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## BEFORE
## THE PUBLIC UTILITIES COMMISSION OF OHIO

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| In the Matter of the Application of The AES Corporation, Dolphin Sub, Inc., DPL Inc. and The Dayton Power and Light Company for Consent and Approval for a Change of Control of The Dayton Power and Light Company | ) ) ) ) ) ) | Case No. 11-3002-EL-MER |

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# INITIAL COMMENTS OF INDUSTRIAL ENERGY USERS-OHIO

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**July 18, 2011**

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## INITIAL COMMENTS OF INDUSTRIAL ENERGY USERS-OHIO

### I. INTRODUCTION

On May 18, 2011, AES Corporation ("AES"), DPL Inc. ("DPL"), and The Dayton Power and Light Company ("DP&L") (collectively "Applicants") filed an Application for Consent and Approval for a Change of Control of The Dayton Power and Light Company ("Application") that would result in DPL surviving as a wholly-owned subsidiary of AES. The Public Utilities Commission of Ohio ("Commission") suspended the matter so that the Application would not be deemed approved by operation of law.[1] The Commission further established a comment cycle.[2] Industrial Energy Users-Ohio ("IEU-Ohio") filed a motion to intervene on June 3, 2011 and files these Initial Comments in response to the June 1 Entry.

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[1] June 1, 2011 Entry at 3. The Applicants conceded that additional time would be needed to review the Application for compliance and did not object to the suspension. Application at 4.

[2] June 1, 2011 Entry at 3.

## II. BACKGROUND AND RECOMMENDATIONS

### A. Summary of the Comments of IEU-Ohio

In order to approve the Application, the Commission must find that the acquisition will promote the public convenience and result in the provision of adequate service for a reasonable rate, rental, toll or charge.[3] As discussed below, the information provided by the Application does not demonstrate that the proposed change in control will promote the public convenience and result in the provision of adequate service for a reasonable rate, rental, toll or charge. The rate stability commitment that appears to be the centerpiece of the Application is nothing more than a concession that the Applicants will follow the law of Ohio as it relates to DP&L's current electric security plan ("ESP")[4]. Moreover, the proposal does not provide any material commitment to provide the alleged structural benefits of the change in control to customers. Instead, the highly leveraged manner in which the proposed transaction is financed,[5] and the recent efforts by DPL to block state activities initiated to mitigate the cost of capacity imposed on retail customers as a result of PJM Interconnect LLC's ("PJM") market design, suggest that

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[3] Section 4905.402(B), Revised Code. Based on the Preliminary Proxy Statement Relating to a Merger, Acquisition or Disposition ("PREM14 A") filed by DPL with the Securities and Exchange Commission ("SEC") on June 22, 2011, there is no indication that the Applicants gave any consideration to the public convenience or the provision of adequate service for a reasonable rate, rental, toll or charge. Indeed, PREM14 A states (at page 3) that DPL has recommended that the proposed transaction be approved because it is "advisable, fair to and in the best interests of the Company and its shareholders." PREM14 A is available *via* the Internet at http://www.dplinc.com/investors/financial-reporting/sec-filings/ (last checked July 11, 2011).

[4] Section 4928.141(A), Revised Code

[5] According to PREM14 A at 7, the $30 per share value offered to shareholders represents an 8.7% premium over DPL's closing share price on April 19, 2011, the last trading day prior to announcement of the transaction. This represented a premium of 10.7% over the 30 day average of DPL's closing price before the time of announcement, a premium of 12.3% over the 60 day average of DPL's closing price before the time of announcement, and a premium of 13.4% over the 90 day average of DPL's closing price before the time of announcement. About $3.5 billion will be required to fund the transaction including the premium paid to DPL shareholders.

the interests of the Applicants are not aligned with the goals of public convenience, adequate service and reasonable rates.

Under the circumstances, IEU-Ohio urges the Commission to grant the pending intervention requests, find that the relief requested in the Application may be unreasonable and establish a procedural schedule so that contested issues can be addressed by the Commission based on the evidence and the law. It is also IEU-Ohio's position that the Commission must impose conditions on the proposed change in control so as to, among other things, ensure that the consumers have full and unencumbered access to competitive retail electric services ("CRES") suppliers and that the debt service obligations associated with the proposed highly-leveraged transaction are not funded through non-bypassable charges, unduly prejudicial capacity charges that apply to shopping customers or their CRES suppliers, or other restrictions on shopping. Such conditions can be best considered and addressed by requiring the Applicants to file an application to establish DP&L's successor standard service offer ("SSO") and consolidating the SSO application with the Application filed in this proceeding. As indicated above, the Application's offer to respect DP&L's current rates is essentially meaningless given the known and limited life of such rates.

