the adoption of the respective resolutions of the Issuer constituting official actions of the Issuer and evidencing the intent of the Issuer to issue those Original Bonds (being March 8, 1977 with respect to the Series 1980 Bonds, November 19, 1975 with respect to the Series 1982 Bonds and November 15, 1984 with

respect to the Series 1985 Bonds), or (2) any proceeds of the corresponding Refunded Bonds used to pay costs incurred prior to the adoption of such corresponding resolution have been treated for purposes of this Agreement as having been used to provide working capital (not land or depreciable property) to the Company;

(f) The Projects have been substantially completed. The Projects constitute Air Quality Facilities under the Act and are consistent with and will further the purposes of the Act and Section 13 of Article VIII of the Ohio Constitution and are located entirely within the State. The Company will cause the Projects to be operated and maintained in such manner as to conform with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, including the permit-to-install for each portion of the Projects, which permits, variances and orders have not been withdrawn or otherwise suspended, and to be consistent with the Act;

(g) It has used or operated or has caused to be used or operated, and presently intends to use or operate or cause to be used or operated the Projects in a manner consistent with the Project Purposes until the date on which the Bonds have been fully paid and knows of no reason why the Projects will not be so operated. The Company does not, as of the date hereof, intend to sell or otherwise dispose of the Projects or any portion thereof, other than in connection with a Restructuring Transaction;

(h) None of the proceeds of the Prior Bonds were used and none of the proceeds of the Bonds will be used to provide any airplane; skybox or other private luxury box; health club facility; any facility primarily used for gambling; or any store the principal business of which is the sale of alcoholic beverages for consumption off premises;

(i) None of the proceeds of the Prior Bonds have been used and none of the proceeds of the Bonds will be used, directly or indirectly to acquire land or any interest therein;

(j) No portion of the proceeds of the Prior Bonds has been used and no portion of the proceeds of the Bonds will be used to acquire existing property or any interest therein unless the first use of such property or interest therein is pursuant to such acquisition;

(k) At no time will any funds constituting gross proceeds of the Bonds be used in a manner as would constitute failure of compliance with Section 148 of the Code;

(l) It is not anticipated that as of the date hereof, there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code;

(m) The Prior Bonds were not, and the Bonds are not, "federally guaranteed" within the meaning of Section 149(b) of the Code;

(n) On the respective dates of issuance and delivery of the Prior Bonds, the Company reasonably expected that all of the proceeds thereof would be used to carry out the governmental purposes of each such issue within the 3-year period beginning on the date each such issue was issued and none of the proceeds of each such issue, if any, were invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more;

(o) In accordance with Section 147(b) of the Code or its statutory predecessor, the respective weighted average maturity of the issue of which each of the Prior Bonds was a part did not and the weighted average maturity of the Bonds does not exceed 120% of the weighted average reasonably expected economic life of the facilities being financed by the proceeds thereof;

(p) The information furnished by the Company and used by the Issuer in preparing the certifications and statements pursuant to Sections 148 and 149(e) of the Code or their statutory predecessors with respect to the Prior Bonds was accurate and complete as of the respective date of issuance thereof, and the information furnished by the Company and used by the Issuer in preparing the certification pursuant to Section 148 of the Code and in preparing any necessary information statement pursuant to Section 149(e) of the Code, both referred to in the Bond Legislation, will be accurate and complete as of the date of issuance of the Bonds;

(q) The Project Facilities do not include any office except for offices (i) located on the Project Sites and (ii) not more than a de minimis amount of the functions to be performed at which is not directly related to the day-to-day operations of the Project Facilities; and

(r) Except as disclosed in the Company's filings with the U.S. Securities and Exchange Commission, the Company believes that, as of the date hereof, it is in material compliance with all terms and provisions of all material permits, variances and orders heretofore issued or granted by the EPA with respect to the Generating Stations and its other facilities within the State, including any permits-to-install and permits-to-operate issued with respect thereto.

(End of Article II)

ARTICLE III

COMPLETION OF THE PROJECTS; ISSUANCE OF THE BONDS

Section 3.1. Acquisition, Construction and Installation. The Company represents and agrees that it and any other public utility company which owns any undivided interest in the Project Facilities with the Company as tenants-in-common have caused the Projects to be acquired, constructed and installed on the Project Sites in accordance with the Project Descriptions and in conformance with all applicable, valid and enforceable (i) zoning, planning, building, environmental and other similar regulations of all governmental authorities having jurisdiction over the Projects and (ii) permits, variances and orders issued in respect of the Projects by EPA, noncompliance with which would have a material adverse effect on the Company's ability to operate and maintain the Projects or to perform its obligations hereunder, provided that the Company reserves the right to contest in good faith any such regulations, permits, variances or orders. The proceeds derived from the Original Bonds, including any investment thereof, were expended in accordance with the trust indentures and the loan agreements relating to the Original Bonds.

Section 3.2. Project Descriptions. The Project Descriptions may be changed from time to time by, or with the consent of, the Company provided that any such change shall also be filed with the Issuer and the Trustee and provided further that no change in the Project Descriptions shall materially change the function of the Project Facilities unless the Trustee shall have received (i) an Engineer's certificate that such changes will not impair the significance or character of the Project Facilities as Air Quality Facilities and (ii) an Opinion of Bond Counsel or ruling of the Internal Revenue Service to the effect that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 3.3. Issuance of the Bonds; Application of Proceeds. To provide funds to make the Loan to the Company to assist the Company in the refunding of the Refunded Bonds, the Issuer will issue, sell and deliver the Bonds to the Purchasers. The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Company hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered. The Company, for the benefit of the Issuer, the Trustee and each Bondholder, shall do and perform all acts and things required or contemplated in the Indenture to be done or performed by the Company.

The proceeds from the sale of the Bonds shall be loaned to the Company to assist the Company in the refunding of the Refunded Bonds. Those proceeds shall be deposited in the Refunding Fund with all investment earnings thereon being credited to the Refunding Fund and applied in accordance with Section 5.02 of the Indenture.

Pursuant to Section 5.02 of the Indenture, on the Redemption Date, all moneys in the Refunding Fund shall be transferred by the Trustee to the Refunded Bonds Trustee for deposit in the bond fund created in the Refunded Bonds Indenture. In addition, the Company shall deposit with the Refunded Bonds Trustee on or prior to the Redemption Date funds which, together with the proceeds of the Bonds, will be sufficient to redeem the Refunded Bonds on the Redemption Date.

Pending disbursement pursuant to this Section, the proceeds so deposited in the Refunding Fund, together with any investment earnings thereon, shall constitute a part of the Revenues assigned by the Issuer to the Trustee for the payment of Bond Service Charges.

The Company acknowledges that the proceeds of the Bonds (including any interest income thereon) may be insufficient to pay the full costs of refunding the Refunded Bonds and that the Issuer has made no representation or warranty with respect to the sufficiency thereof. The Company further acknowledges that it is (and will remain after the issuance of the Bonds) obligated to, and hereby confirms that it will, pay all costs of the redemption of the Refunded Bonds on the Redemption Date.

The Company and the Issuer hereby confirm that the Refunded Bonds Trustee has been notified that the entire outstanding principal amount of the Refunded Bonds is to be redeemed on the Redemption Date, at the redemption price of 100% of the principal amount thereof, plus interest accrued to that date.

Section 3.4. Investment of Fund Moneys. Moneys held as part of the Bond Fund, the Refunding Fund or the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments at the written direction of the Company pursuant to Section 5.05 of the Indenture. The Issuer (to the extent it retained or retains direction or control) and the Company each hereby covenants that it will restrict that investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

The Company shall provide the Issuer with, and the Issuer may base its certificate and statement, each as authorized by the Bond Legislation, on a certificate of an appropriate officer, employee or agent of or consultant to the Company for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the Company on the date of delivery of and payment for the Bonds regarding the amount and use of the proceeds of the Bonds and the facts, estimates and circumstances on which those expectations are based.

Section 3.5. Rebate Fund. To the extent required by Section 5.09 of the Indenture, within five days after the end of the fifth Bond Year and every fifth Bond Year thereafter, and within five days after payment in full of all outstanding Bonds, the Company shall calculate the amount of Excess Earnings as of the end of that Bond Year or the date of such payment and shall notify the Trustee of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the amount of Excess Earnings (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to Section 5.09 of the Indenture and this Section), the Company shall, within five days after the date of the aforesaid calculation, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Excess Earnings. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the Indenture. The Company shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

(End of Article III)

ARTICLE IV

LOAN BY ISSUER; LOAN PAYMENTS; ADDITIONAL PAYMENTS; CREDIT FACILITY AND FIRST MORTGAGE BONDS

Section 4.1. Loan Repayment; Delivery of First Mortgage Bonds. Upon the terms and conditions of this Agreement, the Issuer agrees to make the Loan to the Company. The proceeds of the Loan shall be deposited with the Trustee pursuant to Section 3.3 hereof. As evidence of its obligation hereunder to repay the Loan, the Company agrees to execute and deliver the First Mortgage Bonds to the Issuer, in the manner provided in Section 4.9 hereof. In consideration of and in repayment of the Loan, the Company shall under all circumstances and without reduction for any reason (other than any credits to which the Company is entitled to under this Agreement or the Indenture) make, as Loan Payments, to the Trustee for the account of the Issuer, payments on the First Mortgage Bonds which correspond, as to time, and are equal in amount as of the Loan Payment Date, to the corresponding Bond Service Charges payable on the Bonds. All Loan Payments received by the Trustee shall be held and disbursed in accordance with the provisions of the Indenture for application to the payment of Bond Service Charges.

The Company shall be entitled to a credit against the Loan Payments required to be made on any Loan Payment Date to the extent that the balance of the Bond Fund is then in excess of amounts required (a) for the payment of Bonds theretofore matured or theretofore called for redemption, or to be called for redemption pursuant to Section 6.1 hereof (b) for the payment of interest for which checks or drafts have been drawn and mailed by the Trustee or Paying Agent, and (c) to be deposited in the Bond Fund by the Indenture for use other than for the payment of Bond Service Charges due on that Loan Payment Date.

The Company's obligation to make Loan Payments shall be reduced to the extent of (a) any payments made by the Credit Facility Issuer to the Trustee in respect of the principal of, premium, if any, or interest on the Bonds when due pursuant to the Credit Facility, provided, that the Credit Facility Issuer has been reimbursed for such payments in accordance with the terms of the Reimbursement Agreement, or (b) the availability of remarketing proceeds to pay the purchase price pursuant to Section 4.08 of the Indenture.

Except for such interest of the Company as may hereafter arise pursuant to Section 8.2 hereof or Sections 5.07 or 5.08 of the Indenture, the Company acknowledges that the Company has no interest in the Bond Fund or the Bond Purchase Fund and the Issuer acknowledges that neither the State nor the Issuer has any interest in the Bond Fund or the Bond Purchase Fund, and the Company and the Issuer acknowledge that any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders.

Section 4.2. Additional Payments. The Company shall pay to the Issuer, promptly after the filing of any necessary Form 8038 information statement, the Issuer Fee and, as Additional Payments hereunder, any and all reasonable costs and expenses incurred or to be paid by the Issuer in connection with the issuance and delivery of the Bonds or otherwise related to actions taken by the Issuer under this Agreement or the Indenture.

The Company shall pay the Administration Expenses to the Trustee, the Registrar, the Remarketing Agent, the Auction Agent, and any Paying Agent or Authenticating Agent, as appropriate, as Additional Payments hereunder.

The Company may, without creating a default hereunder, contest in good faith the reasonableness of any such cost or expense incurred or to be paid by the Issuer and any Administration Expenses claimed to be due to the Trustee, the Registrar, the Auction Agent, the Remarketing Agent, any Paying Agent or any Authenticating Agent.

In the event the Company should fail to pay any Loan Payments, Additional Payments or Administration Expenses as provided herein when due, the payment in default shall continue as an obligation of the Company until the amount in default shall have been fully paid together with interest thereon during the default period at the Interest Rate for Advances.

Section 4.3. Place of Payments. The Company shall make all Loan Payments directly to the Trustee at its Principal Office. Additional Payments shall be made directly to the person or entity to whom or to which they are due.

Section 4.4. Obligations Unconditional. The obligations of the Company to make Loan Payments, Additional Payments and any payments required of the Company under Section 5.09 of the Indenture shall be absolute and unconditional, and the Company shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Company may have or assert against the Issuer, the Trustee, the Registrar, the Remarketing Agent, the Auction Agent, the Paying Agent or any other Person.

Section 4.5. Assignment of Revenues, Agreement and First Mortgage Bonds. To secure the payment of Bond Service Charges, the Issuer shall absolutely assign to the Trustee, its successors in trust and its and their assigns forever, by the Indenture, all right, title and interest of the Issuer in and to (a) the Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Issuer under the Agreement in respect of repayment of the Loan, (b) the Agreement except for the Unassigned Issuer's Rights, and (c) the First Mortgage Bonds. The Company hereby agrees and consents to those assignments.

Section 4.6. Credit Facility; Cancellation; Notices.

(a) The Company may, but shall not be required to, provide for the delivery of a Credit Facility with respect to the Bonds.

(b) Upon satisfaction of the requirements contained in Section 14.03 of the Indenture, the Company may provide for the delivery of an Alternate Credit Facility.

(c) Upon satisfaction of the conditions contained in Section 14.02 of the Indenture, the Company may cancel any Credit Facility then in effect at such time and direct the Trustee in writing to surrender such Credit Facility to the Credit Facility Issuer by which it was issued in accordance with the Indenture; provided, that no such cancellation shall become effective and no such surrender shall take place until all Bonds subject to purchase pursuant to Section 4.07(e) of the Indenture have been so purchased or redeemed with the proceeds of such Credit Facility.

Section 4.7. Company's Option to Elect Rate Period; Changes in Auction Date and Length of Auction Periods. The Company shall have, and is hereby granted, the option to elect to convert on any Conversion Date the interest rate borne by the Bonds to Variable Rate or an Auction Rate to be effective for a Rate Period pursuant to the provisions of Article II of the Indenture and subject to the terms and conditions set forth therein. In addition, the Company at its option, with prior written consent of the Holders, may determine to establish a new Index Rate Period in accordance with the provisions of Section 2.03(f)(iv) of the Indenture. Prior to conversion to an Auction Rate, the Company shall designate an Auction Agent and at least one Broker-Dealer; until any such conversion is made any references herein to the Auction Agent and the Broker-Dealer shall be ineffective. When the Bonds bear interest at an Auction Rate, the Company also shall have the option to direct the change of Auction Dates and/or the length of Auction Periods in accordance with the Indenture. To exercise such options, the Company shall give the written notice required by the Indenture.

Section 4.8. Company's Obligation to Purchase Bonds. The Company hereby agrees to pay or cause to be paid to the Trustee or the Paying Agent, on each day on which Bonds may be or are required to be tendered for purchase, amounts equal to the amounts to be paid by the Trustee or the Paying Agent with respect to the Bonds tendered for purchase on such dates pursuant to Article

IV of the Indenture; provided, however, that the obligation of the Company to make any such payment under this Section shall be reduced by the amount of (A) moneys paid by the Remarketing Agent as proceeds of the remarketing of such Bonds by the Remarketing Agent, (B) moneys drawn under a Credit Facility, if any, for the purpose of paying such purchase price and (C) other moneys made available by the Company, as set forth in Section 4.08(b)(ii) of the Indenture.

