

FILE



**Public Utilities
Commission**

Asim Z. Haque, Chairman

Commissioners

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November 30, 2018

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

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PUCO

RE: *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 Pursuant to Section 4905.40 and 4905.401 of the Ohio Revised Code*

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. 18-1639-EL-AIS.

Doris McCarter

Division Chief, Capital Recovery and Financial Analysis
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)	Case No. 18-1639-EL-AIS
Short-Term Notes and Other Evidences of)	
Indebtedness Pursuant to Section 4905.40)	
and 4905.401 of the Ohio Revised Code.)	

Staff Review and Recommendation

APPLICATION DESCRIPTION

Pursuant to Ohio Revised Code ("R.C.") 4905.401, Ohio electric utilities are permitted to borrow up to five percent of the par value of all outstanding long-term securities without prior approval ("Statutory Exemption") 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 20, 2017, 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 \$300 million at any one time through December 31, 2018.¹ As of September 30, 2018, DP&L did not have any short-term borrowings outstanding.

On November 2, 2018, DP&L filed its application and exhibits (collectively, "Application"), pursuant to R.C. sections 4905.40 and 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 \$300 million at any one time. DP&L proposes to use the proceeds from the Debt to repay long-term debt and for other general corporate purposes.

REVIEW AND ANALYSIS

Under the Statutory Exemption, DP&L could borrow up to approximately \$29 million as of September 30, 2018, without the Commission's prior approval. DP&L is forecasting an O&M

¹ See *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. 17-2107-EL-AIS, Finding and Order (Dec. 20, 2017).

budget of \$165 million for 2019 and believes the requested authority ensures preparation for unexpected disruptions in cash flow and for the reliable provision of service.

DP&L maintains an unsecured, revolving credit facility of \$175 million. Under the terms of the credit facility, DP&L has the ability to increase the size of the facility by an additional \$100 million. With this option, DP&L believes its credit facility provides an amount sufficient to meet potential liquidity needs in its regulated business and create refinancing opportunities. Capital expenditures are estimated to total about \$84 million in 2018 and planned to be approximately \$115 million in 2019. In 2018 and subsequent years, DP&L expects to satisfy all of its cash needs with a combination of cash from operations and funds from debt financing as internal liquidity needs and market conditions warrant.

RECOMMENDATION

Upon review of the Application, Staff believes the requested authority appears reasonable as described by DP&L and recommends approval of the Application.