### B. Change in Control Application

DPL is a regional energy company with principal subsidiaries that include DP&L, Miami Valley Insurance Company (MVIC), DPL Energy, LLC (DPLE), and DPL Energy Resources, Inc. (DPLER). DP&L is a public utility under Ohio law and provides service to over 500,000 retail customers in West Central Ohio. MVIC is a Vermont captive insurance company providing insurance services to DPL and its subsidiaries; DPLE engages in the operation of merchant peaking generation facilities; and DPLER is a CRES supplier, selling to industrial, commercial and residential customers. DPL, through its subsidiaries, owns and operates approximately 3,800 megawatts of generation capacity, of which approximately 2,800 megawatts are coal-fired units and approximately 1,000 megawatts are natural gas and diesel peaking units.

AES is a Fortune 200 global power company with generation and distribution businesses. Through its portfolio of thermal and "renewable" fuel sources, AES provides energy in 28 countries and employs 29,000 people.

Dolphin Sub, Inc., ("Merger Sub") is a newly-formed Ohio corporation and a wholly-owned subsidiary of AES that was formed solely for the purpose of consummating the proposed transaction.[6]

The proposed transaction is the acquisition of DPL by AES pursuant to the Merger Agreement executed by the Applicants.[7] If the proposal to adopt the Merger Agreement and approve the Merger is approved by the holders of two-thirds of the outstanding shares of DPL's common stock and the other closing conditions under the Merger Agreement (including regulatory approvals) are satisfied or waived, a merger will occur leaving DPL surviving as a wholly-owned direct or indirect subsidiary of AES. As a result, DPL will no longer be a publicly held corporation and its former common stock shareholders will no longer have any interest in DPL's future earnings or growth. In addition, following the merger, DPL's common stock will be delisted from the New York Stock Exchange ("NYSE") and deregistered and DPL will no longer file periodic

[6] PREM14 A at 20.

[7] On the evening of April 19, 2011, the Applicants signed the Merger Agreement and announced the execution of the merger agreement the next morning, April 20, 2011. PREM14 A at 24.

reports with the SEC with respect to its common stock (DPL will have certain continuing reporting obligations with respect to certain of its outstanding indebtedness to the extent required under the relevant debt instruments.)[8]

The Applicants commit to maintain the DPL headquarters for two years and avoid workforce reductions through December 31, 2013. Following the merger, DP&L would remain subject to Commission regulation and DP&L would maintain the current ESP and distribution rates until the end of the current ESP, December 31, 2012. The Application indicates that AES' technical expertise and resources will provide benefits but is unclear on the amount of any such benefits or how any benefits will be applied to promote adequate service and reasonable rates. The Application further states that the proposed transaction will not result in further consolidation of Ohio utilities but again there is no indication of how this claim might promote adequate service and reasonable rates. The Application also offers that DPL will maintain its community support at levels "substantially consistent" with current levels.[9] In a separate press release, AES has indicated that it will fund the purchase of DPL stock to accomplish the merger through debt financing and cash on hand.[10]

### C. SSO Rates and Customer Choice

Although the Applicants go to some length to tout the lack of adverse effects the merger will have on DP&L's customers, they do not identify an incremental benefit that the proposed transaction will provide to consumers. The Application provides that the

[8] PREM14 A at 12.

[9] Application at 3-4.

[10] AES, Press Release, AES Announces the Acquisition of DPL Inc. and Issues 2012 Adjusted EPS Guidance of $1.27 to $1.37 (Apr. 20, 2011) (Press Release) (attached as Exhibit 1).

merger will not affect DP&L's rates before the end of 2012. The current ESP, however, runs through the end of 2012 and distribution rates are frozen at the current levels for the same period.[11] The Applicants do not make any further commitment to their consumers regarding rate levels. The Applicants do not identify how the relief requested in the Application will advance the state policy in Section 4928.02, Revised Code.[12]

Moreover, the Application fails to account for the fact that DP&L's current ESP rates are not in fact stable. The current ESP authorizes several riders, many non-bypassable, that move as costs change and new orders are issued. For example, larger customers of DP&L have seen significant changes in their SSO electric bills as a result of variations in DP&L's fuel cost recovery mechanism.[13]

Based on the information provided by DPL in PREM14 A, DPL made several assumptions regarding future rates (rates beyond 2012), shopping and its retail market share for competitive retail electric services for purposes of evaluating the change in control transaction. For example, DPL assumed that:

- Current ESP terms and standard service offer rates **continue after 2012**;
- **DP&L will continue to recover provider-of-last-resort (POLR) charges from 100% of its retail distribution load after 2012**;
- The competitive retail gross margin outside of DP&L's service territory will grow to $25 million; and
- Approximately 50% of the Company's retail distribution load will switch to take generation supply from a competitive retail electricity supplier with

[11] Section 4928.141(A), Revised Code. *See also In the Matter of the Application of the Dayton Power and Light Company for Approval of its Electric Security Plan,* Case Nos. 08-1094-EL-SSO, *et al.*, Opinion and Order (June 24, 2009) ("*ESP Order*").

[12] The Application states that future rates will be subject to approval by the Commission. Application at 3.

