BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company's Implementation of Certain Matters Relating to the Tax Cuts and Jobs Act of 2017	: : : : :	Case No. 19-0572-EL-UNC
In the Matter of the Application of The Dayton Power and Light Company to Establish the Tax Savings Credit Rider	: : :	Case No. 19-0568-EL-ATA

**APPLICATION OF THE
THE DAYTON POWER AND LIGHT COMPANY**

1. DP&L is a public utility and electric light company as defined by R.C. 4905.02 and 4905.03(C) respectively, and an electric distribution utility as defined by R.C. 4928.01(A)(6).

2. In accordance with the commitments contained in the June 18, 2018, Stipulation and Recommendation approved by the Public Utilities Commission ("PUCO" or "the Commission") in PUCO Case No. 15-1830-EL-AIR ("Rate Case Stipulation"), DP&L files this Application for the sole purpose of returning certain benefits to customers associated with the Tax Cuts and Jobs Act of 2017 ("TCJA") that was enacted by the federal government in December 2017.

3. Among other things, the TCJA reduced the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018.

4. On January 10, 2018, the Commission issued an Entry opening Case No. 18-47-AU-COI (the "Commission COI Entry") "to study the impacts of the TCJA on the Commission's jurisdictional rate-regulated utilities, and determine the appropriate course of action to pass benefits on to ratepayers" while also directing the utilities to record a deferred liability, effective January 1, 2018, for the estimated reduction in federal income tax resulting from the TCJA.

5. DP&L's Federal Energy Regulatory Commission ("FERC") transmission rates have already been adjusted to reflect the current tax liability reduction in the TCJA. That change was made in FERC Docket Nos. EL18-117 and ER18-1547 and became effective March 21, 2018. The FERC has an ongoing Rulemaking Proceeding, Docket No. RM18-12, where it is addressing the treatment of excess deferred income taxes. The PUCO approved DP&L's adjustment to the Transmission Cost Recovery Rider – Non-Bypassable ("TCRR-N") in Case No. 18-447-EL-RDR, effective November 1, 2018. The adjusted rate included the reduction in the Network Integration Transmission Service ("NITS") rate, with the NITS refund and interest to be included in the March 15, 2019 TCRR-N update. DP&L requests that this Commission rule that any further adjustment ordered by the FERC for DP&L's transmission rates in connection with excess deferred income taxes in FERC Docket Nos. EL18-117 and ER18-1547 be similarly applied and trued-up through the TCRR.

6. In the Rate Case Stipulation, the Signatory Parties partially implemented the impact of the TCJA on DP&L by agreeing to a stipulated revenue requirement that included necessary adjustments to implement the TCJA with regard to the federal current income tax rates and gross revenue conversion factor.

7. The Rate Case Stipulation further established the basic structure to resolve the remaining issues associated with the TCJA, which include all distribution-related excess accumulated deferred income taxes ("Excess ADIT") and any potential regulatory liability associated with the Commission COI Entry, which is discussed in more detail below.

8. DP&L proposes to create and establish the Tax Savings Cost ("TSC") Rider as described below.

9. The TSC Rider will be allocated to customer classes based on a percentage of base distribution revenues and will be trued-up annually. The TSC Rider will be populated with an amount calculated on a projected level for the calendar year.

10. As set forth in the Rate Case Stipulation, the distribution-related eligible protected excess ADIT ("distribution-related eligible protected excess ADIT" hereinafter referred to as "Protected Excess ADIT") will be returned to customers in accordance with federal law. The Average Rate Assumption Method ("ARAM") is used to determine the amortization of Protected Excess ADIT, which is then returned to ensure compliance with tax normalization requirements and avoid a tax normalization violation.

11. The Protected Excess ADIT balance as of December 31, 2018 is $49.6 million, which is net of the $686,455 amortized on the Company's books during 2018. Both of these amounts will be returned to customers in the manner described below upon approval of this Application.

12. The Protected Excess ADIT will be credited to customers as an offset to the calculation of DP&L's Distribution Investment Rider ("DIR") revenue requirement, which will be updated quarterly in accordance with Section III.1.e. of the Rate Case Stipulation.

