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 $455 MILLION OF FIRST MORTGAGE BONDS, DEBENTURES, NOTES, OR OTHER EVIDENCES OF INDEBTEDNESS OR UNSECURED NOTES.	))))))	CASE NO. 16-563-EL-AIS

APPLICATION

The Applicant, The Dayton Power and Light Company (the "Company"), respectfully represents and states:

1. The Company is a corporation organized and existing under the laws of the State of Ohio, with its office and principal place of business in the City of Dayton, Ohio. As a public utility, as defined by the Revised Code of Ohio (the "Code"), the Company is subject to the jurisdiction of the Public Utilities Commission of Ohio (the "Commission") under Sections 4905.02 and 4905.03 of the Code. The Company has filed the Application in this matter under the provisions of Sections 4905.40 and 4905.41 of the Code.

2. The Company proposes, with the necessary consent and authority of this Commission, to issue and sell, from time-to-time over a period ending December 31, 2016, up to $455 million principal amount of First Mortgage Bonds, debentures, notes and/or other evidences of indebtedness, in one or more series, for terms not to exceed 30 years (the "New Bonds"). The proceeds from the sale of the New Bonds will be used to refinance $445 million of outstanding First Mortgage Bonds, either by tender or call, and

to pay for the costs associated with such refinancings. The securities to be refinanced are included as Exhibit A.

3. This proposed transaction will benefit customers in several respects. The proposed transaction will (a) replace $445 million of existing First Mortgage Bonds that are due and payable on September 15, 2016 and (b) help the Company obtain the consents of bondholders that will be necessary to amend the Company's First & Refunding Mortgage in order to properly effectuate the transfer of the Company's generation assets by January 1, 2017, as required by the Commission in Case Number 12-426-EL-SSO[1] and 13-2420-EL-UNC.[2]

4. The terms of each offering of the New Bonds will be negotiated by the Company with a group of underwriters or placement agents headed by a managing underwriter or placement agent or co-managing underwriters or placement agents. The Company requests that the Commission issue its order authorizing the issuance and sale of the New Bonds prior to the time the Company reaches agreement with respect to all the terms and the sale of any of the New Bonds. The Company, in conjunction with its investment bankers, has developed certain parameters under which the New Bonds are to be marketed. The parameters are based on current and historical financial market activity, financial and securities analysis, as well as the professional judgment of the Company and its investment bankers. They are intended as a gauge of market expectations that provide a reasonable allowance for potential changes in financial

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[1] *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. 12-426-EL-SSO, Opinion and Order at 16 (Sept. 4, 2013); See also, Fourth Entry on Rehearing at p. 5-6 (June 4, 2014).

[2] *In the Matter of the Application of The Dayton Power and Light Company for Authority to Transfer or Sell its Generation Assets*, Case No. 13-2420-EL-UNC, Finding and Order (September 17, 2014).

market conditions between the time of Commission authorization and the actual sale of the New Bonds. The inclusion of the parameters within the Order will allow the Company to market the New Bonds when it believes it is prudent to do so provided that the negotiated terms are within the parameters. The authorization of the sale of the New Bonds within the parameters set forth herein in no way will relieve the Company of its responsibility to negotiate and obtain the best terms available, and therefore, it is appropriate and reasonable for this Commission to authorize the Company to agree to such terms and prices within the following parameters:

5. The Company will agree to (i) an offering price or a direct purchase price, for each offering of the New Bonds, no higher than 100% and no lower than 96% of the principal amount of the New Bonds, plus accrued interest, if any, (ii) an interest rate which will result in a yield to maturity to the purchasers at the initial public offering price or the direct purchase price not in excess of 6.60%, and (iii) underwriting or placement discounts and commissions or agent's/agents' fees not in excess of 1.25% of the principal amount of the New Bonds sold, which will be negotiated between the Company and the underwriter or underwriters, placement agent or agents or direct purchaser(s) or agent(s) by means of arm's length bargaining under financial conditions existing at the time. Any redemption premiums, call provisions and sinking fund terms with respect to the New Bonds will also be established.

6. The New Bonds may be issued under and secured by the First Mortgage, dated as of October 1, 1935, between the Company and The Bank of New York Mellon, Trustee, as previously amended and supplemented and to be supplemented by one or more supplemental indentures.