[13] An audit filed on April 29, 2011 identified additional concerns. In the Matter of the Application of The *Dayton Power & Light Company to Establish a Fuel Rider, Case No. 09-1012-EL-FAC, Report of the* Management/Performance and Financial Audit of Fuel and Purchased Power of the Dayton Power & Light Company (Apr. 29, 2011).

> **DPLER maintaining 80% of this switched load.** DPL's management assumed that the entire switched load is associated with industrial and commercial customers; that there is no residential switching.[14]

Future SSO rates and shopping opportunities are not an idle concern for customers in normal circumstances and the above assumptions indicate that DPL has expectations about how it will address these subjects in the future. As IEU-Ohio has already briefly mentioned, the highly-leveraged financing that has been designed by the Applicants to raise the approximate $3.5 billion required to close the proposed transaction raises red flags regarding the potential for misalignment between the interests of consumers and CRES suppliers, on one hand, and DPL, as the surviving company, on the other.

According to the press release presented by AES on the announcement of the proposed merger, "[p]ermanent financing will include a combination of non-recourse debt, the re-issuance of corporate debt at AES that was temporarily paid down in 2010 and cash on hand."[15] The highly-leveraged transaction will potentially pressure AES to use its control over DPL to assure that DP&L and other DPL subsidiaries generate adequate cash flow to service the newly issued debtand that debt service can be expected to be drawn from the customers of DP&L. Given the exceptional returns on equity that DP&L has achieved under its current ESP,[16] it is reasonable to assume (for

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[14] PREM14 A at 33 (emphasis added).

[15] Attachment 1.

[16] Under the current ESP, the DP&L is not subject to review of its earnings pursuant to Section 4928.143(F), Revised Code. However, its reported returns on equity from all activities were estimated as follows based on FERC Form 1 data:

2008: 20.2%;
2009: 17.9%;
2010: 19.9%.

purposes of evaluating the proposed transaction) that AES may have interests that cause it to direct that DP&L advance proposals that work against adequate service, reasonable rates and the policy set forth in Section 4928.02, Revised Code.

DP&L already has secured substantial financial benefits that have not been subject to any Commission or customer interference because DP&L is not subject to Significantly Excessive Earnings Test ("SEET") proceedings.[17] Given the financial pressure that the merger may cause and the already hefty returns earned by DPL under its current ESP, the suggestion that applying the current ESP rates for the remainder of the current ESP presents a benefit to customers fails to provide any support that the merger "promote[s] public convenience," as the Commission must find if it is to approve the Application.[18]

### D. Claimed Benefits of Scope and Scale and Access to Financial Markets

The Applicants suggest that there will be long term benefits to their proposed merger. For example, they note benefits of scale and scope may result in improving investment in facilities.[19] The Application further asserts that a merger will provide a benefit through "access to capital markets and [AES's] broad experience and strong relationships with the financial community."[20] Absent from the Application, however, is any suggestion as to the level of these benefits or how these benefits will translate into

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[17] *ESP Order* at 6.

[18] Section 4905.402, Revised Code.

[19] Application at 6. Given the responsibilities of DPL's subsidiaries to manage and operate generating facilities, the Applicants do not identify how improving investment in facilities will benefit consumers.

[20] *Id.* at 7

adequate service and reasonable rates for consumers. Also, the Applicants also fail to identify how this investment will further the policy in Section 4928.02, Revised Code.

Similarly the Applicants assert that additional technical and other expertise will benefit customers. Again, there is no suggestion of the value of these claimed benefits. Whatever they are, they also are not translated into demonstrated benefits for consumers.

Moreover, it is far from demonstrated in the Application that a merger with AES will translate well into the operations of DP&L. The investor-owned utility activities of AES are relatively narrow. Its one traditional utility-subsidiary is Indianapolis Power & Light Company ("IPL"), a central Indiana electric company. Otherwise, the expertise of AES is as a competitive power generator that runs plants both in the United States and internationally.[21]

**E. Participation in PJM Power Providers ("P3") Litigation**

The Application also asserts that the retention of local control of decision making is a strength of the merger, and it likely is important to the Dayton community and DP&L's customers. Yet, recent actions by DPL or its subsidiaries suggest that local concerns may be subordinated by DPL's and AES's cash flow and earnings ambitions.

DPLE, a subsidiary of DPL, is a member of a collection of electric companies[22] known as P3 that sued in both a federal court and at the Federal Energy Regulatory Commission ("FERC") to prevent the implementation of a recently enacted New Jersey law that sought to increase the amount of local generation to: (1) limit the effect of

[21] http://www.aes.com/aes/index?page=country&cat=US

[22] PJM Power Providers Group (P3 Group). See http://www.p3powergroup.com/sitecontent.cfm?page=about (viewed July 11, 2011).

capacity restraints in the eastern part of the PJM; and, (2) reduce the cost of satisfying PJM's resource adequacy requirement. According to one news report, new generation brought into the New Jersey market by the law would have lowered the cost of electricity for New Jersey customers by as much $2 billion in the first year of implementation.[23] Working through P3, DPLE actively combated local efforts in New Jersey to advance proposals to improve reliability, stabilize electric rates and reduce the cost imposed on consumers associated with satisfying PJM's resource adequacy requirement.

