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Ohio | **Public Utilities Commission**

John R. Kasich, Governor
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Commissioners

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M. Beth Trombold
Thomas W. Johnson
M. Howard Petricoff

December 6, 2016

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Application of Dayton Power and Light Company for Authority to Issue and Assume Liability on Short-Term Notes and Other Evidences of Indebtedness*

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the application of Dayton Power and Light Company for authority to issue short-term debt in Case No. 16-2125-EL-AIS.

Doris McCarter
Division Chief, Forecasting, Markets and Corporate Oversight
Rates and Analysis Department
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of the Dayton Power and Light Company for Authority to Issue and Assume Liability on Short-Term Notes and Other Evidences of Indebtedness	))))	Case No. 16-2125-EL-AIS

Staff Review and Recommendation

APPLICATION DESCRIPTION:

Pursuant to Ohio Revised Code ("R.C.") 4905.401, Ohio electric utilities are permitted to borrow up to 5% of the par value of all outstanding long-term securities ("Statutory Exemption") without specific approval of the Public Utilities Commission of Ohio (the "Commission"). Any Ohio electric utility wishing to incur short-term obligations in excess of the Statutory Exemption must seek Commission authorization.

On December 16, 2015, the Commission authorized the Dayton Power and Light Company ("DP&L") to have short-term debt outstanding in aggregate principal amounts of not more than $600 million at any one time through December 31, 2016.[1] DP&L's highest level of short-term borrowing during their current authorization period has been $15 million, and as of September 30, 2016, DP&L had zero short-term borrowings.

On October 27, 2016, DP&L filed its application and exhibits (collectively, "Application"), pursuant to R.C. section 4905.401, requesting Commission authorization to issue and/or renew short-term promissory notes, including revolving loan agreement loans, and other evidences of indebtedness (collectively, "Debt") for terms of less than 12 months in an aggregate amount not to exceed $600 million at any one time.

REVIEW AND ANALYSIS:

Under the Statutory Exemption, DP&L could borrow up to approximately $39 million as of September 30, 2016, without the Commission's prior approval.

DP&L proposes to use the proceeds from the Debt to discharge or refund its long-term debt obligations and for other general corporate purposes. As DP&L contemplates the structural

[1] See Commission Order dated December 16, 2015, in Case No. 15-1907-EL-AIS.

separation of its generation assets during 2017, DP&L believes the requested authority provides them with access to an adequate level of liquidity needed to support not only its local transmission and distribution ("T&D") operations, but also facilitates compliance with the Commission's orders in Case No. 13-2420-EL-UNC. [2]

In addition to daily operations and maintenance expenses, DP&L has an approximate budget of $151 million for capital expenditures. DP&L plans to fund its capital expenditures with cash from its operations, but due to working capital requirements, seasonality, major unplanned outages and repair work, there may be times that temporary draws from Debt facilities may be required.

RECOMMENDATION:

Upon review of the Application, the Staff believes the requested authority is elevated for a T&D utility company the size of DP&L post generation separation. However, given the need to provide financial flexibility during the separation of its generation assets, the Staff believes it to be reasonable and recommends its approval.

[2] See Commission Finding and Order dated September 17, 2014, and Entry on Rehearing dated December 17, 2014, in Case No. 13-2420-EL-UNC.