Section 4.9. First Mortgage Bonds. To evidence and secure the obligations of the Company to make the Loan Payments and repay the Loan, the Company will, concurrently with the issuance of the Bonds, execute and deliver First Mortgage Bonds to the Issuer in an aggregate principal amount equal to the aggregate principal amount of the Bonds. The Company agrees that First Mortgage Bonds authorized pursuant to the Company Mortgage, will be issued containing the terms and conditions and in substantially the form set forth in the Supplemental Mortgage Indenture. The First Mortgage Bonds shall:

(a) provide for payments of interest equal to the payments of interest on the Bonds;

(b) provide for payments of principal and any premium equal to the payments of principal (whether at maturity or by call for mandatory or optional redemption or tender for purchase or pursuant to acceleration or otherwise) and any premium on the Bonds;

(c) require all such payments on such First Mortgage Bonds to be made on or prior to the due date for the corresponding payments to be made on the Bonds; and

(d) contain redemption provisions corresponding with such provisions of the Bonds.

Unless the Company is entitled to a credit under this Agreement or the Indenture, all payments on the First Mortgage Bonds shall be in the full amount required thereunder. The First Mortgage Bonds shall be registered in the name of the Trustee (as assignee of the Issuer under the Indenture) and shall not be transferred by the Trustee, except to effect transfers to any successor trustee under the Indenture.

(End of Article IV)

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

Section 5.1. Right of Inspection. The Company agrees that, subject to reasonable security and safety regulations and to reasonable requirements as to notice, the Issuer and the Trustee and their or any of their respective duly authorized agents shall have the right at all reasonable times to enter upon the Project Sites to examine and inspect the Projects.

Section 5.2. Maintenance. The Company shall use its best efforts to keep and maintain the Project Facilities, including all appurtenances thereto and any personal property therein or thereon, in good repair and good operating condition so that the Project Facilities will continue to constitute Air Quality Facilities for the purposes of the operation thereof as required by Section 5.4 hereof.

So long as such shall not be in violation of the Act or impair the character of the Project Facilities as Air Quality Facilities, and provided there is continued compliance with applicable laws and regulations of governmental entities having jurisdiction thereof, the Company shall have the right to remodel the Project Facilities or make additions, modifications and improvements thereto, from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, the cost of which remodeling, additions, modifications and improvements shall be paid by the Company and the same shall, when made, become a part of the Project Facilities.

Section 5.3. Removal of Portions of the Project Facilities. The Company shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary portions of the Project Facilities, except that, subject to Section 5.4 hereof, it will use its best efforts to ensure the continued character of the Project Facilities as Air Quality Facilities. The Company shall have the right from time to time to substitute personal property or fixtures for any portions of the Project Facilities, provided that the personal property or fixtures so substituted shall not impair the character of the Project Facilities as Air Quality Facilities. Any such substituted property or fixtures shall, when so substituted, become a part of the Project Facilities. The Company shall also have the right to remove any portion of the Project Facilities, without substitution therefor; provided, that the Company shall deliver to the Trustee a certificate signed by an Engineer describing said portion of the Project Facilities and stating that the removal of such property or fixtures will not impair the character of the Project Facilities as Air Quality Facilities.

Section 5.4. Operation of Project Facilities. The Company will, subject to its obligations and rights to maintain, repair or remove portions of the Project Facilities, as provided in Sections 5.2 and 5.3 hereof, use its best efforts to continue operation of the Project Facilities so long as and to the extent that operation thereof is required to comply with laws or regulations of governmental entities having jurisdiction thereof or unless the Issuer shall have approved the discontinuance of such operation (which approval shall not be unreasonably withheld). The Company agrees that it will, within the design capacities thereof, use its best efforts to operate and maintain the Project Facilities in accordance with all applicable, valid and enforceable rules and regulations of governmental entities having jurisdiction thereof; provided, that the Company reserves the right to contest in good faith any such laws or regulations.

Nothing in this Agreement shall prevent or restrict the Company, in its sole discretion, at any time, from discontinuing or suspending either permanently or temporarily its use of any facility of the Company served by the Project Facilities and in the event such discontinuance or suspension shall render unnecessary the continued operation of the Project Facilities, the Company shall have the right to discontinue the operation of the Project Facilities during the period of any such discontinuance or suspension.

Section 5.5. Insurance. The Company agrees to insure its interest in the Project Facilities in the amount and with the coverage required by the Company Mortgage.

Section 5.6. Workers' Compensation Coverage. Throughout the term of this Agreement, the Company shall comply, or cause compliance, with applicable workers' compensation laws of the State.

Section 5.7. Damage; Destruction and Eminent Domain. If, during the term of this Agreement, the Project Facilities or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project Facilities or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Company or the Company Mortgage Trustee receives net proceeds from insurance or any condemnation award in connection therewith, the Company (unless it shall have exercised its option to prepay the Loan Payments pursuant to Section 6.2 hereof), to the extent required to comply with applicable laws and regulations with respect to the operations of facilities of the Company served by the Projects, shall promptly cause such net proceeds or an amount equal thereto to be used to repair, rebuild or restore the portion of the Project Facilities so damaged, destroyed or taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be necessary or desirable for the administration and operation of the Project Facilities as Air Quality Facilities and as shall not impair the character or significance of the Project Facilities as furthering the purposes of the Act. It is hereby acknowledged and agreed that any net proceeds from insurance or any condemnation award relating to the Project Facilities are subject to the lien of the Company Mortgage and shall be disposed of in accordance with the terms and provisions of the Company Mortgage and that any obligations of the Company under this Section 5.7 not satisfied by application of such net proceeds shall be limited to the general credit of the Company and does not require disposition of such net proceeds contrary to the requirements of the Company Mortgage.

Section 5.8. Company to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Company agrees that during the term of this Agreement it will maintain its corporate existence and, will not sell, merge or consolidate with or into any other Person or sell, lease or transfer all or substantially all of its property to any Person, except that the following shall be permitted:

(a) the Company may transfer property, including the Project Facilities, as part of a Restructuring Transaction;

(b) the Company may consolidate with or merge with or into any other Person or sell, lease or transfer all or substantially all of its properties to any Person so long as either (A) the Company shall be the surviving corporation or (B) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer or lease the properties of the Company substantially as an entirety shall be organized and validly existing under the laws of the United States or any state thereof or the District of Columbia and shall expressly assume all of the obligations of the Company under this Agreement;

(c) a subsidiary of the Company shall be permitted to merge or consolidate with or into or sell, lease or transfer all or substantially all of its property to the Company (provided, with

respect to a merger, the Company is the surviving entity) or another subsidiary of the Company;

(d) the Company may wind up, voluntarily liquidate or dissolve any subsidiary if (A) such subsidiary is not a Significant Subsidiary (as defined in Rule 1-02 of Regulation S-X promulgated under the Securities Act of 1933, as amended) and (B) the winding up, voluntary liquidation or dissolution of such subsidiary will not result in an Event of Default hereunder or otherwise have a material adverse effect on the business, property, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, which materially and adversely affects the ability of the Company to perform its obligations under this Agreement.

If a consolidation, merger, sale, lease or other transfer is made as provided in this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger, sale, lease or other transfer shall be made except in compliance with the provisions of this Section.

Section 5.9. Indemnification. The Company releases the Issuer from, agrees that the Issuer shall not be liable for, and indemnifies the Issuer against, all liabilities, claims, costs and expenses imposed upon or asserted against the Issuer on account of: (a) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project Facilities; (b) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this Agreement or any related document, or arising from any act or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (c) the authorization, issuance and sale of the Bonds, or the subsequent remarketing or determination of the interest rate or rates on the Bonds, and the provision of any information furnished in connection therewith concerning the Project Facilities or the Company (including, without limitation, any information furnished by the Company for inclusion in any certifications made by the Issuer under Section 3.7 hereof or for inclusion in, or as a basis for preparation of, the Form 8038 information statement to be filed by the Issuer; and (d) any claim or action or proceeding with respect to the matters set forth in (a), (b) and (c) above brought thereon.

The Company agrees to indemnify the Trustee (including any predecessor Trustee), the Paying Agent, the Remarketing Agent, the Auction Agent and the Registrar (each hereinafter referred to in this section as an "indemnified party") for and to hold each of them harmless from and against all losses, liabilities, obligations, damages, claims, costs and expenses of any kind or nature whatsoever (including the compensation and expenses of their counsel) incurred without negligence or willful misconduct on the part of the indemnified party arising out of, relating to or connected with the Indenture or the Auction Agreement, including, but not limited to, on account of the Trustee's acceptance or administration of the trusts created by, or the performance of its powers or duties under the Indenture, or of any action taken or omitted to be taken by the indemnified party in accordance with the terms of this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company, including the costs and expenses of the indemnified party in defending itself against or investigating any claim, loss, or liability, action, suits or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Agreement, the Bonds or the Indenture.

In case any action or proceeding is brought against the Issuer or an indemnified party in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Company, and the Company upon receipt of that notice

shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Company from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Company. At its own expense, an indemnified party may employ separate counsel and participate in the defense; provided, however, where it is reasonably determined by Issuer or indemnified parties to be ethically inappropriate or that it would create an actual or potential conflict of interest for one firm to represent the interests of the Issuer and any other indemnified party or parties, the Company shall, to the extent applicable, pay the Issuer's and the indemnified parties' legal expenses in connection with the Issuer's and the indemnified parties' retention of separate counsel. The Company shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees and agents of the Issuer, the Trustee, the Paying Agent, the Remarketing Agent, the Auction Agent and the Registrar, respectively. That indemnification is intended to and shall be enforceable by the Issuer, the Trustee, the Paying Agent, the Remarketing Agent and the Registrar, respectively, to the full extent permitted by law. Each of the Trustee and each indemnified Person not a party to this Agreement is an express third party beneficiary of this Section 5.9 and shall have the right to enforce or pursue remedies under the provisions hereof as fully as though an original party hereto.

Section 5.10. Issuer and Company Not to Adversely Affect Exclusion of Interest on Bonds From Gross Income For Federal Income Tax Purposes. The Issuer, solely to the extent within its control, and the Company each hereby covenants and represents that it has taken and caused to be taken and shall take and cause to be taken all actions that may be required of it for the interest on the Bonds to be and remain excluded from the gross income of the Holders for federal income tax purposes, and that it has not taken or permitted to be taken on its behalf, and covenants that it will not take, or permit to be taken on its behalf, any action which, if taken, would adversely affect that exclusion under the provisions of the Code. Neither the Issuer nor the Company shall cause any proceeds of the Bonds to be expended, except pursuant to the Indenture and this Agreement.

Section 5.11. Ownership of Projects; Use of Projects. The Issuer agrees that it does not have and shall not have any interest in, title to or ownership of the Projects or the Project Sites. The Issuer does hereby covenant and agree that it will not take any action, or cause any action to be taken on its behalf, during the term of this Agreement, other than pursuant to Article VII of this Agreement or Article VII of the Indenture, to interfere with the Company's ownership interest in the Projects or to prevent the Company from having possession, custody, use and enjoyment of the Projects, except such action as is requested by the Trustee in enforcing any remedies available to it under this Agreement or the Indenture.

Section 5.12. Assignment of Agreement in Whole or in Part by Company. This Agreement may be assigned in whole or in part by the Company without the necessity of obtaining the consent of either the Issuer or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 5.8 or Section 5.13 hereof) shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Company shall continue to remain primarily liable for the payment of the Loan Payments and Additional Payments and for performance and observance of the agreements on its part herein provided to be performed and observed by it.

(b) Any assignment by the Company must retain for the Company such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the

Company shall assume the obligations of the Company hereunder to the extent of the interest assigned.

(c) The Company shall furnish to the Issuer and the Trustee an Opinion of Bond Counsel addressed to the Issuer and the Trustee to the effect that such assignment is authorized or permitted by the Act and will not adversely affect the exclusion from gross income of interest on the Bonds.

(d) The Company shall, within 30 days after execution thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment together with any instrument of assumption.

(e) Any assignment from the Company shall not materially impair fulfillment of the Project Purposes to be accomplished by operation of the Projects as herein provided.

5.13 Assignment of Agreement in Whole by Company (Novation). In addition to an assignment contemplated by Sections 5.8 and 5.12 hereof, this Agreement may be assigned as a whole by the Company, subject, however, to each of the following conditions:

(a) The Company's rights, duties and obligations under this Agreement and all related documents are assigned to, and assumed in full by, the assignee either (i) as of a date the Bonds are subject to mandatory purchase under Section 4.07 of the Indenture or (ii) as of a date specified by the Company in connection with a Restructuring Transaction but, in such case, only if the assignee is the GenCo and the Company has delivered to the Issuer and the Trustee written evidence of an Investment Grade Rating (taking into account such assignment to, and assumption in full by, the GenCo) with respect to the Bonds from each Rating Agency.

(b) The assignee and the Company shall execute an assignment and assumption agreement, in form and substance reasonably acceptable to the Company, and acknowledged and agreed to by the Issuer, whereby the assignee shall confirm and acknowledge that it has assumed all of the rights, duties and obligations of the Company under this Agreement and all related documentation and agrees to be bound by and to perform and comply with the terms and provisions of this Agreement and all related documentation as if it had originally executed the same; provided further that if there is more than one assignee, such assignment and assumption agreement shall be on a joint and several basis among all assignees.

(c) The Company shall furnish to the Issuer and the Trustee (i) an Opinion of Bond Counsel to the effect that such assignment is authorized or permitted by the Act and will not adversely affect the exclusion from gross income of interest on the Bonds, (ii) an opinion of counsel to the assignee to the effect that such assignment and assumption agreement has been duly authorized by the assignee and constitutes the legal, valid and binding obligation of the assignee, enforceable against the assignee

in accordance with its terms, subject to laws relating to or affecting generally the enforcement of creditors' rights, including, without limitation, bankruptcy and insolvency laws and to general principles of equity (regardless of whether considered in a proceeding in equity or at law) and (iii) a certificate of an Authorized Company Representative and an opinion of counsel to the Company, each stating to the effect that such assignment complies with this Section 5.13 and that all conditions precedent herein relating to such assignment have been complied with.

(d) The Company shall, within 30 days after execution thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of such assignment and assumption agreement.

(e) Any assignment from the Company shall not materially impair fulfillment of the purpose of the Projects as herein provided.

(f) Upon the effectiveness of such assignment and assumption, the assignee shall be deemed to be the "Company" hereunder and the assignor shall be relieved of all liability hereunder.

(End of Article V)

ARTICLE VI

REDEMPTION

Section 6.1. Optional Redemption. Provided no Event of Default shall have occurred and be subsisting, at any time and from time to time, the Company may deliver moneys to the Trustee in addition to Loan Payments or Additional Payments required to be made and direct the Trustee to use the moneys so delivered for the purpose of redeeming Bonds called for optional redemption in accordance with the applicable provisions of the Indenture providing for optional redemption at the redemption price stated in the Indenture. Pending application for those purposes, any moneys so delivered shall be held by the Trustee in a special account in the Bond Fund and delivery of those moneys shall not, except as set forth in Section 4.1 hereof, operate to abate or postpone Loan Payments or Additional Payments otherwise becoming due or to alter or suspend any other obligations of the Company under this Agreement.

Section 6.2. Extraordinary Optional Redemption. The Company shall have, subject to the conditions hereinafter imposed, the option during a Term Rate Period to direct the redemption of the Bonds in whole or in part in accordance with Section 4.01(a) of the Indenture upon the occurrence of any of the following events:

(a) A Project or a Generating Station shall have been damaged or destroyed to such an extent that (1) it cannot reasonably be expected to be restored, within a period of six consecutive months, to the condition thereof immediately preceding such damage or destruction or (2) the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months.

(b) Title to, or the temporary use of, all or a significant part of a Project or a Generating Station shall have been taken under the exercise of the power of eminent domain (1) to such extent that it cannot reasonably be expected to be restored within a period of six consecutive months to a condition of usefulness comparable to that existing prior to the taking or (2) to such an extent that the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months.

(c) As a result of any changes in the Constitution of the State, the Constitution of the United States of America or any state or federal laws or as a result of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after any contest thereof by the Issuer or the Company in good faith, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in this Agreement.