The retail electric market is presently (finally) providing opportunities for Ohio consumers to realize the electric bill reduction benefits that they were promised in 1999 when Ohio enacted its electric restructuring legislation (Amended Substitute Senate Bill 3 or "S.B. 3"). As a result of S.B. 3, Ohio's electric distribution utilities ("EDU"), including DP&L, received billions of dollars in transition cost (sometimes referred to as stranded cost) payments and consumers took on responsibility for taxes that were previously the direct responsibility of EDUs. Recent SSO applications by some EDUs indicate that some EDUs are eager to raise electric bills through rate increases and, through a parade of non-bypassable charges, deprive consumers of the opportunity to reduce electric bills by obtaining competitive services from a CRES. This history and current events make it imperative that the Commission ensure that the relief requested by the Applicants does not provide the Applicants with a foundation to raise rates, block

[23] Hannah Northey, Utilities Challenge N.J. Law While Preparing to Reap its Benefits, New York Times (Mar. 3, 2011), http://www.nytimes.com/gwire/2011/03/02/02greenwire-utilities-challenge-nj-law-while-preparing-to-r-1243.html (viewed July 11, 2011).

shopping or otherwise work against the pro-consumer, pro-competitive policy in Section 4928.02, Revised Code.

## III. CONCLUSION

The proposed merger between AES and DPL comes at a time when the competitive benefits promised by S.B. 3 are beginning to assert themselves. It would be unfortunate, unreasonable and unlawful if the merger resulted in a step backward. As it reviews this merger, the Commission must be satisfied before it considers approving the merger that any appropriate conditions are included so that the merger will advance the "public convenience and result in the provision of service for a reasonable rate, rental, toll, or charge."[24]

Under the circumstances presented by the Application, IEU-Ohio urges the Commission to grant the pending intervention requests, find that the relief requested in the Application may be unreasonable and establish a procedural schedule so that contested issues can be addressed by the Commission based on the evidence and the law. It is also IEU-Ohio's position that the Commission must impose conditions on the proposed change in control so as to, among other things, ensure that the consumers have full and unencumbered access to CRES suppliers and that the debt service obligations associated with the proposed highly-leveraged transaction are not funded through non-bypassable charges, unduly prejudicial capacity charges that apply to shopping customers or their CRES suppliers or other restrictions on shopping. Such conditions can be best considered and addressed by requiring the Applicants to file an application to establish DP&L's successor SSO and consolidating the SSO application with the Application filed in this proceeding.

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[24] Section 4905.402(B), Revised Code.

Respectfully submitted,

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## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Initial Comments of Industrial Energy Users-Ohio* was served upon the following parties of record this 18th day of July 2011, *via* electronic transmission, hand-delivery or first class U.S. mail, postage prepaid.

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Attachment 1

# Press Release

**Media & Investor Contact:** Joel Abramson 703 682 6301

## AES Announces the Acquisition of DPL Inc. and Issues 2012 Adjusted EPS Guidance of $1.27 to $1.37

ARLINGTON, Va, April 20, 2011 – The AES Corporation (NYSE: AES) today announced that it has executed a definitive agreement under which AES has agreed to acquire DPL Inc. (NYSE: DPL) in a transaction valued at $4.7 billion on an enterprise value basis. Upon closing of the transaction, DPL will become a wholly-owned subsidiary of AES. DPL is the parent company of *the Dayton Power & Light Company* (DP&L).

Under the terms of the agreement, AES has agreed to pay $30 per share in cash to DPL shareholders. AES will pay a total of $3.5 billion in cash for the equity and assume $1.2 billion in net debt for a total transaction value of $4.7 billion. AES has committed bridge financing in place from Bank of America Merrill Lynch. Permanent financing will include a combination of non-recourse debt, the re-issuance of corporate debt at AES that was temporarily paid down in 2010 and cash on hand.

"We are concentrating our growth efforts in a few key markets, including the U.S. utility sector, where we see opportunities to leverage our global platform of 40,500 MW and 11.5 million utility customers," said Paul Hanrahan, President and Chief Executive Officer of AES. "The DPL acquisition is expected to be value and earnings accretive, benefiting from the regional scale provided by our nearby utility business at Indianapolis Power & Light Company."

DPL serves over 500,000 customers in West Central Ohio through its subsidiaries, DP&L and DPL Energy Resources. Formed 100 years ago, DP&L is a regulated electric utility with a demonstrated commitment to its customers and community. DPL operates over 3,800 MW of power generation facilities and provides competitive retail energy services to industrial and commercial customers.

"Throughout our history, DPL has continually adapted to meet the changing needs of our communities and customers. DPL can now best serve our stakeholders by joining AES to create a larger U.S. utility platform to benefit customers and shareholders," said Glenn Harder, Chairman of the Board of Directors of DPL.