7. As a result of the issuance of the New Bonds and the anticipated redemption of certain First Mortgage Bonds, the Company's annual long-term interest charges are expected to change by an amount equal to the annual interest charges on the New Bonds plus amounts relating to the expenses incurred in connection with their issuance, and discounts or premiums, if any, less an amount equal to the interest charges and the unamortized expenses incurred, in connection with the issuance of, and unamortized discounts or premiums, if any, on the redeemed First Mortgage Bonds. It should be noted that the Company's current cost of debt, and associated interest charges, are artificially low due to refinancing activity that the Company was forced to undertake as a result of the PUCO's orders for the Company to legally transfer or sell its generation assets by January 1, 2017. As a result of these PUCO orders and the pending restructuring of the Company, in September 2013, the Company, among other things, had to refinance 10-year, $470 million first mortgage bonds that were maturing in October 2013, primarily using the net proceeds of the 3-year $445M First Mortgage Bonds that were issued in September 2013, that mature on September 15, 2016 and that are the subject of this refinancing application. The Company had to assume refinancing risk and raise debt in the shorter-term bond market with these 3-year $445 million First Mortgage Bonds to maintain the flexibility that will be required to amend its First & Refunding Mortgage in order to release the lien on its generation assets and properly effectuate generation separation by January 1, 2017. These shorter-term 3-year $445 million First Mortgage Bonds (which priced at 99.830% and carry a coupon of 1.875%) had the effect of reducing the Company's cost of debt to the now current level. Consistent with the Company's financing program, the New Bonds are targeted to be a longer term form of

indebtedness that will minimize refinancing risk and have a maturity that better matches the life of the underlying assets. However, to achieve these benefits, and consistent with prices generally in the longer-term debt market, the New Bonds will price higher than the existing 1.875% coupon and therefore will have the impact of increasing annual interest charges.

8. The Company will account for the expenses of the issue and sale of, and discounts or premiums, if any, on the New Bonds as prescribed in the Federal Energy Regulatory Commission Uniform System of Accounts as currently in effect.

9. The issue and sale of the New Bonds, from time-to-time, and the money to be procured thereby are reasonably necessary for the Company to refinance bonds.

10. The maximum amount of the New Bonds proposed to be sold is just and reasonable and the cost thereof is or will be just and reasonable.

11. The Applicant states that its issuance of bonds is in accordance with the Company's electric transition plan as filed in Case No. 99-1687-EL-ATA, electric security plan as approved by the Commission in Case No. 08-1094-EL-SSO, electric security plan as approved by the Commission in Case No. 12-426-EL-SSO, and generation separation plan as approved by the Commission in Case No. 13-2420-EL-UNC, respectively.

12. As promptly as practicable after the terms of each offering of the New Bonds are determined and the issuance of such New Bonds occurs, the Company will file a written report with this Commission including, when applicable, the following information: the name(s) of the underwriter(s), if the New Bonds are sold in a public offering, or the name(s) of the purchaser(s), and the name(s) of the placement agent(s), if

any, if the New Bonds are sold on a private placement basis; the aggregate principal amount to be issued and sold, and purchased by, each said underwriter or purchaser; the maturity date; the annual interest rate; the annual interest cost; the initial offering price or the price to the purchaser in a private placement of the New Bonds; the underwriting discount and price to underwriters or placement fee, if any; the effective cost of money to the Company; the redemption terms, if any; the sinking fund terms, if any; and such other information as the Commission may require.

13. There are attached hereto in support of this Application the following exhibits:

Exhibit A - Schedule of DP&L First Mortgage Bonds proposed for refinancing.

Exhibit B - Balance Sheet as of December 31, 2015, and Statement of Results of Operations for the twelve months ended December 31, 2015.

Exhibit C - Indicative Term Sheet

* The following additional exhibits, if applicable, will be filed when available:

Exhibit D - Copy of Registration Statement/Offering Memorandum

Exhibit E - Form of Underwriting Agreement

Exhibit F - Form of Supplemental Indenture

WHEREFORE, the Company requests that an Order be issued as follows:

(1) Authorizing the Company, on or before December 31, 2016, to issue and sell from time-to-time not to exceed $455 million of one or more series of its First Mortgage Bonds, debentures, notes or other evidences of indebtedness upon the

following terms and conditions: (i) an offering or direct purchase price, for each offering of New Bonds, no higher than 100% and no lower than 96% of the principal amount, plus accrued interest, if any, (ii) an interest rate which will result in a yield to maturity to the purchasers at the initial public offering price or direct purchase price not in excess of 6.60%, and (iii) underwriting discounts and commissions or agent's fees not in excess of 1.25% of the principal amount of the New Bonds sold, with each such issue and sale to be made pursuant to the terms and provisions of an underwriting or private placement purchase agreement.

(2) Authorizing the Company to enter into any requisite underwriting or private placement purchase agreement.

(3) Authorizing the Company to use the proceeds from the sale of the New Bonds to refinance outstanding First Mortgage Bonds, either by tender or call, and to pay the costs associated with the issuance of the New Bonds.

(4) Authorizing the Company to account for the expenses incident to the issue and sale of the New Bonds and discounts or premiums, if any, as prescribed in the Federal Energy Regulatory Commission Uniform System of Accounts as currently in effect.

