



Public Utilities Commission

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December 10, 2019

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

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. 19-1979-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. 19-1979-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 19, 2018, 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, 2019.¹ As of September 30, 2019, DP&L had \$60 million in short-term borrowings outstanding.

On October 28, 2019, DP&L filed its application and exhibits (collectively, "Application"), pursuant to R.C. sections 4905.40 and 4905.401. The Application seeks Commission authorization to issue 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. In effect, the Application represents a renewal of authority granted previously by the Commission in each year since 1990, as described in the Application.

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. 18-1639-EL-AIS, Finding and Order (Dec. 19, 2018).

REVIEW AND ANALYSIS

Under the Statutory Exemption, as of September 30, 2019, DP&L could borrow approximately \$29 million without the Commission's prior approval. In 2020, DP&L's cash needs include outlays for property taxes (\$72 million), interest payments (\$16 million), and preparation for seasonal peaks. The requested authority is sized to ensure preparation for unexpected disruption in cash flow while reliably providing service.

DP&L has an unsecured, revolving credit agreement with a syndicated bank group; it has a borrowing limit of \$175 million. Under the terms of the credit agreement, DP&L can increase the size of the facility by an additional \$100 million. With this pool of liquidity, DP&L believes it has access to an amount sufficient to ensure continuity of operations in the event of cash flow disruption. The source of funds used to repay any short-term borrowing is DP&L's operating cash flows.

In its last report on SEC Form 10-K, DP&L disclosed that capital expenditures were planned to be \$140 million in 2019 and \$221 million in 2020. It is likely that these plans may be revised downward in light of recent regulatory outcomes.² Capital projects are subject to continuing review and are revised given changes in financial conditions, load forecasts, and regulatory developments, among other factors. Capital expenditures through nine months of 2019 were \$121 million.

RECOMMENDATION

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

² See *In the Matter of the Application of The Dayton Power and Light Company to Establish a Standard Service Offer in the Form of an Electric Security Plan*, Case No. 16-395-EL-SSO, Supplemental Opinion and Order (Nov. 21, 2019).