DPL will remain a standalone business, with local management and corporate functions, but will be able to leverage the best practices and resources of AES' global portfolio. DPL headquarters will remain in Dayton, customers will continue to be served by DP&L and the company will continue to use the DP&L name.

AES has a successful history in the U.S. utility sector with its investment in Indianapolis Power & Light Company (IPL). After AES acquired IPL, it invested over $500 million in environmental controls, while maintaining rates that are among the lowest in Indiana and earning attractive after-tax returns for AES. Additionally, IPL has excelled at customer service, recently ranking in the top quartile in a national study of 121 utilities by JD Power & Associates.

The consummation of the transaction is subject to approval of DPL shareholders, the Public Utilities Commission of Ohio (PUCO), the Federal Energy Regulatory Commission (FERC), and the antitrust review under Hart-Scott-Rodino Act. Approvals are expected to be completed within six to nine months.

Bank of America Merrill Lynch acted as financial advisor, and Skadden, Arps, Slate, Meagher & Flom LLP served as legal counsel to AES in connection with the transaction.

**Guidance**

Shown below is AES' previously issued 2011 guidance adjusted solely for the DPL acquisition costs of approximately $0.11 per share.

AES also announced guidance for 2012. When compared to 2011, guidance for 2012 benefits from (i) $0.05 to $0.07 DPL acquisition; (ii) full-year contributions from projects AES has coming on-line in 2011; and (iii) year-over-year improvements in operations.

Table 1: Key Elements of 2011-2012 Guidance

| | **Post-DPL Acquisition 2011 Guidance** | **2012 Guidance** |
|---|---|---|
| Adjusted EPS (a non-GAAP financial measure) | $0.97-$1.03 | $1.27-$1.37 |
| Proportional Free Cash Flow (a non-GAAP financial measure) | $750-$950 million | $1,200-$1,400 million |
| Parent Operating Cash Flow | $1,200-$1,300 million | $1,400-$1,600 million |

See Attachments for a complete list of 2011 guidance elements and reconciliations to GAAP.

**Non-GAAP Financial Measures**

See 2011-2012 Financial Guidance for definitions of Adjusted Earnings Per Share, Free Cash Flow, Proportional Free Cash Flow as well as reconciliations to the most comparable GAAP financial measure.

**Attachments**

2011 Financial Guidance, 2012 Financial Guidance.

**Conference Call Information**

AES will host a conference call on Wednesday, April 20, 2011 at 8:30 a.m. Eastern Daylight Time (EDT). Interested parties may listen to the teleconference by dialing 1-800-857-6557 at least ten minutes before the start of the call. International callers should dial +1-415-228-4653. The participant passcode for this call is 42011. Internet access to the presentation materials will be available at 7:30 a.m. EDT on the AES website at www.aes.com by selecting "Investor Information" and then "Presentations and Webcasts."

A telephonic replay of the call will be available from approximately 11:00 a.m. EST on Thursday, April 20, 2011 through Thursday, May 11, 2011. Callers in the U.S. please dial 1-800-879-6416. International callers should dial +1-203-369-3991. The system will ask for a passcode; please enter 42011. A webcast replay, as well as a replay in downloadable MP3 format, will be accessible at www.aes.com beginning shortly after the completion of the call.

**About AES**

The AES Corporation (NYSE: AES) is a Fortune 500 global power company with generation and distribution businesses. Through our diverse portfolio of thermal and renewable fuel sources, we provide affordable and sustainable energy to 28 countries. Our workforce of 29,000 people is committed to operational excellence and meeting the world's changing power needs. Our 2010 revenues were $17 billion and we own and manage $41 billion in total assets. To learn more, please visit www.aes.com.

**About DPL**

DPL Inc. (NYSE: DPL) is a regional energy company. DPL was named one of Forbes' "100 Most Trustworthy Companies" for the second consecutive year in August 2010.

DPL's principal subsidiaries include The Dayton Power and Light Company (DP&L); DPL Energy, LLC (DPLE); and DPL Energy Resources, Inc. (DPLER). DP&L, a regulated electric utility, provides service to over 500,000 retail customers in West Central Ohio; DPLE engages in the operation of merchant peaking generation facilities; and DPLER is a competitive retail electric supplier in Ohio, selling to major industrial and commercial customers. DPL, through its subsidiaries, owns and operates approximately 3,800 megawatts of generation capacity, of which 2,800 megawatts are low cost coal-fired units and 1,000 megawatts are natural gas and diesel peaking units.

**Additional Information and Where to Find it**

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. In connection with the proposed merger, DPL will file with the Securities and Exchange Commission (the "SEC") a preliminary proxy statement and a definitive proxy statement and other relevant materials. The definitive proxy statement will be sent or given to the stockholders of DPL. Before making any voting or investment decision with respect to the merger, investors and stockholders of DPL are urged to read the proxy statement and the other relevant materials when they become available because they will contain important information about the merger. The proxy statement and other relevant materials (when they become available), and any other documents filed by DPL with the SEC, may be obtained free of charge at the SEC's website at www.sec.gov. These materials can also be obtained, when available, without charge, by directing a request to DPL at communications@dplinc.com.