(d) Unreasonable burdens or excessive liabilities shall have been imposed upon the Issuer or the Company with respect to a Project or a Generating Station or the operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes other than ad valorem

taxes at the rates presently levied upon privately owned property used for the same general purpose as a Project or a Generating Station.

(e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of a Project or a Generating Station for the Project Purposes occur or technological or other changes occur which the Company cannot reasonably overcome or control and which in the Company's reasonable judgment render a Project or a Generating Station uneconomic or obsolete for the Project Purposes.

(f) Any court or administrative body shall enter a judgment, order or decree, or shall take administrative action, requiring the Company to cease all or any substantial part of its operations served by a Project or a Generating Station to such extent that the Company is or will be prevented from carrying on its normal operations at a Project or a Generating Station for a period of six consecutive months.

(g) The termination by the Company of operations at a Generating Station.

As used in this Section 6.2, the term "a Project" means the portion of the Project Facilities at a particular Generating Station.

The amount payable by the Company in the event of its exercise of the option granted in this Section shall be the sum of the following:

(i) An amount of money which, when added to the moneys and investments held to the credit of the Bond Fund, will be sufficient pursuant to the provisions of the Indenture to pay, at a redemption price of 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date, and discharge, the Outstanding Bonds then being redeemed on the earliest applicable redemption date, that amount to be paid to the Trustee, plus

(ii) An amount of money equal to the Additional Payments relating to those Bonds accrued and to accrue until actual final payment and redemption of those Bonds, that amount or applicable portions thereof to be paid to the Trustee or to the Persons to whom those Additional Payments are or will be due.

The requirement of (ii) above with respect to Additional Payments to accrue may be met if provisions satisfactory to the Trustee and the Issuer are made for paying those amounts as they accrue.

The rights and options granted to the Company in this Section may be exercised whether or not the Company is in default hereunder; provided, that such default will not relieve the Company from performing those actions which are necessary to exercise any such right or option granted hereunder.

Section 6.3. Mandatory Redemption. The Company shall deliver to the Trustee the moneys needed to redeem the Bonds in accordance with any mandatory redemption provisions relating thereto as may be set forth in Section 4.01(b) of the Indenture.

Section 6.4. Notice of Redemption. In order to exercise an option granted in, or to consummate a redemption required by, this Article VI, the Company shall, within 180 days following the event authorizing the exercise of such option, or at any time during the continuation of the condition referred to in paragraphs (c), (d) or (e) of Section 6.2 hereof, or at any time that optional redemption of the Bonds is permitted under the Indenture as provided in Section 6.1 hereof, or promptly upon the occurrence of a Determination of Taxability, give written notice to the Issuer, the Trustee and the Company Mortgage Trustee that it is exercising its option to direct the redemption of Bonds, or that the redemption thereof is required by Section 4.01(b) of the Indenture due to the occurrence of a Determination of Taxability, as the case may be, in accordance with the Agreement and the Indenture, and shall specify therein the date on which such redemption is to be made, which date shall not be more than 180 days from the date such notice is mailed. The Company shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption to the Holders of the Bonds, in which arrangements the Issuer shall cooperate. The Company shall make arrangements satisfactory to the Company Mortgage Trustee to effect a concurrent redemption of an equivalent principal amount of corresponding First Mortgage Bonds under the Supplemental Mortgage Indenture.

Section 6.5. Actions by Issuer. Subject to Section 4.2 hereof, at the request of the Company or the Trustee, the Issuer shall take all steps required of it under the applicable provisions of the Indenture or the Bonds to effect the redemption of all or a portion of the Bonds pursuant to this Article VI.

Section 6.6. Concurrent Discharging of First Mortgage Bonds. In the event any of the Bonds or portion thereof shall be paid and discharged, or deemed to be paid and discharged, pursuant to any provisions of this Agreement and the Indenture, so that such Bonds or such portion thereof are not thereafter outstanding within the meaning of the Indenture, a like principal amount of corresponding First Mortgage Bonds shall be deemed fully paid for purposes of this Agreement and to such extent the obligations of the Company hereunder shall be deemed terminated.

(End of Article VI)

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. Each of the following shall be an Event of Default:

(a) The occurrence of an event of default as defined in Section 7.01 (a), (b), (c), (d) or (g) of the Indenture;

(b) The Company shall fail to observe and perform any other agreement, term or condition contained in this Agreement, other than such failure as will have resulted in an event of default described in (a) above and the continuation of that failure for a period of 90 days after notice thereof shall have been given to the Company by the Issuer or the Trustee, or for such longer period as the Issuer may agree to in writing; provided, that such failure shall not constitute an Event of Default so long as the Company institutes curative action within the applicable period and diligently pursues that action to completion within 150 days after the expiration of initial cure period as determined above, or within such longer period as the Issuer may agree to in writing; and

(c) The occurrence of a "completed default" as defined in Section 1 of Article Twelve of the Company Mortgage.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Company is unable to perform or observe any agreement, term or condition hereof which would give rise to an Event of Default under subsection (b) hereof, the Company shall not be deemed in default during the continuance of such inability. However, the Company shall promptly give written notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The exercise of remedies hereunder shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Section 7.2. Remedies on Default. Whenever an Event of Default shall have happened and be subsisting, either or both of the following remedial steps may be taken:

(a) The Issuer or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Company, only, however, insofar as they pertain to the Projects; or

(b) The Issuer or the Trustee may pursue all remedies now or hereafter existing at law or in equity to recover all amounts, including all Loan Payments and Additional Payments, then due and thereafter to become due under this Agreement (including Loan Payments due upon tender for purchase or pursuant to acceleration), or to enforce the performance and observance of any other obligation or agreement of the Company under this Agreement.

Notwithstanding the foregoing, the Issuer shall not be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Issuer at no cost or expense to the Issuer. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Section 5.08 of the Indenture for transfers of remaining amounts in the Bond Fund.

The provisions of this Section are subject to the further limitation that the rescission and annulment by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute a rescission and annulment of any corresponding declaration made pursuant to this Section and a rescission and annulment of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such rescission and annulment shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Section 7.3. No Remedy Exclusive. No remedy conferred upon or reserved to the Issuer or the Trustee by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made herein.

Section 7.4. Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default should occur and the Issuer or the Trustee should incur expenses, including attorneys' fees and expenses, in connection with the enforcement of this Agreement or the collection of sums due hereunder, the Company shall be required, to the extent permitted by law, to reimburse the Issuer and the Trustee, as applicable, for the fees and expenses so incurred upon demand.

Section 7.5. No Waiver. No failure by the Issuer or the Trustee to insist upon the strict performance by the Company of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Company to observe or comply with any provision hereof.

Section 7.6. Notice of Default. The Company shall notify the Trustee immediately if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

(End of Article VII)

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Term of Agreement. This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds until such time as (i) all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture and the Indenture has been released pursuant to Section 9.01 thereof and (ii) all other sums payable by the Company under this Agreement shall have been paid; provided, however, the provisions of Sections 4.2, 5.9 and 7.4 of this Agreement shall survive the payment in full of the Bonds, the satisfaction, discharge and termination of this Agreement or the Indenture, and the resignation or removal of the Trustee, any Paying Agent, any Auction Agent, any Remarketing Agent, the Registrar and any Authenticating Agent as the case may be.

Section 8.2. Amounts Remaining in Funds. Any amounts in the Bond Fund remaining unclaimed by the Holders of Bonds for four years after the due date thereof (whether at stated maturity, by redemption, upon acceleration or otherwise), at the option of the Company, shall be deemed to belong to and shall be paid, subject to Section 5.07 of the Indenture, at the written request of the Company, to the Company by the Trustee. With respect to that principal of and any premium and interest on the Bonds to be paid from moneys paid to the Company pursuant to the preceding sentence, the Holders of the Bonds entitled to those moneys shall look solely to the Company for the payment of those moneys. Further, any amounts remaining in the Bond Fund and any other special funds or accounts created under this Agreement or the Indenture, except the Rebate Fund, after all of the Bonds shall be deemed to have been paid and discharged under the provisions of the Indenture and all other amounts required to be paid under this Agreement and the Indenture have been paid, shall be paid to the Company to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the Outstanding Bonds.

Section 8.3. Notices. All notices, certificates, requests or other communications hereunder shall be in writing, except as provided in Section 3.7 hereof, and shall be deemed to be sufficiently given when mailed by registered or certified mail, postage prepaid, and addressed to the appropriate Notice Address; provided, however, that no notice shall be deemed sufficiently given to the Trustee unless and until actually received by the Trustee at the Principal Office of the Trustee. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Issuer, the Company, the Credit Facility Issuer or the Trustee shall also be given to the others. The Company, the Issuer, the Credit Facility Issuer and the Trustee, by notice given hereunder, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 8.4. Extent of Covenants of the Issuer; No Personal Liability. All covenants, obligations and agreements of the Issuer contained in this Agreement or the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than his official capacity, and neither the members of the Issuer nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Agreement or in the Indenture.

Section 8.5. Binding Effect. This Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Issuer, the Company and their respective permitted successors and assigns provided that this Agreement may not be assigned by the Company (except as permitted under Sections 5.8, 5.12 or 5.13 hereof) and may not be assigned by the Issuer except to (i)

the Trustee pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of Bond Service Charges or (ii) any successor public body to the Issuer. Sections 4.2, 5.9, 7.4 and 7.7 of this Agreement shall inure to the benefit of the Trustee, the Registrar, any Paying Agent and any Authenticating Agent and their respective successors and assigns.

Section 8.6. Amendments and Supplements. Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to all conditions provided for in the Indenture for release of the Indenture having been met, this Agreement may not be amended, changed, modified, altered or terminated by the parties hereto except with the consents required by, and in accordance with, the provisions of Article XI of the Indenture, as applicable. In no event may the Agreement be amended so as to affect the rights, privileges, duties or immunities of the Trustee, the Registrar, any Paying Agent or any Authenticating Agent without its consent.

Section 8.7. Execution Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.8. Severability. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a judicial or administrative authority to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.9. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

Section 8.10. References to Credit Facility. During such time or times as no Credit Facility is in effect and all of the payment obligations of the Company under any Reimbursement Agreement shall have been well and truly paid, references herein to the Credit Facility Issuer shall be ineffective. If an Event of Default shall have occurred hereunder or under the Indenture due to failure by the Credit Facility Issuer to honor a properly presented and conforming drawing by the Trustee under the Credit Facility then in effect in accordance with the terms thereof, references herein to the Credit Facility Issuer shall be ineffective until the earlier of the cure of such failure or such time as all of the Bonds have been paid in full.

(End of Article VIII)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be duly executed in their respective names, all as of the date hereinbefore written.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

By: _____
Executive Director

THE DAYTON POWER AND LIGHT COMPANY

By: _____
Treasurer

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be duly executed in their respective names, all as of the date hereinbefore written.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

By: _____
Executive Director

THE DAYTON POWER AND LIGHT COMPANY

By: _____
Treasurer

EXHIBIT A

AIR QUALITY FACILITIES AT THE SERIES 1980 PROJECT

There were installed at the Walter C. Beckjord Electric Generating Station, Clermont County, Ohio the following Air Quality Facilities for Unit 6.

Electrostatic Precipitator. The one existing coal-fired boiler is equipped with a new electrostatic precipitator, together with necessary controls, stairways, galleries, enclosures, ductwork and ash removal system. The precipitator is located south of the existing Unit 6 boiler and turbine room at grade. The precipitator is approximately 160' wide, 47' long and 36' high and has an operating weight of 2,387,000 pounds. The Unit 6 boiler was equipped with an electrostatic precipitator (designed for 98% efficiency). The new precipitator was installed in series with the existing electrostatic precipitator. The design combined collection efficiency of the new and existing precipitators is 99.6%.

Fly Ash Handling and Disposal System. Unit 6 was equipped with a new fly ash removal system consisting of 16 fly ash collecting hoppers with outlet control valves, manifold pipe conveyor, vacuum producing equipment, discharge piping, control panel and pipeline to the existing ash sluice piping.

Electrical Equipment. The new precipitator and fly ash handling and disposal system required new electrical equipment to provide and transmit power to the precipitator and the fly ash disposal system.

Ductwork and Structural Support Costs

Ductwork. Flue gases from Unit 6 are drawn from the boiler through existing and new ductwork, through the new precipitator, through new ductwork and through the existing precipitator by the existing induced draft fans, and then exhausted through the existing flue gas stack.

EXHIBIT B

AIR QUALITY FACILITIES AT THE SERIES 1982 PROJECT

General

Killen Electric Generating Station ("Killen") has a steam turbine-generator with a 612,574 KW nameplate rating and coal fired boiler rated at 4,545,000 lbs. of steam per hour at 2620 psig and 10005°/1005° F. Two electrostatic precipitators are installed on the unit to collect particulate matter from the flue gas with a design collection efficiency of 99.5%. The precipitator will be hot with an operating temperature between 600° - 700° F. The ownership is shared between The Dayton Power and Light Company and The Cincinnati Gas & Electric Company with individual interest of 67% and 33% respectively.

Flue Gas Particulate Abatement Project

Scope:

Engineering, material, labor and supervision was provided for the dust collection system consisting of:

Two hot electrostatic precipitators and controls
Connecting ductwork
Supporting structural steel and foundations
Insulation and lagging
Necessary stairways, galleries and enclosure
Electrical work associated with the precipitators
Collection hoppers with outlet controls
Air quality monitoring

EXHIBIT C

AIR QUALITY FACILITIES AT THE SERIES 1985 PROJECT

William H. Zimmer Electric Generating Station

The Project consists of:

(A) a high efficiency electrostatic precipitator system designed to remove particulates from the flue gas,
(B) a flue gas desulfurization ("scrubber") system designed to remove sulfur dioxide from the flue gas,
(C) a stack,
(D) a coal dust control system,
(E) a nitrous oxide control system, and
(F) a cooling tower and circulating water system.

The precipitator system includes electrostatic precipitators and a fly ash handling system, as well as all other necessary earthwork, piling, foundations, structural and miscellaneous steel, supports, siding, enclosures, electrical equipment, instrumentation and controls, mechanical equipment, related pumps and tanks, hoppers and storage silos, and associated equipment required for the foregoing and used exclusively in connection therewith. The precipitator system includes related drains, sumps and piping necessary to transmit collected waste waters to the waste water pond. The Project also includes precipitator inlet and outlet ductwork.

The scrubber system includes an inlet plenum, six induced draft fans, ductwork to and including six absorber modules, ductwork to the stack, FGD reagent and lime unloading and handling system including required river cells, FGD reagent and lime silos, an FGD reagent and lime preparation facility, slurry tanks, scrubber sludge handling facilities which include thickener tanks, a sludge pond underflow and overflow tanks, a sludge handling building, stockpile facilities and auxiliary facilities. The scrubber system includes all earthwork including stream relocation, piling, foundations, structural and miscellaneous steel, siding, painting, electrical and mechanical components and associated equipment required for the scrubber system and used exclusively in connection therewith. The scrubber system includes related drains, sumps and piping necessary to transmit collected waste waters to the waste water pond, and also includes all pipes, pumps and associated mechanical and electrical components to supply and recycle water for the scrubber system operation. The scrubber system also includes a disposal area and the roads and bridges used exclusively for the transportation of scrubber sludge, bottom ash and other solid waste along with truck wash facilities and truck scales.

The stack includes the stack shell and brick liner, as well as earthwork, piling, foundation and associated components.

The coal dust control systems include a coal dust collection system, a coal dust suppression system and a coal wetting system.

The cooling tower and circulating water system includes a natural draft cooling tower, a cooling tower basin, a cooling water flume, three circulating water pumps, circulating water pipes and valves, the make-up water subsystem, the blowdown subsystem, the cooling water chemical conditioning subsystem, mechanical and electrical auxiliaries, and related controls and instrumentation. The cooling water system also includes all related site development and earthwork, piling, foundations, structural and miscellaneous steel, siding, painting, electrical and mechanical components and associated equipment required for the cooling tower and circulating water system and used exclusively in connection therewith.