13. The DIR caps set forth in Section III.1.d. of the Rate Case Stipulation will remain unchanged.

14. The Protected Excess ADIT is treated, for ratemaking purposes, as a reduction to regulated rate base through a credit made to FERC Uniform System of Accounts, Accounts 281, 282 and 283, less any debits in FERC Account 190 for ADIT assets (together, the "Deferred Income Tax FERC Accounts"). Beginning January 1, 2018 and continuing until DP&L rates are adjusted to begin crediting Protected Excess ADIT to customers, any amortization of Protected Excess ADIT will continue to increase a regulatory liability in accordance with the Commission

COI Entry. As the Protected Excess ADIT relating to future amortization is returned to customers each year, the corresponding amounts will be amortized out of the Deferred Income Tax FERC Accounts. Likewise, as the Protected Excess ADIT that was amortized into a regulatory liability is returned to customers each year, that regulatory liability account will be debited.

15. The actual amount of Protected Excess ADIT flowing back to customers through the DIR will reflect the final, audited balance, including a gross revenue conversion factor of 1.2751 established in the Rate Case Stipulation. The Protected Excess ADIT will be allocated among customer classes using the DIR methodology that is calculated based on a percentage of base distribution revenues as set forth on Exhibit 5 of the Rate Case Stipulation.

16. If the Protected Excess ADIT is not yet fully credited to customers and the DIR is not otherwise extended beyond the term of the ESP III, as set forth in II.2.a of the Stipulation and Recommendation approved in Case No. 16-395-EL-SSO, the Company will flow the remaining uncredited Protected Excess ADIT through the TSC Rider.

17. As set forth in the Rate Case Stipulation, the distribution-related, eligible unprotected portion of the excess ADIT ("distribution-related, eligible unprotected portion of the excess ADIT" hereinafter referred to as "Unprotected Excess ADIT") and the 2018 distribution-related regulatory liability relating to the Commission COI Entry (the "2018 Deferred Liability") will be refunded to customers in an amount no less than $4.0 million per year for the first five years of the amortization period unless the Unprotected Excess ADIT and the 2018 Deferred Liability is fully returned within the first five years.

18. In compliance with the Commission COI Entry, DP&L calculates a total 2018 Deferred Liability of $3,846,455 through December 31, 2018. Such amount includes $3,160,000 for amortization of Unprotected Excess ADIT; $686,455 for amortization of Protected Excess ADIT; and $0 related to the change in current federal income tax rates. DP&L calculated the 2018

Deferred Liability related to the change in current income tax rates to be $0, because DP&L's 2018 jurisdictional operating revenues prior to implementing the Rate Case Stipulation were less than its jurisdictional expenses, yielding a taxable loss. Because the effect of the TCJA on a taxable loss would be a regulatory asset, DP&L recorded a $0 liability.

19. The Unprotected Excess ADIT balance as of December 31, 2018 is $11,644,350, which is net of the $3,160,000 amortized on the Company's books during 2018. Both of these amounts will be passed on to customers in the manner described below upon approval of this Application.

20. The 2018 Deferred Liability and Unprotected Excess ADIT amortization will be grossed up using the gross revenue conversation factor of 1.2751 established in the Rate Case Stipulation.

21. Beginning upon approval of this Application, DP&L will provide customers an aggregate refund, through the TSC, of no less than $4.0 million per year for the first five years of the amortization period of the 2018 Deferred Liability and Unprotected Excess ADIT unless fully returned within the first five years. At this rate of $4,000,000 per year, the grossed up 2018 Deferred Liability and Unprotected Excess ADIT will be completely returned to customers within five years of approval of this Application.

22. Similar to the Protected Excess ADIT, the 2018 Deferred Liability and Unprotected Excess ADIT is treated for ratemaking purposes as a reduction to regulated rate base through a credit made to the Deferred Income Tax FERC Accounts. As is done with the Protected Excess ADIT, DP&L will continue to increase a regulatory liability for any amortization of Unprotected Excess ADIT until such amounts can be passed back to customers through rates. As the Unprotected Excess ADIT is returned to customers each year, the corresponding amounts will be

debited from the Deferred Income Tax FERC Accounts and/or the regulatory liability, as appropriate.

23. DP&L will begin returning all the aforementioned amounts associated with this filing back to customers upon approval of this Application.

24. In order to expeditiously resolve this issue and provide electric distribution customers with immediate benefits of the TCJA resulting in a significant reduction to rates, DP&L requests that the Commission grant this Application without a hearing.

Respectfully submitted,

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