**Participants in the Solicitation**

DPL and AES and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from DPL stockholders in connection with the merger. Information about AES' directors and executive officers is set forth in AES' 2011 proxy statement on Schedule 14A filed with the SEC on March 3, 2011 and its Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on February 28, 2011, respectively. Information about DPL's directors and executive officers is set forth in its 2011 proxy statement on Schedule 14A filed with the SEC on March 18, 2011. Additional information regarding the interests of participants in the solicitation of proxies in connection with the merger will be included in the definitive proxy statement that DPL intends to file with the SEC.

**Safe Harbor Disclosure**

This news release contains forward-looking statements within the meaning of the Securities Act of 1933 and of the Securities Exchange Act of 1934. Such forward-looking statements include, but are not limited to, those related to future earnings, growth and financial and operating performance. Forward-looking statements are not intended to be a guarantee of future results, but instead constitute AES' current expectations based on reasonable assumptions. Forecasted financial information is based on certain material assumptions. These assumptions include, but are not limited to, our accurate projections of future interest rates, commodity price and foreign currency pricing, continued normal levels of operating performance and electricity volume at our distribution companies and operational performance at our generation businesses consistent with historical levels, as well as achievements of planned productivity improvements and incremental growth investments at normalized investment levels and rates of return consistent with prior experience. Additional assumptions include those listed in this release and our general ability to finance and close the transaction with DPL at rates of return consistent with our projections.

Actual results could differ materially from those projected in our forward-looking statements due to risks, uncertainties and other factors including without limitation, risks and uncertainties arising from the possibility that the closing of the transaction may be delayed or may not occur; difficulties with the integration process or the realization of the benefits of the transaction; general economic conditions in the regions and industries in which AES and DPL operate; and litigation or regulatory matters involving antitrust and other issues that could affect the closing of the transaction. Important factors that could affect actual results are discussed in AES' filings with the Securities and Exchange Commission, including, but not limited to, the risks discussed under Item 1A "Risk Factors" in AES' 2010 Annual Report on Form 10-K. Readers are encouraged to read AES' filings to learn more about the risk factors associated with AES' business. AES undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Any Stockholder who desires a copy of the Company's 2010 Annual Report on Form 10-K dated on or about February 25, 2011 with the SEC may obtain a copy (excluding Exhibits) without charge by addressing a request to the Office of the Corporate Secretary, The AES Corporation, 4300 Wilson Boulevard, Arlington, Virginia 22203. Exhibits also may be requested, but a charge equal to the reproduction cost thereof will be made. A copy of the Form 10-K may be obtained by visiting the Company's website at www.aes.com.

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THE AES CORPORATION

2011 FINANCIAL GUIDANCE ELEMENTS[1]

| | 2011 Updated Financial Guidance (as of 4/20/2011) | | |
|---|---|---|---|
| | Consolidated | Proportional Adjustment Factors[2] | Proportional |
| **Income Statement Elements** | | | |
| Gross Margin | $4,000 to 4,200 million | $1,550 million | $2,450 to 2,650 million |
| Adjusted Gross Margin | $4,850 to 5,050 million | $1,850 million | $3,000 to 3,200 million |
| Diluted Earnings Per Share From Continuing Operations | $0.93 to 0.99 | | |
| Adjusted Earnings Per Share Factors[3] | $0.04[4] | | |
| Adjusted Earnings Per Share[3] | $0.97 to 1.03[4] | | |
| **Cash Flow Elements** | | | |
| Net Cash From Operating Activities | $2,650 to 2,850 million | $1,250 million | $1,400 to 1,600 million |
| Operational Capital Expenditures (a) | $775 to 850 million | $250 million | $525 to 600 million |
| Environmental Capital Expenditures (b) | $75 to 100 million | | $75 to 100 million |
| Maintenance Capital Expenditures (a + b) | $850 to 950 million | $250 million | $600 to 700 million |
| Free Cash Flow [5] | $1,750 to 1,950 million | $1,000 million | $750 to 950 million |
| Subsidiary Distributions[6] | $1,200 to 1,300 million | | |
| **Reconciliation of Free Cash Flow** | | | |
| Net Cash from Operating Activities | $2,650 to 2,850 million | $1,250 million | $1,400 to 1,600 million |
| Less: Maintenance Capital Expenditures | $850 to 950 million | $250 million | $600 to 700 million |
| Free Cash Flow [5] | $1,750 to 1,950 million | $1,000 million | $750 to 950 million |
| **Reconciliation of Adjusted Gross Margin** | | | |
| Gross Margin | $4,000 to 4,200 million | $1,550 million | $2,450 to 2,650 million |
| Depreciation & Amortization | $1,250 to 1,350 million | $300 million | $950 to 1,050 million |
| General & Administrative | $450 million | | $450 million |
| Adjusted Gross Margin[3] | $4,850 to 5,050 million | $1,850 million | $3,000 to 3,200 million |

[1] 2011 Revised Guidance is based on expectations for future foreign exchange rates and commodity prices as of March 31, 2011, as well as other factors set forth in "Guidance" in the Press Release.