EXECUTION COPY

THE DAYTON POWER AND LIGHT COMPANY

AND

THE BANK OF NEW YORK MELLON
(formerly The Bank of New York)
Trustee

Forty-Eighth Supplemental Indenture

Dated as of August 1, 2015

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FORTY-EIGHTH SUPPLEMENTAL INDENTURE, dated as of August 1, 2015, between THE DAYTON POWER AND LIGHT COMPANY, a corporation of the State of Ohio (hereinafter sometimes called the Company), party of the first part, and THE BANK OF NEW YORK MELLON (formerly The Bank of New York), a corporation of the State of New York (hereinafter sometimes called the Trustee), as Trustee, party of the second part, whose mailing address is 101 Barclay Street, New York, New York 10286.

WHEREAS, the Company has heretofore executed and delivered to Irving Trust Company (now The Bank of New York Mellon) a certain Indenture, dated as of October 1, 1935 (hereinafter sometimes called the First Mortgage), to secure the payment of the principal of and interest on an issue of bonds of the Company, unlimited in aggregate principal amount (hereinafter sometimes called the Bonds); and

WHEREAS, the Company has issued under the First Mortgage its Bonds of a series known as the First and Refunding Mortgage Bonds, 3½% Series Due 1960, authorized in unlimited aggregate principal amount, all of which have been redeemed or otherwise retired; and

WHEREAS, in Article Two of the First Mortgage it is provided in substance, among other things, that the Bonds may be issued in series, the Bonds of each series maturing on such dates and bearing interest at such rates, respectively, as the Board of Directors of the Company may determine prior to the authentication thereof; and

WHEREAS, the Company has heretofore executed and delivered to the Trustee forty-seven supplemental Indentures numbered, dated and, except as set forth below, providing for their respective series of First Mortgage Bonds, all as set forth in the tabulation below:

Supplemental Indenture	Dated As Of	Series Provided For	Principal Amount Outstanding
First	March 1, 1937	3¼% Series Due 1962	None
Second	January 1, 1940	3% Series Due 1970	None
Third	October 1, 1945	2¾% Series Due 1975	None
Fourth	January 1, 1948	3% Series Due 1978	None
Fifth	December 1, 1948	3% Series A Due 1978	None
Sixth	February 1, 1952	3¼% Series Due 1982	None
Seventh	September 1, 1954	3% Series Due 1984	None
Eighth	November 1, 1957	5% Series Due 1987	None
Ninth	March 1, 1960	5⅛% Series Due 1990	None
Tenth	June 1, 1963	4.45% Series Due 1993	None
Eleventh	May 1, 1967	5⅝% Series Due 1997	None
Twelfth	June 15, 1968	6¾% Series Due 1998	None
Thirteenth	October 1, 1969	8¼% Series Due 1999	None
Fourteenth	June 1, 1970	9½% Series Due 2000	None
Fifteenth	August 1, 1971	8% Series Due 2001	None
Sixteenth	October 3, 1972	None issued	None
Seventeenth	November 1, 1973	8% Series Due 2003	None
Eighteenth	October 1, 1974	10⅛% Series Due 1981	None
Nineteenth	August 1, 1975	10.70% Series Due 2005	None
Twentieth	November 15, 1976	8¾% Series Due 2006	None
Twenty-First	April 15, 1977	6.35% Series Due 2007	None
Twenty-Second	October 15, 1977	8½% Series Due 2007	None

Twenty-Third	April 1, 1978	8.95% Series Due 1998	None
Twenty-Fourth	November 1, 1978	9½% Series Due 2003	None
Twenty-Fifth	August 1, 1979	10¼% Series Due 1999	None
Twenty-Sixth	December 1, 1979	12⅛% Series Due 2009	None
Twenty-Seventh	February 1, 1981	14⅝% Series Due 1988	None
Twenty-Eighth	February 18, 1981	14⅝% Series Due 1988	None
Twenty-Ninth	September 1, 1981	17% Series Due 1991	None
Thirtieth	March 1, 1982	16¾% Series Due 2012	None
Thirty-First	November 1, 1982	11½% Series Due 2012-A	None
Thirty-Second	November 1, 1982	11½% Series Due 2012-B	None
Thirty-Third	December 1, 1985	9½% Series Due 2015	None
Thirty-Fourth	April 1, 1986	9% Series Due 2016	None
Thirty-Fifth	December 1, 1986	8⅞% Series Due 2016	None
Thirty-Sixth	August 15, 1992	6.40% Pollution Control Series 1992-A Due 2027	None
		6.40% Pollution Control Series 1992-B Due 2027	None
Thirty-Seventh	November 15, 1992	6.50% Pollution Control Series 1992-C Due 2022	None
Thirty-Eighth	November 15, 1992	8.40% Series Due 2022	None
Thirty-Ninth	January 15, 1993	8.15% Series Due 2026	None
Fortieth	February 15, 1993	7⅞% Series Due 2024	None
Forty-First	February 1, 1999	None issued	None
Forty-Second	September 1, 2003	5⅛% Series Due 2013	None
Forty-Third	August 1, 2005	4.80% Pollution Control Series 2005-A Due 2034	$41,300,000
		4.80% Pollution Control Series 2005-B Due 2034	$137,800,000
		4.70% Pollution Control Series 2005-C Due 2028	$35,275,000
Forty-Fourth	September 1, 2006	4.80% Pollution Control Series 2006 Due 2036	$100,000,000
Forty-Fifth	November 1, 2007	Variable Rate Pollution Control Series 2007 Due 2040	None
Forty-Sixth	December 1, 2008	Variable Rate Pollution Control Series 2008-A Due 2040	$50,000,000
		Variable Rate Pollution Control Series 2008-B Due 2040	$50,000,000
Forty-Seventh	September 1, 2013	1.875% Series Due 2016	$445,000,000

WHEREAS, said Eleventh Supplemental Indenture, which created the 5⅝% Series Due 1997, provided in its Article Three for certain amendments to the First Mortgage, as theretofore amended, each such amendment to become effective on the earliest date on which either (a) there shall not be any Bonds outstanding of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, or Series Due 1993, or (b) there shall have been executed and delivered a supplemental indenture or indentures embodying said amendment (either alone or with other amendments) consented to by the holders of seventy-five per centum (75%) in aggregate principal amount of the Bonds at the time outstanding of the series enumerated in the foregoing clause (a), or of each said series of which Bonds are then outstanding; and

WHEREAS, said Fifteenth Supplemental Indenture, which created the 8⅛% Series Due 2001, provided (a) in its Article Four for an amendment to the First Mortgage, as theretofore amended, to become effective on the date on which the amendments provided for by Section 3 of Article Three of said Eleventh Supplemental Indenture shall become effective and (b) in its Article Five for certain additional amendments to the First Mortgage, as theretofore amended, to become effective on the earliest date on which either (i) there shall not be any Bonds outstanding of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, Series Due 1993, Series Due 1997, Series Due 1998, Series Due 1999, or Series Due 2000, or (ii) there shall have been executed and delivered a supplemental indenture or indentures

embodying said amendments (either alone or with other amendments) consented to by the holders of seventy-five per centum (75%) in aggregate principal amount of the Bonds at the time outstanding of the series enumerated in the foregoing clause (i), or of each said series of which Bonds are then outstanding; and

WHEREAS, the Company has heretofore executed and delivered to the Trustee a Sixteenth Supplemental Indenture dated as of October 3, 1972, which provided in its Article One for an amendment of Article Five of the First Mortgage, as theretofore amended, altering the requirements for the opinion of counsel to be delivered to the Trustee as a condition precedent to the authentication and delivery of additional Bonds under Article Five or the withdrawal of cash under Article Seven of the First Mortgage, as theretofore amended; and

WHEREAS, none of the Bonds of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, or Series Due 1993 remain outstanding and the amendments contained in said Eleventh Supplemental Indenture have become effective; and

WHEREAS, none of the Bonds of Series Due 1975, Series Due 1978, Series A, Due 1978, Series Due 1982, Series Due 1984, Series Due 1993, Series Due 1997, Series Due 1998, Series Due 1999, or Series Due 2000 remain outstanding and the amendments contained in said Fifteenth Supplemental Indenture that did not theretofore become effective by virtue of the Sixteenth Supplemental Indenture have become effective; and

WHEREAS, said Forty-Second Supplemental Indenture, which created the 5-1/8% Series Due 2013, provided in its Article Two for certain amendments to the First Mortgage, as theretofore amended, to become effective on the earliest date on which either (i) there shall not be any Bonds outstanding of 6.35% Series Due 2007, Pollution Control Series 1992-A Due 2027, Pollution Control Series 1992-B Due 2027, Pollution Control Series 1992-C Due 2022, Series Due 2026 and Series Due 2024, or (ii) there shall have been executed and delivered a supplemental indenture or indentures embodying said amendment (either alone or with other amendments) consented to by the holders of seventy-five per centum (75%) in aggregate principal amount of the Bonds at the time outstanding of the series enumerated in the foregoing clause (i); and

WHEREAS, none of the Bonds of 6.35% Series Due 2007, Pollution Control Series 1992-A Due 2027, Pollution Control Series 1992-B Due 2027, Pollution Control Series 1992-C Due 2022, Series Due 2026 and Series Due 2024 remain outstanding and the amendments contained in said Forty-Second Supplemental Indenture have become effective; and

WHEREAS, the First Mortgage as amended by the First through the Forty-Seventh Supplemental Indentures is hereinafter called the First Mortgage as amended; and

WHEREAS, it is provided in Article Seven of the First Mortgage as amended, among other things, that the Company may issue additional Bonds thereunder upon the deposit with the Trustee of cash equal to the principal amount of such additional Bonds to be issued; it is provided in Article Six of the First Mortgage as amended, among other things, that if Bonds are paid, retired, redeemed, canceled or surrendered to the Trustee for cancellation (except when canceled pursuant to certain provisions of the First Mortgage as amended), the Company may

issue additional Bonds thereunder in principal amount equivalent to the principal amount of the Bonds so paid, retired, redeemed, canceled or surrendered to the Trustee for cancellation; it is provided in Article Five of the First Mortgage as amended, among other things, that the Company may issue additional Bonds thereunder upon the basis of property additions in accordance with and subject to the conditions, provisions and limitations set forth in said Article Five; and it is provided in Article Eighteen of the First Mortgage as amended, among other things, that the Company and the Trustee may from time to time enter into one or more indentures supplemental to the First Mortgage as amended for the purposes, among other things which may be therein set forth, to mortgage or pledge additional property under the First Mortgage as amended and to establish the terms and provisions of any series of Bonds other than the 3½% Series Due 1960; and

WHEREAS, the Company, pursuant to resolutions duly adopted by its Board of Directors by unanimous written consent in lieu of a meeting, has determined under and in accordance with the provisions of the First Mortgage as amended and of this Forty-Eighth Supplemental Indenture to create a new series of Bonds dated August 3, 2015 to be known as its First Mortgage Bonds, Variable Rate Pollution Control Series 2015-A Due 2040 (hereinafter sometimes called the Series A New Bonds), which shall be limited to the aggregate principal amount of $100,000,000, the maturity date of which being November 1, 2040; and

WHEREAS, the Series A New Bonds are to be issued by the Company to the Ohio Air Quality Development Authority (hereinafter called the Authority), or its assignee, to evidence and secure the obligations of the Company to repay the loan of the proceeds of the sale of the Series A Project Bonds (as hereinafter defined) made by the Authority to the Company, pursuant to a certain Loan Agreement, dated as of August 1, 2015, between the Authority and the Company (hereinafter called the Series A Loan Agreement), to assist in the refunding of (i) the Authority's State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 2008 Series A (The Dayton Power and Light Company Project) (hereinafter called the Refunded A Bonds), and (ii) the Authority's State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 2008 Series B (The Dayton Power and Light Company Project) (hereinafter called the Refunded B Bonds, and together with the Refunded A Bonds, the Refunded Bonds), the proceeds of the Refunded Bonds having been loaned to the Company to finance a portion of additional costs of acquisition, construction and installation of certain "air quality facilities" (as that term is defined and used in Section 3706.01, of the Ohio Revised Code) installed in connection with: Units 7 and 8 at the Miami Fort Generating Station located in Hamilton County, Ohio as to which the Company at the date hereof owns an undivided 36% interest as tenant in common with another public utility company, Unit 2 at the Killen Generating Station located in Adams County, Ohio as to which the Company at the date hereof owns an undivided 67% interest as tenant in common with another public utility company, Units 1-4 at the J. M. Stuart Generating Station located in Brown and Adams Counties, Ohio as to which the Company at the date hereof owns an undivided 35% interest as tenant in common with two other public utility companies, and Unit 4 at the Conesville Generating Station in Coshocton County, Ohio as to which the Company at the date hereof owns an undivided 16.5% interest as tenant in common with two other public utility companies (such interests in said facilities being hereinafter called the Project); and

WHEREAS, the loans by the Authority in respect of the refunding of the Refunded Bonds are to be funded by the proceeds derived from the sale by the Authority of State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 2015 Series A (The Dayton Power and Light Company Project), in the aggregate principal amount of $100,000,000 (hereinafter called the Series A Project Bonds) dated August 3, 2015 and having a maturity date of November 1, 2040; and

WHEREAS, the Series A Project Bonds are to be issued under a certain Trust Indenture, dated as of August 1, 2015 (hereinafter called the Series A Project Bonds Indenture), between the Authority and The Bank of New York Mellon, as Trustee (hereinafter in such capacity called the Series A Project Bond Trustee), and the Series A New Bonds are to be assigned by the Authority to the Series A Project Bond Trustee as security for the payment of the principal of, and premium, if any, and interest on the Series A Project Bonds and are to be delivered by the Company on behalf of the Authority directly to the Series A Project Bond Trustee; and

WHEREAS, the Series A New Bonds, and the Trustee's certificate to be endorsed thereon, are to be respectively and substantially in the form established hereby and approved by the aforesaid resolutions, which are substantially in the form of Exhibit A hereto; and

WHEREAS, the Board of Directors adopted resolutions that authorized officers of the Company to approve the form, terms and provisions of this Forty-Eighth Supplemental Indenture (including the form of the Series A New Bonds), and the execution by the Company of this Forty-Eighth Supplemental Indenture; and

WHEREAS, all things necessary to make the Series A New Bonds hereinafter described, when duly authenticated by the Trustee and issued by the Company, valid, binding and legal obligations of the Company, and to make this Indenture a valid and binding agreement supplemental to the First Mortgage as amended, have been done and performed.

NOW, THEREFORE, THIS INDENTURE WITNESSETH

that, in order further to secure the payment of all the Bonds at any time issued and outstanding under the First Mortgage as amended or this Forty-Eighth Supplemental Indenture according to their tenor, purport and effect, as well the interest thereon and the principal thereof, and further to secure the performance and observance of all the covenants and conditions therein and in the First Mortgage as amended and herein contained, and further to set forth the terms and conditions upon which the Series A New Bonds are to be issued, secured and held, and for and in consideration of the premises and of the acceptance or purchase of the Series A New Bonds by the holders or registered owners thereof, and of the sum of one dollar, lawful money of the United States of America, to the Company duly paid by the Trustee at or before the ensealing and delivery of this Forty-Eighth Supplemental Indenture, the receipt whereof is hereby acknowledged, the Company has executed and delivered this Forty-Eighth Supplemental Indenture, and has granted, bargained, sold, released, conveyed, assigned, transferred, pledged, set over and confirmed, and by these presents does mortgage, grant, bargain, sell, release, convey, assign, transfer, pledge, set over and confirm unto the Trustee, and to its successor or successors in said trust, and to it and its and their assigns forever with covenant of general warranty, and does hereby subject to the lien of the First Mortgage as heretofore and hereby

amended all the following described properties (all of which properties are included in and constitute a part of the "mortgaged property" and the "mortgaged and pledged property" as such terms are used and defined in the First Mortgage as heretofore and hereby amended and whenever used in the First Mortgage as heretofore and hereby amended such terms include and refer to such properties), to wit:

FIRST.

