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 SELL AN AMOUNT NOT TO EXCEED $490 MILLION OF FIRST MORTGAGE BONDS, DEBENTURES, NOTES, OR OTHER EVIDENCES OF INDEBTEDNESS OR UNSECURED NOTES.	)))))))))	Case No. 13-0893-EL-AIS

SUPPLEMENT TO THE APPLICATION

The Applicant, The Dayton Power and Light Company ("DP&L"), respectfully supplements its application in this case to provide additional information in response to issues raised by the Ohio Consumers' Counsel ("OCC"). The information attached hereto as Exhibit A and incorporated herein by reference supplements Applicant's application by supplying the estimated cost to redeem the existing $470 million First Mortgage Bonds and the cost to issue the requested $490 million of First Mortgage Bonds. In addition, Exhibit A provides a hypothetical refinancing scenario to illustrate how DP&L's proposed action to refinance maturing indebtedness is reasonable and in the best interests of the Company and its ratepayers.

WHEREFORE, for the reasons cited in Applicant's Application and this Supplement to the Application, DP&L requests approval to issue and sell $490 million of First Mortgage Bonds.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Supplement to the Application was served on the person stated below by electronic transmission this 28th day of June, 2013

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Exhibit A

As The Dayton Power and Light Company (DP&L) stated in its memorandum on June 10, 2013, the "Redemption Costs" referenced by DP&L and the Ohio Consumers' Counsel (OCC) include all of the following: (1) the costs of calling or tendering the existing First Mortgage Bonds; (2) legal fees; (3) audit fees; (4) rating agency fees; and (5) marketing costs. These projected costs (as set forth in the table below) reflect both (i) the cost DP&L will likely incur to complete this refinancing prior to maturity, and (ii) the complexity associated with accommodating a potential future separation of generation assets.

Category	Amount (in millions)
Co counsel- First Mortgage Bonds	*$0.5*
UW counsel- First Mortgage Bonds	*$0.5*
Trustee counsel- First Mortgage Bonds	*$0.2*
Bond (Authorities)counsel- Tax exempt Bonds	*$0.1*
PUCO/Ohio Counsel to Co./Other counsel	*$0.1*
Legal Fees	**$1.3**
Previous Auditor (prior to 2012)	*$0.2*
Current Auditor (2012 & 2013)	*$0.2*
Audit Fees	**$0.4**
Marketing/Roadshow	**$0.1**
Printing	**$0.0**
Rating Agencies	**$0.7**
Other	**$0.7**
Total Estimated New Issue Costs - FMBs	**$3.2**
Make-whole/Tender	*$7.8*
Consent Costs	*$2.2*
Total Other Costs - First Mortgage Bonds	**$10.0**
TOTAL	**$13.2**

In addition, Exhibit A of the Application also included "Commissions", or, the underwriting and advisory fees associated with the new bond. These fees include:

Category	Amount (in millions)
Bank Fees	**$6.3**
Underwriter Fees	*$4.3*
Advisory Fee (DB)	*$2.0*

In total, the Redemption Costs and Commissions associated with this Application equaled approximately $20M.

DP&L acknowledges that the costs listed above are a combination of the total financing costs associated with the issuance of the new First Mortgage Bonds and the costs associated with redeeming the currently outstanding bonds and amending the existing First Mortgage indenture to allow for a future separation of generation assets. All of these financing costs are just and reasonable and directly attributable to the financing transaction which DP&L is requesting approval for herein.

It should also be noted that the total costs listed above reflect the maximum potential cost associated with refinancing the currently outstanding $470M of First Mortgage Bonds. The Company expects that actual cost will vary based on timing of the transaction and maturity of the new bonds among other things.

The OCC's argument that DP&L's request to finance all of the financing costs associated with the requested transaction is somehow adverse to DP&L ratepayers demonstrates that it does not understand the rationale for early redemption and does not appreciate the cost of issuing new Bonds, particularly when the new Bonds need to be structured to accommodate a potential future separation of generation assets. Though DP&L cannot foresee how the market will evolve over the coming months nor can it precisely forecast the final costs that will be incurred, below is a hypothetical example developed to explain the rationale for incurring early redemption costs and how doing so benefits both ratepayers and DP&L:

Hypothetical:

Early Redemption	*Wait to Maturity*
• As of June 19, 2013, the level of U.S. Treasuries and expected spreads, the indicative coupon rate of a 10 year bond is currently 4.50%. • In order to take advantage of these prices, DP&L would expect to incur the following costs: o $8M of new issue costs o $7M of costs related to tendering/calling the bonds o $1M of costs related to obtaining consents necessary to amend First Mortgage Bond Indenture • The new Bond would be $486M ($470M + related costs of $16M) • Expected annual interest charges would be approximately $22M/year ($486M x 4.50%)	• In the case where DP&L waits to maturity to minimize financing costs, the total cost of the transaction would be equal to: o $8M of new issue costs o $1M of costs related to obtaining consents necessary to amend the First Mortgage Bond Indenture • The new Bond would be $479M ($470M + related costs of $9M) • Estimated coupon increases by an additional 50 bps versus June 19, 2013 estimate (indicative all in yields for a 10 yr BBB- First Mortgage Bond have gone from 3.80% on May 15, 2013 to 4.50% as of June 19, 2013; this is a function of upward pressure on U.S. treasuries and widening of spreads) • Expected annual interest charges would be approximately $24M/year ($479M x 5.00%)

The scenario where DP&L opts to wait to maturity to minimize short term financing costs puts DP&L at risk and this scenario would cost DP&L and DP&L ratepayers as much as $2M/year or $20M more than what they would pay under the early redemption scenario over the life of a 10 year bond (more than $60M over the life of a 30 year bond). The scenario where DP&L waits for maturity also decreases the probability that DP&L could realize any future interest savings versus the current indebtedness ($470M x 5.125% = $24M/year).

It is prudent, standard industry practice to refinance prior to maturity to mitigate both issue/principle and pricing risk and this hypothetical example illustrates why. Generally, early tender or call is used to manage pricing and 'issue' risk, and allows the business to optimize pricing and take advantage of market opportunities leading up to maturity.