[2] AES is a holding company that derives its income and cash flows from the activities of its subsidiaries, some of which may not be wholly-owned by the Company. Accordingly, the Company has presented certain financial metrics which are defined as Proportional (a non-GAAP financial measure). Proportional metrics present the Company's estimate of its share in the economics of the underlying metric. The Company believes that the Proportional metrics are useful to investors because they exclude the economic share in the metric presented that is held by non-AES shareholders For example, Operating Cash Flow is a GAAP metric which presents the Company's cash flow from operations on a consolidated basis, including operating cash flow allocable to noncontrolling interests. Proportional Operating Cash Flow removes the share of operating cash flow allocable to noncontrolling interests and therefore may act as an aid in the valuation of the Company. Proportional metrics are reconciled to the nearest GAAP measure Certain assumptions have been made to estimate our proportional financial measures. These assumptions include: (i) the Company's economic interest has been calculated based on a blended rate for each consolidated business when such business represents multiple legal entities: (ii) the Company's economic interest may differ from the percentage implied by the recorded net income or loss attributable to noncontrolling interests or dividends paid during a given period; (iii) the Company's economic interest for entities accounted for using the hypothetical liquidation at book value method is 100%; (iv) individual operating performance of the Company's equity method investments is not reflected and (v) all intercompany amounts have been excluded as applicable.

[3] Adjusted earnings per share (a non-GAAP financial measure) is defined as diluted earnings per share from continuing operations excluding gains or losses of the consolidated entity due to (a) mark-to-market amounts related to derivative transactions, (b) unrealized foreign currency gains or losses, (c) significant gains or losses due to dispositions and acquisitions of business interests, (d) significant losses due to impairments, and (e) costs due to the early retirement of debt. The GAAP measure most comparable to Adjusted EPS is diluted earnings per share from continuing operations. AES believes that adjusted earnings per share better reflects the underlying business performance of the Company, and is considered in the Company's internal evaluation of financial performance. Factors in this determination include the variability due to mark-to-market gains or losses related to derivative transactions, currency gains or losses losses due to impairments and strategic decisions to dispose or acquire business interests or retire debt, which affect results in a given period or periods. Adjusted earnings per share should not be construed as an alternative to earnings per share, which is determined in accordance with GAAP. Non-GAAP financial measure as reconciled in the table.

[4] Reconciliation of Adjusted EPS includes unrealized foreign currency losses of $0.03, derivative losses of $0.02, debt retirement losses of $0.01 and gain on disposition of assets of $0.02.

[5] Free Cash Flow is reconciled above Free cash flow (a non-GAAP financial measure) is defined as net cash from operating activities less maintenance capital expenditures (including environmental capital expenditures). AES believes that free cash flow is a useful measure for evaluating our financial condition because it represents the amount of cash provided by operations less maintenance capital expenditures as defined by our businesses, that may be available for investing or for repaying debt.Measures for definition.

[6] Subsidiary distributions should not be construed as an alternative to Net Cash Provided by Operating Activities which are determined in accordance with GAAP. Subsidiary distributions are important to the Parent Company because the Parent Company is a holding company that does not derive any significant direct revenues from its own activities but instead relies on its subsidiaries' business activities and the resultant distributions to fund the debt service, investment and other cash needs of the holding company. The reconciliation of difference between the subsidiary distributions and the Net Cash Provided by Operating Activities consists of cash generated from operating activities that is retained at the subsidiaries for a variety of reasons which are both discretionary and non-discretionary in nature These factors include, but are not limited to, retention of cash to fund capital expenditures at the subsidiary, cash retention associated with non-recourse debt covenant restrictions and related debt service requirements at the subsidiaries, retention of cash related to sufficiency of local GAAP statutory retained earnings at the subsidiaries, retention of cash for working capital needs at the subsidiaries, and other similar timing differences between when the cash is generated at the subsidiaries and when it reaches the Parent Company and related holding companies.