REAL PROPERTY AND INTERESTS IN REAL PROPERTY.

All and singular, all real property and interests in real property acquired by the Company between September 1, 2013, the date of the Forty-Seventh Supplemental Indenture, and the date of this Forty-Eighth Supplemental Indenture, and owned by the Company at the latter date, including, without limitation, such real property and improvements to be more fully and specifically described in any document, if any, necessary and appropriate for recordation accompanying the filing of this Forty-Eighth Supplemental Indenture in the appropriate recorder's office.

SECOND.

ELECTRIC GENERATING PLANTS.

All electric generating plants and stations of the Company acquired by it between September 1, 2013, the date of the Forty-Seventh Supplemental Indenture, and the date of this Forty-Eighth Supplemental Indenture, and owned by it at the latter date, including all power houses, buildings, structures and works, and the land on which the same are situated, and all other lands and easements, rights-of-way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies forming a part of such plants and stations, or any of them, or occupied, enjoyed or used in connection therewith.

THIRD.

TRANSMISSION LINES.

All electric overhead and underground transmission lines of the Company acquired by it between September 1, 2013, the date of the Forty-Seventh Supplemental Indenture, and the date of this Forty-Eighth Supplemental Indenture, and owned by it at the latter date, including towers, poles, pole lines, conduits, manholes, switching devices, insulators, and other structures, appliances, devices and equipment, and all the property forming a part thereof or appertaining thereto, and all service lines extending therefrom, together with all real property, rights-of-way, easements, permits, privileges, franchises, and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public way within as well as without the corporate limits of any municipal corporation.

FOURTH.

SUBSTATIONS AND SUBSTATION SITES.

All substations and switching stations of the Company acquired by it between September 1, 2013, the date of the Forty-Seventh Supplemental Indenture, and the date of this Forty-Eighth Supplemental Indenture, and owned by it at the latter date, for transforming or otherwise regulating electric current at any of its plants, together with all buildings, transformers, wires, cables, insulators, structures, appliances, devices, equipment and all other property, real or personal, forming a part of, or appertaining thereto, or used, occupied or enjoyed in connection with any of such substations and switching stations.

FIFTH.

ELECTRIC DISTRIBUTION SYSTEMS.

All electric distribution systems of the Company acquired by it between September 1, 2013, the date of the Forty-Seventh Supplemental Indenture, and the date of this Forty-Eighth Supplemental Indenture, and owned by it at the latter date, including substations, transformers, switchboards, towers, poles, wires, insulators, conduits, cables, manholes, appliances, devices, equipment and all other property, real or personal, forming a part of or appertaining thereto, or used, occupied or enjoyed in connection with such distribution systems or any of them, together with all rights-of-way, easements, permits, privileges, franchises, and rights in or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or public ways within as well as without the corporate limits of any municipal corporation.

SIXTH.

LIQUEFIED PETROLEUM GAS PRODUCTION AND STORAGE FACILITIES.

All additions to liquefied petroleum gas production plants and storage facilities of the Company acquired by it between September 1, 2013, the date of the Forty-Seventh Supplemental Indenture, and the date of this Forty-Eighth Supplemental Indenture, and owned by it at the latter date, including all buildings, structures, underground storage caverns, and works, and the land on which the same are situated, and all other lands and easements, rights-of-way, permits, privileges, pipe lines, machinery, equipment, appliances, appurtenances and supplies forming a part of such plants and stations, or any of them, or occupied, enjoyed or used in connection therewith.

SEVENTH.

GAS DISTRIBUTION SYSTEMS.

All gas distribution systems of the Company acquired or constructed by it between September 1, 2013, the date of the Forty-Seventh Supplemental Indenture, and the date of this Forty-Eighth Supplemental Indenture, and owned by it at the latter date, for distribution of gas,

including pipes, mains, conduits, meters, appliances, equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems, or any of them, together with all rights-of-way, easements, permits, privileges, franchises and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

EIGHTH.

OFFICE AND DEPARTMENTAL BUILDINGS.

All office and departmental buildings of the Company, including the real estate on which such structures stand, acquired by it between September 1, 2013, the date of the Forty-Seventh Supplemental Indenture, and the date of this Forty-Eighth Supplemental Indenture, and owned by it at the latter date, appertaining to, used, occupied or enjoyed in connection with the rendition of public utility service.

NINTH.

TELEPHONE LINES.

All telephone lines of the Company acquired by it between September 1, 2013, the date of the Forty-Seventh Supplemental Indenture, and the date of this Forty-Eighth Supplemental Indenture, and owned by it at the latter date, used or available for use in the operation of its properties or otherwise.

TENTH.

FRANCHISES.

All and singular the franchises, grants, immunities, privileges and rights of the Company granted to or acquired by it between September 1, 2013, the date of the Forty-Seventh Supplemental Indenture, and the date of this Forty-Eighth Supplemental Indenture, and to which it was entitled at the latter date, including all and singular the franchises, grants, immunities, privileges and rights of the Company granted by all municipalities or political subdivisions, and all right, title and interest therein owned by the Company on the date of the execution of this Forty-Eighth Supplemental Indenture, and all renewals, extensions and modifications of said franchises, grants, immunities, privileges and rights, or any of them, and of all other franchises, grants, immunities, privileges and rights now subject to the lien of the First Mortgage as amended.

ELEVENTH.

OTHER REAL ESTATE AND APPURTENANCES.

A. All other real estate and interests in real estate and all other physical electric power and light, gas and other property owned by the Company at the date of execution of this Forty-Eighth Supplemental Indenture.

B. All other real estate and interests in real estate and all other physical electric power and light, gas and other property which the Company may hereafter acquire or construct.

C. All present and future appurtenances of the real estate and interests in real estate which now are, or hereafter shall be, subject to the lien of the First Mortgage as amended, and all plants, works, buildings, structures, fixtures, improvements, betterments and additions now owned, or hereafter acquired or constructed by the Company, upon any of the real estate which, or interests in which, now are or hereafter shall be subject to the lien of the First Mortgage as amended.

D. All corporate rights, privileges, immunities and franchises, powers, licenses, easements, leases, contracts and other rights and all renewals and extensions thereof held or acquired for use or used upon, or in connection with or appertaining to, any of the properties which now are or hereafter shall be subject to the lien of the First Mortgage as amended, or which the Company has or may have the right to exercise in respect of any of said properties.

E. All machinery, tools and equipment now owned or hereafter acquired by the Company, which now or hereafter belong or appertain to or are used in connection with the plants, works, transmission lines, distribution systems, buildings, structures and fixtures which now are or hereafter shall be subject to the lien of the First Mortgage as amended.

Together with all and singular the tenements, hereditaments and appurtenances belonging or in any way appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders, rents, issues, income and profits thereof, and all the estate, right, title, interest and claim whatsoever at law or in equity, which the Company now has or which it may hereafter acquire in and to the aforesaid property and every part and parcel thereof.

It is not intended to include in the lien of the First Mortgage as amended and this grant shall not be deemed to apply (1) to any revenues, earnings, rents, issues, income or profits of the mortgaged property, or any cash (except cash deposited with the Trustee pursuant to any of the provisions of the First Mortgage as heretofore and hereby amended), or any bills, notes or accounts receivable, contracts or choses in action, or any materials or supplies or construction equipment, or any merchandise, equipment or apparatus manufactured or acquired for the purpose of sale or resale in the usual course of business, except in case of the happening of a completed default as defined in Section 1 of Article Twelve of the First Mortgage as heretofore and hereby amended, and following such completed default, in case the Trustee or a receiver or trustee shall enter upon and take possession of the mortgaged property, or (2) in any case, to any cars, trucks or other vehicles of any nature for the transportation of personnel, materials or equipment by any means which may have been acquired after the effective date of the amendment to this Clause made by or pursuant to the provisions of the Eleventh Supplemental Indenture, or to any bonds, notes, evidences of indebtedness, shares of stock or other securities, except such as may be specifically subjected to the lien of the First Mortgage as amended.

TWELFTH.

PROPERTY HEREAFTER TO BECOME SUBJECT TO THE LIEN OF THE FIRST MORTGAGE AS AMENDED.

A. Any and all property, real, personal and mixed, including franchises, grants, immunities, privileges and rights, which the Company may hereafter acquire or to which it may hereafter become entitled, excepting, however, the following property which is not intended to be subjected to the lien of the First Mortgage: (1) any revenues, earnings, rents, issues, income or profits of the mortgaged property, or any cash (except cash deposited with the Trustee pursuant to any of the provisions of the First Mortgage as heretofore and hereby amended), or any bills, notes or accounts receivable, contracts or choses in action, or any materials or supplies or construction equipment, or any merchandise, equipment or apparatus manufactured or acquired for the purpose of sale or resale in the usual course of business, except in case of the happening of a completed default as defined in Section 1 of Article Twelve of the First Mortgage as heretofore and hereby amended, and following such completed default, in case the Trustee or a receiver or trustee shall enter upon and take possession of the mortgaged property, or (2) in any case, any cars, trucks or other vehicles of any nature for the transportation of personnel, materials or equipment by any means, or any bonds, notes, evidences of indebtedness, shares of stock or other securities, except such as may be specifically subjected to the lien of the First Mortgage as amended.

B. Any and all property of every name and nature, including shares of stock, bonds, other securities or obligations and cars, trucks or other vehicles for the transportation of personnel, materials or equipment by any means, which, from time to time after the execution of this Forty-Eighth Supplemental Indenture, by delivery or by writing of any kind for the purposes hereof, shall have been conveyed, mortgaged, pledged, assigned or transferred by, or by anyone on behalf of, the Company to the Trustee, which is hereby authorized to receive any property at any and all times, as and for additional security, and also, when and as provided in the First Mortgage as amended as and for substituted security, for the payment of the Bonds to be issued under the First Mortgage as amended, and to hold and apply any and all such property subject to the terms hereof and of the First Mortgage as amended.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, mortgaged, pledged or conveyed by the Company as aforesaid, or intended so to be, unto the Trustee and its successors and assigns forever.

SUBJECT, HOWEVER, as to property hereby conveyed, to liens for taxes, assessments and other charges levied or to be levied by the State of Ohio or Commonwealth of Kentucky, as applicable, and any of the subdivisions thereof for the years 2014 and 2015 and thereafter and, as to any property hereafter acquired by the Company and which may become subject to the lien of the First Mortgage as amended, to any lien or charge thereon existing at the time of the acquisition thereof by the Company;

IN TRUST NEVERTHELESS, upon and subject to the terms, conditions and stipulations hereinafter and in the First Mortgage as amended set forth, for the equal and proportionate benefit and security of the holders from time to time of the Bonds and interest coupons issued

and to be issued under the First Mortgage as amended and this and other indentures supplemental thereto, without preference, priority or distinction as to lien or otherwise of any of the Bonds and coupons over any others by reason of priority in time of issue, sale or negotiation thereof or otherwise howsoever, and for the uses and purposes and upon and subject to the terms, conditions, provisions and agreements in the Bonds and hereinafter and in the First Mortgage as amended expressed and declared.

ARTICLE ONE.

BONDS OF THE VARIABLE RATE POLLUTION CONTROL SERIES 2015-A DUE 2040 AND ISSUE THEREOF.

SECTION 1. Series and Form of Series A New Bonds. There shall be a series of Bonds designated "Variable Rate Pollution Control Series 2015-A Due 2040", each of which shall bear the descriptive title First Mortgage Bond. The aggregate principal amount of the Series A New Bonds which may be outstanding under the First Mortgage as amended and this Forty-Eighth Supplemental Indenture shall be limited to $100,000,000, except as provided in Section 9 of Article Two of the First Mortgage as amended.

SECTION 2. Issue of Series A New Bonds. Upon the execution and delivery of this Forty-Eighth Supplemental Indenture and upon delivery of $100,000,000 aggregate principal amount of the Series A New Bonds, executed by the Company, and upon compliance by the Company with the provisions of Article Five, Article Six or Article Seven or any or all of said Articles, as the case may be, of the First Mortgage as amended, the Trustee shall, without awaiting the filing or recording of this Forty-Eighth Supplemental Indenture, authenticate the Series A New Bonds and deliver the Series A New Bonds as provided in said Article Five, Article Six or Article Seven.

SECTION 3. Dates, Interest, Etc. of Series A New Bonds. The Series A New Bonds shall be dated as provided in Section 3 of Article Two of the First Mortgage as amended; shall mature on November 1, 2040; and shall bear interest from August 3, 2015, as provided in said Section 3 of Article Two, at such rate or rates per annum as shall cause the amount of interest payable on each interest payment date (as hereinafter defined) on the Series A New Bonds to equal the amount of interest payable on such interest payment date on the corresponding Series A Project Bonds, such interest to be payable on the same date as interest is payable on said Series A Project Bonds (each such date relating to the Series A New Bonds herein called an "interest payment date"), until the maturity of the Series A New Bonds, or, in the case of any such Series A New Bonds duly called for redemption, until the redemption date, or in the case of any default by the Company in the payment of the principal due on any such Series A New Bonds, until the Company's obligation with respect to the payment of the principal shall be discharged as provided in the First Mortgage, as amended. The amount of interest payable on each interest payment date shall be computed on the same basis as the amount of interest is computed on the corresponding Series A Project Bonds; provided, however, that the aggregate amount of interest payable on any interest payment date shall not exceed an amount which results in an interest rate of more than the Series A Maximum Interest Rate per annum on the aggregate principal amount of the Series A New Bonds outstanding on that interest payment date.

The Trustee shall be entitled to request, receive and conclusively rely upon the certification of the Series A Project Bond Trustee of the interest rate of, interest payment date of, Record Date of and basis on which interest is computed for, each Series A Project Bond, from time to time as necessary to enable the Trustee to determine for the Series A New Bonds their corresponding interest rate, interest payment date, Record Date and basis on which interest shall be computed.

The interest payable on the Series A New Bonds on any interest payment date shall be paid to the holders in whose names such Series A New Bonds are registered on the Record Date, except that if the Company shall default in the payment of any installment of interest on any Series A New Bonds, such interest in default shall be paid to the holders in whose names the Series A New Bonds are registered at the close of business on a date established for the payment of such defaulted interest by the Company in any lawful manner. The Series A New Bonds shall be payable as to both principal and interest in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

In addition to the words and terms defined in the First Mortgage as amended, unless the context or use clearly indicates another meaning or intent, the following terms shall have the following meanings for purposes of this Article One of this Forty-Eighth Supplemental Indenture:

"Series A Maximum Interest Rate" means the rate which would be the "Maximum Interest Rate" as defined in the Series A Project Bonds Indenture.

"Record Date" means the date which would be a "Regular Record Date" as defined in the Series A Project Bonds Indenture.

SECTION 4. Denominations and Exchangeability of Series A New Bonds; Temporary Bonds May Be Authenticated and Delivered. The Series A New Bonds shall be issued in denominations of $5,000 and any integral multiple of $5,000.

Whenever any Series A New Bond or Series A New Bonds shall be surrendered at the office or agency of the Company in said Borough of Manhattan for exchange for a Series A New Bond or Series A New Bonds of other authorized denomination or denominations, the Company shall execute, and the Trustee shall authenticate and deliver, upon cancellation of the Series A New Bond or Series A New Bonds so surrendered, a Series A New Bond or Series A New Bonds of such other authorized denomination or denominations of like aggregate principal amount as the holder making the exchange shall have requested and shall be entitled to receive. On presentation of any Series A New Bond which is to be redeemed pursuant to the provisions of this Forty-Eighth Supplemental Indenture in part only, the Company shall execute, and the Trustee shall authenticate and deliver, a Series A New Bond or Series A New Bonds in principal amount equal to the unredeemed portion of the Series A New Bonds so presented.

The Company shall not be required to (a) register a transfer of, or exchange, any Series A New Bond during a period of fifteen (15) days next preceding any selection of Series A New

Bonds to be redeemed or (b) register a transfer of, or exchange, any Series A New Bond which shall have been selected for redemption in whole or in part.

A service charge will not be made for any registration of transfer or exchange of Series A New Bonds, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

Until definitive Series A New Bonds shall be ready for delivery, the Company may execute and, upon request of the Company, the Trustee shall authenticate and deliver, in lieu of such definitive Series A New Bonds but subject to the same provisions, limitations and conditions except as to the denominations thereof, temporary printed or lithographed Series A New Bonds as provided in Section 8 of this Article One. Such temporary Series A New Bonds shall be exchangeable for definitive Series A New Bonds, when ready for delivery, in the manner provided in the First Mortgage as amended, and shall in all other respects be subject to and entitled to the benefits of the terms and provisions and lien of this Forty-Eighth Supplemental Indenture, and the terms and provisions and lien of the First Mortgage as amended as therein provided.

SECTION 5. Mandatory Redemption or Repurchase. The Series A New Bonds shall be subject to mandatory redemption by the Company prior to maturity at any time in whole or in part at a redemption price of 100% of the principal amount to be redeemed, plus accrued and unpaid interest, if any, to the redemption date, upon receipt by the Trustee of notice from the Series A Project Bond Trustee to the effect that (a) the Company is required to deliver moneys to the Series A Project Bond Trustee for the redemption or repurchase of the corresponding Series A Project Bonds in whole or in part, as the case may be, as provided in Section 6.3 and Section 4.8 of the Series A Loan Agreement and (b) an equivalent principal amount of such Series A Project Bonds are being concurrently called for redemption or being accepted for repurchase. Said notice shall specify the redemption or repurchase date of such Series A New Bonds (which redemption or repurchase date shall be the same date as the redemption or repurchase date specified in said notice for the Series A Project Bonds being concurrently redeemed or being accepted for repurchase). Any such redemption shall be made upon the notice and in the manner provided in this Article One, subject to the provisions of the First Mortgage as amended.

SECTION 6. Extraordinary Optional Redemption. The Series A New Bonds shall be subject to redemption, at the option of the Company, prior to maturity at any time, in whole or in part, at a redemption price of 100% of the principal amount to be redeemed, plus accrued and unpaid interest, if any, to the redemption date, upon receipt by the Trustee of an officers' certificate to the effect that (a) the Company has given notice to the Series A Project Bond Trustee that the Company is exercising its option to direct the redemption of corresponding Series A Project Bonds in whole or in part, as provided in Section 6.2 of the Series A Loan Agreement and (b) an equivalent principal amount of such Series A Project Bonds are being concurrently called for redemption. Such officers' certificate shall have attached to it a copy of said notice to the Series A Project Bond Trustee and shall specify the redemption date of such Series A New Bonds (which redemption date shall be not less than 45 days (unless a shorter period shall be acceptable to the Trustee) after the date of the mailing of such certificate and shall be the same date as the redemption date specified in said attached notice for the Series A Project Bonds being concurrently redeemed). Any such redemption shall be made upon the

notice, which may be conditional as provided in Section 8 of this Article One, and in the manner provided in this Article One, subject to the provisions of the First Mortgage as amended.

SECTION 7. Optional Redemption. The Series A New Bonds shall also be subject to redemption prior to maturity, at the option of the Company, in whole or in part, at any time, at the same redemption price, plus accrued and unpaid interest, if any, to the redemption date, as shall be payable on the Series A Project Bonds to be redeemed concurrently therewith.

Prior to any such redemption, the Trustee shall have received an officers' certificate to the effect that (a) the Company has given notice to the Series A Project Bond Trustee that the Company is exercising its option to deliver moneys to the Series A Project Bond Trustee for the redemption of corresponding Series A Project Bonds in whole or in part, as the case may be, as provided in Section 6.1 of the Series A Loan Agreement and (b) an equivalent principal amount of Series A Project Bonds are being concurrently called for redemption. Such officers' certificate shall specify the principal amount of Series A New Bonds to be redeemed and the redemption price thereof, shall have attached to it a copy of said notice to the Series A Project Bond Trustee and shall specify the redemption date of such Series A New Bonds (which redemption date shall be not less than 45 days (unless a shorter time period shall be acceptable to the Trustee) after the date of the mailing of such certificate and shall be the same date as the redemption date specified in said attached notice for the Series A Project Bonds being concurrently redeemed). Any such redemption shall be made upon the notice, which may be conditional as provided in Section 8 of this Article One, and in the manner provided in this Article One, subject to the provisions of the First Mortgage as amended.

SECTION 8. Notice of Redemption. Subject to the provisions of the First Mortgage as amended, written notice of redemption of the Series A New Bonds pursuant to any of Sections 5, 6 or 7 of this Article One shall be given by the Trustee by mailing, first class postage prepaid, or delivering by hand to the registered owner of such Series A New Bonds to be redeemed a notice of such redemption at its last address as it shall appear upon the books of the Company for the registration and transfer of such Series A New Bonds. Any notice of redemption pursuant to said Sections 5, 6 or 7 shall be mailed or delivered by hand as least 30 days and not earlier than 60 days before the redemption date; provided, however, that the registered owner or owners of all Series A New Bonds may consent in writing to a shorter notice period, and such consent, if filed with the Trustee, shall be binding upon the Company and such registered owners and their transferees. In the case of any notice of redemption of Series A New Bonds pursuant to said Sections 6 or 7, such notice shall state that such redemption is conditional to the same extent and with the same effect, if any, as the notice of redemption of the Series A Project Bonds being concurrently redeemed.

SECTION 9. Cancellation. In the event any Series A Project Bonds shall be purchased by the Company and surrendered by the Company to the Series A Project Bond Trustee for cancellation or shall be otherwise surrendered to the Series A Project Bond Trustee for cancellation pursuant to the Series A Project Bonds Indenture (except upon exchange for other Series A Project Bonds), corresponding Series A New Bonds equivalent in principal amount to the Series A Project Bonds so surrendered shall be deemed to have been paid, but only when and to the extent that (a) such payment of the principal amount of such Series A New Bonds shall be noted by an agency of the Company on the schedule of payments on such Series A New Bonds

and (if such agency is not the Trustee) written notice by such agency of such notation shall have been received by the Trustee or (b) such Series A New Bonds shall have been surrendered to and cancelled by the Trustee as provided in Section 11 of this Article One.

SECTION 10. Series A New Bonds Deemed Paid in Additional Circumstances. In the event and to the extent the principal of, or premium, if any, or interest on any Series A Project Bonds shall be paid, whether at maturity, upon redemption or otherwise, out of funds held by the Series A Project Bond Trustee or out of any other funds or shall otherwise be deemed to be paid, an equal amount of principal or premium, if any, or interest, as the case may be, payable with respect to an aggregate principal amount of corresponding Series A New Bonds equal to an aggregate principal amount of such Series A Project Bonds shall be deemed to have been paid, but, in the case of such payment of principal of such Series A New Bonds, only when and to the extent that (a) such payment of the principal amount thereof shall be noted by any agency of the Company on the schedule of payments on such Series A New Bonds and (if such agency is not the Trustee) written notice by such agency of such notation shall have been received by the Trustee or (b) such Series A New Bonds shall have been surrendered to and cancelled by the Trustee as provided in Section 11 of this Article One.

SECTION 11. Surrender of Series A New Bonds in Certain Circumstances. When payment of any principal amount of a Series A New Bond is made as provided in Section 9 or 10 of this Article One, the registered owner thereof shall surrender it to an agency of the Company for notation and notification or to the Trustee for cancellation as provided in such Section. All Series A New Bonds deemed to have been paid in full as provided in Section 9 or 10 of this Article One shall be surrendered to the Trustee for cancellation and the Trustee shall forthwith cancel the same. In the event that part of a Series A New Bond shall be deemed to have been paid as provided in said Section 9 or 10, the registered owner may at its option surrender such Series A New Bond to the Trustee for cancellation, in which event the Trustee shall cancel such Series A New Bond and the Company shall execute and the Trustee shall authenticate and deliver, without charge to the registered owner, Series A New Bonds in such authorized denominations as shall be specified by the registered owner in an aggregate principal amount equal to the unpaid balance of the principal amount of such surrendered Series A New Bond.

SECTION 12. Application of Article Ten of First Mortgage as Amended. Except as in this Forty-Eighth Supplemental Indenture otherwise provided with respect to any matter or question, the provisions of Article Ten of the First Mortgage as amended shall be applicable in the case of the redemption of all or any part of the Series A New Bonds at any time outstanding. The term "officers' certificate as used in this Article One shall mean a certificate signed by the President or a Vice President and any other Vice President, the Treasurer, Assistant Treasurer, the Secretary or Assistant Secretary or any other officer of the Company.

SECTION 13. Form of Series A New Bonds. The Series A New Bond shall be in fully registered form only. The form of the Series A New Bonds, and of the Trustee's certificate of authentication thereon, shall be substantially as set forth in Exhibit A.

ARTICLE TWO.

[RESERVED].

ARTICLE THREE.

[RESERVED].

ARTICLE FOUR.

AMENDMENTS TO FIRST MORTGAGE AS AMENDED TO BECOME EFFECTIVE AT A LATER DATE.

SECTION 1. Amendments to First Mortgage. The Company, and the holders of any Series A New Bonds by their acceptance and holding thereof, hereby consent and agree that each of the amendments provided for by the following Sections 2, 3, 4, 5, 6 and 7 of this Article Four shall become effective on the earliest date on which either (a) there shall not be any Bonds outstanding of (i) 4.80% Pollution Control Series 2005-A Due 2034, (ii) 4.80% Pollution Control Series 2005-B Due 2034, (iii) 4.70% Pollution Control Series 2005-C Due 2028, (iv) 4.80% Pollution Control Series 2006 Due 2036, (v), Variable Rate Pollution Control Series 2008-A Due 2040, (vi) Variable Rate Pollution Control Series 2008-B Due 2040, and (vii) 1.875% Series Due 2016; or (b) there shall have been executed and delivered a supplemental indenture or indentures embodying said amendments (either alone or with other amendments) consented to by the holders of at least a majority in aggregate principal amount of the Bonds at the time outstanding (including in determining such majority the amount of the Series A New Bonds embodied herein), all in conformity with the provisions of Article Eighteen of the First Mortgage as amended.

SECTION 2. Amendments to Article One of First Mortgage. Effective on a date fixed as provided in Section 1 of this Article Four, Article One of the First Mortgage as amended, shall be amended by restating Section 7 in its entirety to read as follows:

> "The term "net earnings certificate", shall mean a certificate signed by the Chairman of the Board or Chief Executive Officer or President or a Vice President of the Company and an accountant, who unless, required to be independent, may be an officer or employee of the Company, stating:
>
> (A) the adjusted net earnings of the Company for a period of twelve (12) consecutive calendar months within the eighteen (18) calendar months immediately preceding the first day of the month in which the application for the authentication and delivery under this Indenture of Bonds then applied for is made, being and specifying for the Company and its subsidiaries on a consolidated basis:
>
> (1) the net income (or loss), without deduction for minority interests, of the Company and its subsidiaries for that period determined in conformity with generally accepted accounting principles in the United States;

(2) to the extent deducted in calculating such net income (loss) specified in clause (1) of this Section the sum of (a) all interest, premium payments, debt discount, fees, charges and related expenses of the Company and its subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with generally accepted accounting principles in the United States, and (b) the portion of rent expense of the Company and its subsidiaries with respect to such period under capital leases that is treated as interest in accordance with generally accepted accounting principles in the United States;

(3) to the extent deducted in calculating such net income (loss) specified in clause (1) of this Section the provision for Federal, state, local and foreign income taxes payable by the Company and its subsidiaries for such period,

(4) to the extent deducted in calculating such net income (loss) specified in clause (1) of this Section depreciation and amortization expense for such period,

(5) to the extent deducted in calculating such net income (loss) specified in clause (1) of this Section other non-recurring expenses of the Company and its subsidiaries reducing such net income (loss) specified in clause (1) of this Section (a) which do not represent a cash item in such period or (b) which are cash items in such period that were incurred as a result of (i) the early termination of Borrower's Capital Trust II indebtedness, (ii) termination of existing swap contracts (it being understood that cash charges described in this clause (ii) will not exceed $50,000,000 in the aggregate) or (iii) normal and customary out-of-pocket third party costs, expenses and fees incurred directly in connection with the refinancing of any existing indebtedness,

(6) to the extent deducted in calculating such net income (loss) specified in clause (1) of this Section out-of pocket third party costs and expenses incurred directly in connection with the implementation, negotiation, documentation and closing of the Separation,

(7) to the extent deducted in calculating such net income (loss) specified in clause (1) of this Section all other non-cash items reducing net income (loss) specified in clause (1) of this Section for such period,

(8) the sum of the amounts required to be stated in such certificate by clauses (1), (2), (3), (4), (5), (6) and (7) of this Section,

(9) to the extent included in calculating such net income (loss) specified in clause (1) of this Section Federal, state, local and foreign income tax credits of the Company and its Subsidiaries for such period,

(10) to the extent included in calculating such net income (loss) specified in clause (1) of this Section all non-cash items increasing net income (loss) specified in clause (1) of this Section such period,

(11) the sum of the amounts required to be stated in such certificate by clauses (9) and (10) of this Section; and

(12) the adjusted net earnings of the Company for such period of twelve (12) consecutive calendar months (being the amount remaining after reducing the amount required to be stated in such certificate by clause (8) of this Section by the amount required to be stated therein by clause (11) of this Section);

(B) the annual interest requirements, being the interest requirements, if any, for twelve (12) months upon:

(i) all Bonds outstanding hereunder at the date of such certificate, except any for the payment of which the Bonds applied for are to be issued; provided that, if any such series of outstanding Bonds bears interest at a variable rate, then the interest on such series of Bonds shall be computed at the average annual rate in effect for such series during the period of twelve (12) consecutive calendar months (or any portion thereof in which Bonds of such series are outstanding) being used for the calculation of adjusted net earnings; and if such outstanding Bonds have been issued after the end of such twelve (12) consecutive calendar months, then computed at the initial rate upon issuance;

(ii) all Bonds then applied for in pending applications, including the application in connection with which such certificate is made, computed at the initial rate upon issuance;

(iii) the principal amount of all other indebtedness (except indebtedness for the payment of which the Bonds applied for are to be issued and indebtedness for the purchase, payment or redemption of which moneys in the necessary amount shall have been deposited with or be held by the Trustee or the trustee or other holder of a lien prior to the lien of this Indenture upon property subject to the lien of this Indenture with irrevocable direction so to apply the same; provided that, in the case of redemption, the notice required therefor shall have been given or have been provided for to the satisfaction of the Trustee), outstanding in the hands of the public on the date of such certificate and secured by a lien prior to the lien of this Indenture upon property subject to the lien of this Indenture, if said indebtedness has been assumed by the Company or if the Company customarily pays the interest upon the principal thereof.

If any of the property of the Company owned by it at the time of the making of any net earnings certificate shall have been acquired during or after any period for which adjusted net earnings of the Company are to be computed, the adjusted net earnings of such property (computed in the manner in this Section provided for the computation of the adjusted net earnings of the Company) during such period or such part of such period as shall have preceded

the acquisition thereof, to the extent that the same have not otherwise been included and unless such property shall have been acquired in exchange or substitution for property the earnings of which have been included, may, at the option of the Company, be included in the adjusted net earnings of the Company for all purposes of this Indenture, and shall be included if such property has been operated as a separate unit or if the earnings therefrom are readily ascertainable.