**THE AES CORPORATION**

**2012 FINANCIAL GUIDANCE ELEMENTS**[1]

| | 2012 Financial Guidance (as of 4/20/2011) | | |
|---|---|---|---|
| | Consolidated | Proportional Adjustment Factors[2] | Proportional |
| **Income Statement Elements** | | | |
| Diluted Earnings Per Share From Continuing Operations | $1.15 to 1.25 | | |
| Adjusted Earnings Per Share Factors[3] | $0.12[4] | | |
| Adjusted Earnings Per Share[3] | $1.27 to 1 37[4] | | |
| **Cash Flow Elements** | | | |
| Net Cash From Operating Activities | $3,300 to 3,500 million | $1,275 million | $2,025 to 2,225 million |
| Operational Capital Expenditures (a) | $925 to 1,025 million | $250 million | $675 to 775 million |
| Environmental Capital Expenditures (b) | $100 to 150 million | $25 million | $75 to 125 million |
| Maintenance Capital Expenditures (a + b) | $1,025 to 1,175 million | $275 million | $750 to 900 million |
| Free Cash Flow [5] | $2,200 to 2,400 million | $1,000 million | $1,200 to 1,400 million |
| Subsidiary Distributions[6] | $1,400 to 1,600 million | | |
| **Reconciliation of Free Cash Flow** | | | |
| Net Cash from Operating Activities | $3,300 to 3,500 million | $1,275 million | $2,025 to 2,225 million |
| Less: Maintenance Capital Expenditures | $1,025 to 1,175 million | $275 million | $750 to 900 million |
| Free Cash Flow [5] | $2,200 to 2,400 million | $1,000 million | $1,200 to 1,400 million |

(1) 2012 Guidance is based on expectations for future foreign exchange rates and commodity prices as of March 31, 2011, except for Brazilian Real (BRL), as well as other factors set forth in "Guidance" in the Press Release. 2012 BRL reflects a consensus rate of 1.69, which is 7% stronger than forward as of March 31, 2011

(2) AES is a holding company that derives its income and cash flows from the activities of its subsidiaries, some of which may not be wholly-owned by the Company. Accordingly, the Company has presented certain financial metrics which are defined as Proportional (a non-GAAP financial measure). Proportional metrics present the Company's estimate of its share in the economics of the underlying metric. The Company believes that the Proportional metrics are useful to investors because they exclude the economic share in the metric presented that is held by non-AES shareholders. For example, Operating Cash Flow is a GAAP metric which presents the Company's cash flow from operations on a consolidated basis, including operating cash flow allocable to noncontrolling interests. Proportional Operating Cash Flow removes the share of operating cash flow allocable to noncontrolling interests and therefore may act as an aid in the valuation of the Company. Proportional metrics are reconciled to the nearest GAAP measure. Certain assumptions have been made to estimate our proportional financial measures. These assumptions include: (i) the Company's economic interest has been calculated based on a blended rate for each

consolidated business when such business represents multiple legal entities, (ii) the Company's economic interest may differ from the percentage implied by the recorded net income or loss attributable to noncontrolling interests or dividends paid during a given period; (iii) the Company's economic interest for entities accounted for using the hypothetical liquidation at book value method is 100%; (iv) individual operating performance of the Company's equity method investments is not reflected and (v) all intercompany amounts have been excluded as applicable.

(3) Adjusted earnings per share (a non-GAAP financial measure) is defined as diluted earnings per share from continuing operations excluding gains or losses of the consolidated entity due to (a) mark-to-market amounts related to derivative transactions, (b) unrealized foreign currency gains or losses, (c) significant gains or losses due to dispositions and acquisitions of business interests, (d) significant losses due to impairments, and (e) costs due to the early retirement of debt The GAAP measure most comparable to Adjusted EPS is diluted earnings per share from continuing operations. AES believes that adjusted earnings per share better reflects the underlying business performance of the Company, and is considered in the Company's internal evaluation of financial performance. Factors in this determination include the variability due to mark-to-market gains or losses related to derivative transactions, currency gains or losses, losses due to impairments and strategic decisions to dispose or acquire business interests or retire debt, which affect results in a given period or periods Adjusted earnings per share should not be construed as an alternative to earnings per share, which is determined in accordance with GAAP. Non-GAAP financial measure as reconciled in the table.

(4) Reconciliation of Adjusted EPS includes unrealized foreign currency losses of $0.03, derivative losses of $0.01, and debt retirement losses of $0.08

(5) Free Cash Flow is reconciled above. Free cash flow (a non-GAAP financial measure) is defined as net cash from operating activities less maintenance capital expenditures (including environmental capital expenditures). AES believes that free cash flow is a useful measure for evaluating our financial condition because it represents the amount of cash provided by operations less maintenance capital expenditures as defined by our businesses, that may be available for investing or for repaying debt.Measures for definition.

(6) Subsidiary distributions should not be construed as an alternative to Net Cash Provided by Operating Activities which are determined in accordance with GAAP Subsidiary distributions are important to the Parent Company because the Parent Company is a holding company that does not derive any significant direct revenues from its own activities but instead relies on its subsidiaries' business activities and the resultant distributions to fund the debt service, investment and other cash needs of the holding company. The reconciliation of difference between the subsidiary distributions and the Net Cash Provided by Operating Activities consists of cash generated from operating activities that is retained at the subsidiaries for a variety of reasons which are both discretionary and non-discretionary in nature. These factors include, but are not limited to, retention of cash to fund capital expenditures at the subsidiary, cash retention associated with non-recourse debt covenant restrictions and related debt service requirements at the subsidiaries, retention of cash related to sufficiency of local GAAP statutory retained earnings at the subsidiaries, retention of cash for working capital needs at the subsidiaries, and other similar timing differences between when the cash is generated at the subsidiaries and when it reaches the Parent Company and related holding companies.