In any case where a net earnings certificate is required as a condition precedent to the authentication and delivery of Bonds, such certificate shall also be made and signed by an independent public accountant, if the aggregate principal amount of Bonds then applied for plus the aggregate principal amount of Bonds authenticated and delivered hereunder since the commencement of the then current calendar year (other than those with respect to which a net earnings certificate is not required, or with respect to which a net earnings certificate made and signed by an independent public accountant has previously been furnished to the Trustee) is ten per centum (10%) or more of the aggregate principal amount of the Bonds at the time outstanding hereunder; but no net earnings certificate need be made and signed by any person other than the Chairman of the Board or Chief Executive Officer or President or a Vice President and an accountant, as to dates or periods not covered by annual reports required to be filed by the Company, in the case of conditions precedent which depend upon a state of facts as of a date or dates or for a period or periods different from that required to be covered by such annual reports.

Each such certificate shall include the statements required by Section 1 of Article Twenty hereof.

Unless otherwise specifically provided with respect to a series of Bonds, if interest on any Bonds outstanding hereunder is payable solely in the coin or currency of a foreign nation, then the annual interest requirements for such Bonds shall be based upon the estimated value (on a date within 10 days prior to the date of the application for the authentication and delivery under this Indenture of Bonds in connection with which such net earnings certificate is delivered) of such foreign coin or currency in The City of New York, New York, in the written opinion of an independent appraiser or other expert delivered to the Trustee."

SECTION 3. Amendments to Article One of First Mortgage. Effective on a date fixed as provided in Section 1 of this Article Four, Article One of the First Mortgage as amended, shall be further amended by adding a new Section 8 thereto, as follows:

> "Section 8. The term "Generation Assets" shall mean the Company's assets and operations which form part of the Company's generation business and any assets or operations necessary or incidental to the Company's generation business."
>
> "The term "Separation" shall mean the separation of the Company's Generation Assets, as defined in Section 8 of Article One hereof, from its transmission and distribution assets, including the restructuring of the Company's operations in connection therewith, all in accordance and compliance with an order of the Public Utilities Commission of Ohio and any rules and regulations thereunder and the laws of the State of Ohio."

SECTION 4. Amendments to Article Six of First Mortgage. Effective on a date fixed as provided in Section 1 of this Article Four, Article Six of the First Mortgage as amended shall be amended in its entirety to read as follows:

"ARTICLE SIX

ISSUANCE OF BONDS UPON RETIREMENT OF BONDS
PREVIOUSLY OUTSTANDING HEREUNDER.

Whenever Bonds authenticated and delivered hereunder (i) are paid, retired, redeemed, canceled or surrendered to the Trustee for cancelation (except when canceled pursuant to the provisions of Section 3 of Article Eleven to obtain the release of funded property; or any sinking fund provisions contained in any indenture supplemental hereto, so long as any Bonds of the series to which such sinking fund provisions relate shall be outstanding; or canceled through use by the Trustee of funded cash; or canceled pursuant to the provisions of Section 5 of Article Eight of this Indenture), or (ii) for the purchase, payment or redemption of which money in the necessary amount shall have been deposited with the Trustee (including in any such case described in clause (i) or (ii) with the proceeds of new Bonds ("Refinancing Bonds") authenticated and delivered pursuant to this Article Six for the purpose of refinancing, replacing, defeasing or refunding Bonds concurrently with the issuance of such Refinancing Bonds), upon the request of the Company evidenced by a resolution such as is described in subdivision (1) of Section 6 of Article Five, and upon receipt of a Treasurer's certificate and an opinion of counsel such as are described in subdivisions (2) and (4) respectively of Section 1 of Article Seven and of a further Treasurer's certificate, as defined in Section 3 of Article One, stating (a) the aggregate principal amount of Bonds authenticated and delivered hereunder and made the basis of such request which have been (or will be concurrently with the receipt of proceeds of Refinancing Bonds) paid, retired, redeemed, canceled or surrendered to the Trustee for cancellation, and (b) the aggregate principal amount of Bonds for the purchase, payment or redemption of which money in the necessary amount shall have been deposited with the Trustee (or will be concurrently with the receipt of proceeds of Refinancing Bonds), and that such Bonds have not been canceled pursuant to the provisions of Section 13 of Article Two, or Section 3 of Article Eleven to obtain the release of funded property, or canceled through the use by the Trustee of funded cash, or canceled pursuant to the provisions of Section 5 of Article Eight of this Indenture, or, if any Bonds of the series to which such sinking fund provisions relate shall then be outstanding, canceled pursuant to any sinking fund provisions of any indenture supplemental hereto, the Trustee shall authenticate and deliver additional Bonds of the same or another series in principal amount equivalent to the principal amount of the Bonds so paid, retired, redeemed, canceled or surrendered to the Trustee for cancellation or for the purchase, payment or redemption of which money in the necessary amount shall have been so deposited with the Trustee (together with all accrued and unpaid interest on such Bonds and the amount of any premium necessary to accomplish such refinancing if such Bonds are paid, retired, redeemed, cancelled or surrendered to the Trustee for cancellation on the basis of and with the proceeds of Refinancing Bonds); provided, however, that, unless the Company shall deliver to the Trustee a net earnings certificate such as is described in subdivision (6) of Section 6 of Article Five, no Bonds shall be authenticated or delivered under this Article for Bonds so paid,

retired, redeemed, canceled or surrendered if such Bonds shall not have been at some time held by the public."

SECTION 5. Amendments to Section 3 of Article Eleven of First Mortgage. Effective on a date fixed as provided in Section 1 of this Article Four, Section 3 of Article Eleven of the First Mortgage as amended shall be amended as follows:

(a) the portion of the first sentence thereof appearing before subdivision (1) of Section 3 shall be deleted, and the following shall be inserted:

> "So long as the Company is not in default under any of the provisions of this Indenture, the Company may obtain the release of any of the mortgaged and pledged property, including, without limiting the generality of the foregoing, any one or more of the Company's heating, gas or water properties substantially as an entirety (provided, however, that the electric property of the Company shall not in any event be released substantially as an entirety (other than the Generation Assets, as defined in Section 8 of Article One hereof, pursuant to the Separation, as defined in Section 8 of Article One hereof) and, further, that prior lien bonds deposited with the Trustee shall not be released except as provided in Article Nine hereof), and the Trustee shall release the same from the lien hereof upon the application of the Company and receipt by the Trustee of";

(b) subdivision (2) of Section 3 shall be amended to add a new proviso at the end thereof to read as follows:

> "provided that, anything contained in this subdivision (2) to the contrary notwithstanding, in connection with an application of the Company for the release of the Generation Assets, as defined in Section 8 of Article One hereof, from the lien hereof pursuant to the Separation, as defined in Section 8 of Article One hereof, the Trustee need not receive so much and such a part of any one or more of the statements otherwise required hereunder to be included in such certificate, and such certificate need not be made by an independent engineer, if and to the extent that the Company determines, in good faith based on advice of counsel, that under the terms of that section and/or any interpretation or guidance as to the meaning thereof of the Securities and Exchange Commission and its staff, including any one of more "no action" letters or exemptive orders (whether issued to the Company or any other Person), all or any portion of Section 314(d) of the Trust Indenture Act of 1939 as then in effect as might otherwise have been applicable to any one or more of the statements otherwise required hereunder to be included in such certificate shall not be applicable to such certificate, and upon receipt by the Trustee of an opinion of counsel to such effect;"

(c) subdivision (3) of Section (3) shall be amended to add a new proviso at the end thereof to read as follows:

> "provided that this subdivision (3) shall not apply in the case of the release of the Generation Assets, as defined in Section 8 of Article One hereof, from the lien

hereof pursuant to the Separation, as defined in Section 8 of Article One hereof, if (i) the amendments to Section 3 of Article Eleven of this Indenture provided for in Article Four of the Forty-Eighth Supplemental Indenture, dated as of August 1, 2015, to this Indenture become effective as provided for in Section 1(a) of said Article Four or (ii) the amendments to Section 3 of Article Eleven of this Indenture provided for in Article Four of the Forty-Eighth Supplemental Indenture, dated as of August 1, 2015, to this Indenture become effective as provided in Section 1(b) of Article Four of the Forty-Eighth Supplemental Indenture, dated as of August 1, 2015, and the Trustee receives in connection with the Company's application for such release an engineer's certificate made by an independent engineer and dated not more than sixty (60) days prior to the date of making of such application and stating that the fair value, in the opinion of the signer, of the property subject to the lien hereof after giving effect to the release of the lien hereof on the Generation Assets, as defined in Section 8 of Article One hereof, is not less than 110% of the principal amount of the Bonds outstanding at the time of such application, and a net earnings certificate such as is described in subdivision (6) of Section 6 of Article Five, in each case, determined on a pro forma basis giving effect to the Separation, as defined in Section 8 of Article One hereof); provided, further, that in the case of clause (i) or clause (ii), as applicable, no default under any of the provisions of this Indenture and no completed default as defined in Section 1 of Article Twelve hereof shall exist or be continuing before or after giving effect to such release."

SECTION 6. Amendments to Section 1 of Article Fifteen of First Mortgage. Effective on a date fixed as provided in Section 1 of this Article Four, Section 1 of Article Fifteen of the First Mortgage as amended shall be amended to add the following parenthetical at the end of the first paragraph thereof:

"(provided, however, that, in connection with the Separation, as defined in Section 8 of Article One hereof, the Company may convey or transfer all of the Generation Assets, as defined in Section 8 of Article One hereof, without the transferee being required to expressly assume in writing the due and punctual payment of the principal and interest of all the Bonds according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Indenture, so long as no default under any of the provisions of this Indenture and no completed defaults as defined in Section 1 of Article Twelve hereof shall exist or be continuing before or after giving effect to such conveyance or transfer and the liens hereof on such Generation Assets are released in accordance with Article Eleven hereof)".

SECTION 7. Effectuating Provisions; Required Consent. Any supplemental indentures may contain such other provisions as may be necessary or appropriate to carry into effect the purposes of the amendments provided for by this Article Four or as may be otherwise appropriate and permissible under the provisions of Article Eighteen of the First Mortgage as amended to accomplish the purposes of said amendments. To the extent permitted by Article Eighteen of the First Mortgage as amended, any supplemental indenture may terminate or

modify specified obligations of the Company to the holders of the Bonds of a particular series and such amendment will only require the consent by holders of at least a majority in aggregate principal amount of the Bonds outstanding of said series. Said amendments may effect the purposes herein contemplated either by adding provisions to, or eliminating provisions from, the First Mortgage as amended, or by both adding and eliminating provisions, or may accomplish said purposes in any other appropriate manner.

No further consent of the holders of Series A New Bonds shall be required to effect any of the amendments provided for in, or permitted by, this Article Four.

ARTICLE FIVE.

COVENANTS OF THE COMPANY.

SECTION 1. Confirmation of Covenants by the Company in First Mortgage. All covenants and agreements by the Company in the First Mortgage as heretofore and hereby amended are hereby confirmed.

SECTION 2. Covenant of the Company and Legal Opinion as to Recording. Promptly after the execution and delivery of this Forty-Eighth Supplemental Indenture, the Company will take such action with respect to the recording, filing, re-recording and refiling of the First Mortgage as amended and this Forty-Eighth Supplemental Indenture as may be necessary to make effective the lien intended to be created hereby, and will furnish to the Trustee an opinion of counsel selected by the Company and satisfactory to the Trustee (who may be of counsel to the Company) either (a) stating that in the opinion of such counsel such action has been taken with respect to the recording, filing, re-recording and refiling of the First Mortgage as amended and this Forty-Eighth Supplemental Indenture as to make effective the lien intended to be created thereby, and reciting the details of such action, or (b) stating that in the opinion of such counsel no such action is necessary to make such lien effective.

ARTICLE SIX.

MISCELLANEOUS.

SECTION 1. Authentication and Delivery of Series A New Bonds in Advance of the Recording of Forty-Eighth Supplemental Indenture. The Series A New Bonds may be authenticated and delivered by the Trustee and issued by the Company in advance of the recording or filing of this Forty-Eighth Supplemental Indenture.

SECTION 2. Forty-Eighth Supplemental Indenture to Form Part of First Mortgage. The provisions of this Forty-Eighth Supplemental Indenture shall become effective immediately upon the execution and delivery hereof, except that the provisions of Article Four of this Forty-Eighth Supplemental Indenture modifying and amending the First Mortgage as amended shall become effective on the date or dates fixed as provided in said Article Four. From and after the initial issue of the Series A New Bonds, this Forty-Eighth Supplemental Indenture shall form a part of the First Mortgage and all the terms and conditions herein contained shall be deemed to be part of the terms of the First Mortgage, as fully and with the same effect as if all the terms and

provisions of this Forty-Eighth Supplemental Indenture, including the provisions which determine the dates on which the amendments provided for in Article Four of this Forty-Eighth Supplemental Indenture shall become effective, had been set forth in the First Mortgage as originally executed. Except as modified or amended by this Forty-Eighth Supplemental Indenture, the First Mortgage as amended shall remain and continue in full force and effect in accordance with the terms and provisions thereof, and all the covenants, conditions, terms and provisions of the First Mortgage, as heretofore modified and amended and as further modified and amended by this Forty-Eighth Supplemental Indenture, shall be applicable with respect to the Series A New Bonds, except insofar as such covenants, conditions, terms and provisions are limited and applicable only to the Bonds of another or other series, or are expressed to continue only so long as Bonds of another or other series are outstanding, and all the covenants, conditions, terms and provisions of the First Mortgage as amended with respect to the Trustee shall remain in full force and effect and be applicable to the Trustee under this Forty-Eighth Supplemental Indenture in the same manner as though set out herein at length. All representations and recitals contained in this Forty-Eighth Supplemental Indenture and in the Series A New Bonds (save only the Trustee's certificates upon said Series A New Bonds) are made by and on behalf of the Company, and the Trustee is in no way responsible therefor or for any statement therein contained.

SECTION 3. Definitions in First Mortgage Shall Apply to Forty-Eighth Supplemental Indenture. The terms defined in Article One of the First Mortgage as heretofore and hereby amended, when used in this Forty-Eighth Supplemental Indenture, shall, respectively, have the meanings set forth in said Article One.

SECTION 4. Execution in Counterparts. This Forty-Eighth Supplemental Indenture may be simultaneously executed in several counterparts and each counterpart shall be an original instrument.

IN WITNESS WHEREOF, THE DAYTON POWER AND LIGHT COMPANY has caused this instrument to be signed on its behalf by its President or a Vice President and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, in the City of Dayton, Ohio, and THE BANK OF NEW YORK MELLON has caused this instrument to be signed on its behalf by a Vice President or an Assistant Vice President and its corporate seal to be hereunto affixed and attested by a Vice President, Assistant Vice President or an Assistant Treasurer, in The City of New York, New York, as of the day and year first above written.

THE DAYTON POWER AND LIGHT COMPANY

By _____
Craig L. Jackson, Vice President and Chief Financial Officer

[SEAL]

STATE OF Ohio)
COUNTY OF Montgomery) ss.:

On this 24th day of July, 2015, personally appeared before me, a Notary Public within and for said County in the State aforesaid, Craig L. Jackson, to me known and known to me to be the Vice President and Chief Financial Officer of THE DAYTON POWER AND LIGHT COMPANY, one of the corporations which executed the foregoing instrument, who acknowledged that he did sign and seal said instrument as such Vice President and Chief Financial Officer for and on behalf of said corporation and that the same is his free act and deed as such Vice President and Chief Financial Officer, and the free and corporate act and deed of said corporation; and said Craig L. Jackson, being by me duly sworn, did depose and say: that he resides in Montgomery County, Ohio; that he is the Vice President and Chief Financial Officer of THE DAYTON POWER AND LIGHT COMPANY, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

BRIAN ROBERT HYLANDER
Attorney at Law
Notary Public, State of Ohio
My Commission Has No Expiration
Date. Section 147.03 O.R.C.

[Signature Page to Forty-Eighth Supplemental Indenture]

Attest:

Judi L. Sobecki, Vice President, General Counsel and Secretary

Signed and acknowledged in our presence by
The Dayton Power and Light Company.

Christine A. Hammer

Carol Kilian Dei

STATE OF Ohio)
COUNTY OF Montgomery) ss.:

On this 24 day of July, 2015, personally appeared before me, a Notary Public within and for said County in the State aforesaid, Judi L. Sobecki, to me known and known to me to be the Vice President, General Counsel and Secretary of THE DAYTON POWER AND LIGHT COMPANY, one of the corporations which executed the foregoing instrument, who acknowledged that she did sign and seal said instrument as such Vice President, General Counsel and Secretary for and on behalf of said corporation and that the same is her free act and deed as such Vice President, General Counsel and Secretary, and the free and corporate act and deed of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

BRIAN ROBERT HYLANDER
Attorney at Law
Notary Public, State of Ohio
My Commission Has No Expiration
Date. Section 147.03 O.R.C.

THE BANK OF NEW YORK MELLON,
as Trustee

By _____
Efren Almazan
Vice President

[SEAL]

Attest:

_____
Thomas O. Hacker
Vice President

Signed and acknowledged in our presence by
The Bank of New York Mellon.

_____
Leslie Morales

_____
Glenn McKeever

STATE OF NEW YORK,)
COUNTY OF NEW YORK,) ss.:

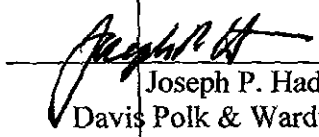
On this 30day of July, 2015, personally appeared before me, a Notary Public within and for said County in the State aforesaid, Efren Almazan and Thomas O. Hacker, to me known and known to me to be, respectively, a Vice President and a Vice President of THE BANK OF NEW YORK MELLON, one of the corporations which executed the foregoing instrument, who severally acknowledged that they did sign and seal said instrument as such Vice President and Vice President for and on behalf of said corporation and that the same is their free act and deed as such Vice President and Vice President, respectively, and the free and corporate act and deed of said corporation; and said Efren Almazan being by me duly sworn, did depose and say: that he resides in Warren County, New Jersey that he is a Vice President of THE BANK OF NEW YORK, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of such corporation; and that he signed his name thereto by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

[SEAL]

Notary Public, State of New York
CHRISTOPHER J. TRAINA
NOTARY PUBLIC-STATE OF NEW YORK
No. 01TR6297825
Qualified in Queens County
Certified in New York County
My Commission Expires March 03, 2018

This instrument prepared by



Joseph P. Hadley
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017

EXHIBIT A

[FORM OF SERIES A NEW BOND]

This bond is not transferable except to a successor trustee under the Trust Indenture, dated as of August 1, 2015, between Ohio Air Quality Development Authority relating to its Collateralized Air Quality Development Revenue Refunding Bonds, 2015 Series A (The Dayton Power and Light Company Project) and The Bank of New York Mellon, as trustee.

No. $[_]

THE DAYTON POWER AND LIGHT COMPANY
(Incorporated under the laws of the State of Ohio)

First Mortgage Bond,
Variable Rate Pollution Control Series 2015-A Due 2040
Due November 1, 2040

THE DAYTON POWER AND LIGHT COMPANY, a corporation of the State of Ohio (hereinafter called the Company), for value received, hereby promises to pay to [_____], as Series A Project Bond Trustee (as hereinafter defined) or registered assigns, at the office or agency of the Company in the Borough of Manhattan, The City of New York, [_] Dollars on November 1, 2040, unless called for earlier redemption, or on any other date the amount of principal of the Series A Project Bonds (as hereinafter defined) becomes due and payable (whether by redemption, upon acceleration, tender for purchase or otherwise) in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, and to pay to the registered owner hereof interest thereon from the interest payment date to which interest has been paid or duly provided for last preceding the date hereof (unless the date hereof is an interest payment date to which interest has been paid or duly provided for, in which case from the date hereof, or, if no interest has been paid or duly provided for, from August 3, 2015), at such rate or rates per annum on each interest payment date (as hereinafter defined) as shall cause the amount of interest payable on such interest payment date on this Bond to equal the amount of interest payable on such interest payment date on the corresponding Series A Project Bonds (as hereinafter defined), such interest to be payable on the same dates as interest is payable on said Series A Project Bonds (each such date herein called "an interest payment date") until the maturity of this Bond, or if this Bond shall be duly called for redemption, until the redemption date, or if the Company shall default in the payment of the principal amount of this Bond, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Indenture (as hereinafter defined). The amount of interest payable on each interest payment date shall be computed on the same basis as the amount of interest is computed on the corresponding said Series A Project Bonds; provided, however, that the aggregate amount of interest payable on any interest payment date shall not exceed an amount which results in an interest rate of more than the Series A Maximum Interest Rate (as such term is defined in the Forty-Eighth Supplemental Indenture referred to herein) per

annum on the aggregate principal amount of the Series A New Bonds (as hereinafter defined) outstanding on that interest payment date.

The interest payable on any interest payment date shall be paid to the holder in whose name this Bond is registered on the Record Date (as such term is defined in Article One of the Forty-Eighth Supplemental Indenture referred to above), except that if the Company shall default in the payment of any installment of interest on this Bond, such interest in default shall be paid to the holder in whose name this Bond is registered at the close of business on a date established for the payment of such defaulted interest by the Trustee in any lawful manner. This Bond shall be payable as to principal, premium, if any, and interest in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

This Bond is one of an issue of First Mortgage Bonds (hereinafter called the Bonds) of the Company issued and to be issued in series under and pursuant to and equally secured by an indenture of mortgage and deed of trust dated as of October 1, 1935, executed by the Company to Irving Trust Company (now The Bank of New York Mellon), as Trustee, as said indenture has been amended and supplemented as hereinafter stated, and is one of a series of said First Mortgage Bonds, which series is designated as the First Mortgage Bonds, Variable Rate Pollution Control Series 2015-A Due 2040, of the Company (hereinafter called the Series A New Bonds) created and described in a Forty-Eighth Supplemental Indenture dated as of August 1, 2015, executed by the Company to The Bank of New York Mellon, as Trustee. Subsequent to the execution and delivery of said indenture of mortgage and deed of trust there have been executed and delivered forty-eight indentures supplemental thereto, including said Forty-Eighth Supplemental Indenture dated as of August 1, 2015, and the Forty-Ninth Supplemental Indenture dated as of August 1, 2015, executed by the Company and The Bank of New York Mellon, as Trustee, supplementing and amending as therein set forth certain provisions thereof. Said indenture of mortgage and deed of trust and such supplemental indentures collectively are hereinafter sometimes called the "Indenture."

For a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the Bonds and of the Trustee therein and thereto, the duties and immunities of the Trustee, and the terms and conditions upon which the Bonds are issued and secured, reference is hereby made to the Indenture. The rights and obligations of the Company and of the holders and registered owners of the Bonds of this issue may be modified or amended at the request of the Company by an indenture or indentures supplemental to the Indenture, executed pursuant to the consent in writing of the holders or registered owners of a majority in principal amount of the Bonds then outstanding affected by such modification or amendment, all in the manner and subject to the limitations set forth in the Indenture, any consent by the holder or registered owner of any Bond being conclusive and binding upon such holder or registered owner and upon all future holders and owners of such Bond, irrespective of whether or not any notation of such consent is made upon such Bond; provided that no such modification or amendment by such supplemental indenture shall extend the maturity of, or reduce the rate of interest on, or otherwise modify the terms of payment of the principal or interest of, this Bond, which obligations are absolute and unconditional, nor permit the creation of any lien ranking prior to or equal with the lien of the Indenture on any of the mortgaged

property. Notwithstanding the foregoing, pursuant to such Forty-Eighth Supplemental Indenture, the holders of the Bonds, by their acceptance and holding hereof, consent and agree to the amendments provided for in Article Four of such Forty-Eighth Supplemental Indenture. The Series A New Bonds are to be issued by the Company to the Ohio Air Quality Development Authority (hereinafter called the Authority), or its assignee, to evidence and secure the obligations of the Company to repay the loan of the proceeds of the sale of the Series A Project Bonds (as hereinafter defined) made by the Authority to the Company, pursuant to a certain Loan Agreement, dated as of August 1, 2015, between the Authority and the Company, to assist in the refunding of the Refunded Bonds (as such term is defined in the Forty-Eighth Supplemental Indenture referred to above) and the financing of the Company's portion of additional costs of acquisition, construction and installation of certain air quality facilities (as that term is defined and used in Section 3706.01 of the Ohio Revised Code) installed in connection with: Units 7 and 8 at the Miami Fort Generating Station located in Hamilton County, Ohio as to which the Company at the date hereof owns an undivided 36% interest as tenant in common with another public utility company; Unit 2 at the Killen Generating Station located in Adams County, Ohio as to which the Company at the date hereof owns an undivided 67% interest as tenant in common with another public utility company; Units 1-4 at the J. M. Stuart Generating Station located in Brown and Adams Counties, Ohio as to which the Company at the date hereof owns an undivided 35% interest as tenant in common with two other public utility companies; and Unit 4 at the Conesville Generating Station in Coshocton County, Ohio as to which the Company at the date hereof owns an undivided 16.5% interest as tenant in common with two other public utility companies (such interests in said facilities being hereinafter called the Project). The loan by the Authority in respect of the Refunded Bonds and the Project is to be funded by the proceeds derived from the sale by the Authority of State of Ohio Collateralized Air Quality Development Revenue Refunding Bonds, 2015 Series A (The Dayton Power and Light Company Project) in the aggregate principal amount of $100,000,000 (hereinafter called the Series A Project Bonds). The Series A Project Bonds are to be issued under a certain Trust Indenture, dated as of August 1, 2015 (hereinafter called the Series A Project Bonds Indenture), between the Authority and The Bank of New York Mellon, as Trustee (hereinafter in such capacity called the Series A Project Bond Trustee) and the Series A New Bonds are to be assigned by the Authority to the Series A Project Bond Trustee as security for the payment of the principal of, and premium, if any, and interest on, the Series A Project Bonds and are to be delivered by the Company on behalf of the Authority directly to the Series A Project Bond Trustee. The Series A New Bonds shall not be assignable or transferable except as may be required to effect a transfer to any successor trustee under the Series A Project Bond Indenture, or, subject to compliance with applicable law, as may be involved in the course of the exercise of rights and remedies consequent upon an Event of Default under the Series A Project Bond Indenture.

In the event any Series A Project Bonds shall be surrendered to the Series A Project Bond Trustee for cancellation pursuant to the Series A Project Bonds Indenture (except upon exchange for other Series A Project Bonds), Series A New Bonds equivalent in principal amount to such Series A Project Bonds shall be deemed to have been paid, but only when and to the extent (a) so noted on the schedule of payments hereon by an agency of the Company and (if such agency is not the Trustee) written notice by such agency of such notation has been received by the Trustee or (b) such Series A New Bond is surrendered to and canceled by the Trustee as provided in the next paragraph; and in the event and to the extent the principal of, or premium, if any, or interest on, any Series A Project Bonds shall be paid or deemed to be paid, an equal amount of principal

or premium, if any, or interest, as the case may be, payable with respect to an aggregate principal amount of corresponding Series A New Bonds equal to the aggregate principal amount of such Series A Project Bonds shall be deemed to have been paid, but, in the case of such payment of principal, only when and to the extent (i) so noted on the schedule of payments hereon by an agency of the Company and (if such agency is not the Trustee) written notice by such agency of such notation has been received by the Trustee or (ii) such Series A New Bond is surrendered to and canceled by the Trustee as provided in the next paragraph. When any such payment of principal of this Bond is made, it shall be surrendered by the registered owner hereof to an agency of the Company for such notation and notification or to the Trustee for cancellation.

In the event that this Bond shall be deemed to have been paid in full, this Bond shall be surrendered to the Trustee for cancellation. In the event that this Bond shall be deemed to have been paid in part, this Bond may, at the option of the registered owner, be surrendered to the Trustee for cancellation, in which event the Trustee shall cancel this Bond and the Company shall execute and the Trustee shall authenticate and deliver Series A New Bonds in authorized denominations in aggregate principal amount equal to the unpaid balance of the principal amount of this Bond.

The Series A New Bonds are subject to mandatory redemption by the Company prior to maturity at any time in whole or in part as provided in Section 5 of Article One of the Forty-Eighth Supplemental Indenture at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest, if any, to the redemption date.

The Series A New Bonds are subject to extraordinary optional redemption by the Company prior to maturity at any time in whole or in part as provided in Section 6 of Article One of the Forty-Eighth Supplemental Indenture at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest, if any, to the redemption date.

The Series A New Bonds are subject to optional redemption by the Company prior to maturity at any time in whole or in part as provided in Section 7 of Article One of the Forty-Eighth Supplemental Indenture at the same redemption price, plus accrued interest, if any, to the redemption date, as shall be payable on the Series A Project Bonds to be redeemed concurrently therewith.

Any redemption of the Series A New Bonds shall be made after written notice to the registered owner of such Series A New Bonds, sent by the Trustee by mail, first class postage prepaid, or hand delivered at least 30 days and not earlier than 60 days before the redemption date, unless a shorter notice period is consented to in writing by the registered owner or owners of all Series A New Bonds and such consent is filed with the Trustee, and shall be made in the manner provided in Section 8 of Article One of the Forty-Eighth Supplemental Indenture, subject to the provisions of the First Mortgage as amended.

The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Indenture, upon the happening of a completed default as provided in the Indenture.

This Bond may be exchanged for a like principal amount of other Series A New Bonds, or transferred as prescribed in the Indenture by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this Bond and thereupon a new registered Series A New Bond or Series A New Bonds without coupons for a like principal amount and of authorized denominations will be issued in exchange therefor as provided in the Indenture. The Company and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal and premium, if any, and interest due hereon and for all other purposes.

No service charge will be made for any such exchange or transfer of Series A New Bonds, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith.

The Series A New Bonds are issuable as registered Bonds without coupons in denominations of $5,000 and any integral multiple of $5,000.

No recourse shall be had for the payment of the principal of, or premium, if any, or interest on, this Bond, or under or upon any obligation, covenant or agreement contained in the Indenture, against any incorporator, or any past, present, or future subscriber to capital stock, shareholder, officer or director, as such, of the Company or of any predecessor or successor corporation, either directly or through the Company or any predecessor or successor corporation, under any present or future rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, shareholders, officers and directors being released by the registered owner hereof by the acceptance of this Bond and being likewise waived and released by the terms of the Indenture.

This Bond shall not become valid or obligatory for any purpose until The Bank of New York Mellon, the Trustee under the Indenture, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, The Dayton Power and Light Company has caused this Bond to be executed in its name by the manual or facsimile signature of its President or any Vice President and its corporate seal to be hereunto affixed or a facsimile thereof reproduced hereon and attested by the manual or facsimile signature of its Corporate Secretary or an Assistant Corporate Secretary.

Dated:

[SEAL]

THE DAYTON POWER AND LIGHT COMPANY

By: _____
[President] [Vice President]

Attest: _____
[Corporate Secretary]
[Assistant Corporate Secretary]

TRUSTEE'S CERTIFICATE

This Bond is one of the Bonds of the Series designated therein, described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON, as
Trustee

By:_____
Authorized Signatory

Bonds of the Variable Rate Pollution Control Series 2015-A Due 2040
SCHEDULE OF PAYMENTS

Principal Payment	Unpaid Principal Amount	Redemption Premium	Interest Payment	Agency of the Company Making Notation	Authorized Officer	Title