Because of current low spreads on the issuance of first mortgage bonds, the Company requests that an Order containing the authorizations requested, together with such other and further Orders as may be proper, be issued as soon as possible. The Company is expected to be prepared to proceed by April 18, 2016.

IN WITNESS WHEREOF, The Dayton Power and Light Company, by its Vice President and Chief Financial Officer and by its Treasurer, has caused this Application to be executed on its behalf this 14 day of March, 2016.

THE DAYTON POWER AND LIGHT COMPANY

By ______________________________

Craig L. Jackson, Vice President and Chief Financial Officer

And

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Jeffery K. MacKay, Treasurer

STATE OF INDIANA, COUNTY OF MARION, SS:

Before me, a Notary Public in and for the County and State aforesaid, personally came Craig L. Jackson, who being duly sworn, did depose and say that he is the Vice President and Chief Financial Officer of The Dayton Power and Light Company, that he did sign the foregoing Application, and that the statements contained therein are true as he believes.

Sworn to before me and subscribed in my presence this 14 day of March 2016.

Terri L. Simpson

Notary Public

Terri L. Simpson

TERRI L. SIMPSON
Notary Public, State of Indiana
Marion County
Commission # 588460
My Commission Expires
August 24, 2016

IN WITNESS WHEREOF, The Dayton Power and Light Company, by its Vice President and Chief Financial Officer and by its Treasurer, has caused this Application to be executed on its behalf this 14th day of March, 2016.

THE DAYTON POWER AND LIGHT COMPANY

By ______________________________
Craig L. Jackson, Vice President and Chief Financial Officer

And ______________________________
Jeffery K. MacKay, Treasurer

STATE OF INDIANA, COUNTY OF MARION, SS:

Before me, a Notary Public in and for the County and State aforesaid, personally came Jeffrey K. MacKay, who being duly sworn, did depose and say that he is the Treasurer of The Dayton Power and Light Company, that he did sign the foregoing Application, and that the statements contained therein are true as he believes.

Sworn to before me and subscribed in my presence this 14^{th} day of March, 2016.

Lissa J Adkins
Notary Public Seal State of Indiana
Johnson County
My Commission Expires 10/30/2018

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Lissa J. Adkins
Notary Public

Respectfully Submitted,

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Attorney for The Dayton Power and Light Company
(willing to accept service by e-mail)

EXHIBIT A

1.875% DP&L First Mortgage Bonds Series Due 2016	$445,000,000
Redemption Costs	$2,086,334*
Commissions	$6,062,906*
TOTAL	$453,149,240

*Estimates, subject to change as actual expenses are incurred

FINANCIAL STATEMENTS

The Dayton Power and Light Company

THE DAYTON POWER AND LIGHT COMPANY
STATEMENTS OF OPERATIONS

$ in millions	Years ended December 31, 2015	2014	2013
Revenues	**$ 1,552.3**	$ 1,668.3	$ 1,551.5
Cost of revenues:			
Fuel	**244.7**	314.9	362.5
Purchased power	**555.7**	582.4	381.9
Total cost of revenues	**800.4**	897.3	744.4
Gross margin	**751.9**	771.0	807.1
Operating expenses:			
Operation and maintenance	**350.5**	355.2	364.2
Depreciation and amortization	**138.2**	144.8	140.2
General taxes	**85.0**	85.7	74.3
Fixed asset impairment	**—**	—	86.0
Other	**0.4**	(3.5)	2.5
Total operating expenses	**574.1**	582.2	667.2
Operating income	**177.8**	188.8	139.9
Other income / (expense), net			
Investment income	**0.3**	0.9	2.0
Interest expense	**(30.9)**	(33.9)	(37.2)
Charge for early redemption of debt	**(5.0)**	—	—
Other deductions	**(0.7)**	(1.1)	(2.5)
Other expense, net	**(36.3)**	(34.1)	(37.7)
Earnings from operations before income tax	**141.5**	154.7	102.2
Income tax expense	**35.1**	39.7	18.6
Net income	**106.4**	115.0	83.6
Dividends on preferred stock	**0.9**	0.9	0.9
Earnings attributable to common stock	**$ 105.5**	$ 114.1	$ 82.7

See Notes to Financial Statements.

Exhibit B

THE DAYTON POWER AND LIGHT COMPANY
STATEMENTS OF COMPREHENSIVE INCOME

$ in millions	Years ended December 31, 2015	2014	2013
Net income	**$ 106.4**	$ 115.0	$ 83.6
Available-for-sale securities activity:			
Change in fair value of available-for-sale securities, net of income tax benefit / (expense) of $0.1, $0.2 and $0.9 for each respective period	**(0.2)**	(0.3)	(1.6)
Reclassification to earnings, net of income tax benefit / (expense) of $0.0, ($0.2) and ($0.7) for each respective period	**—**	0.2	1.4
Total change in fair value of available-for-sale securities	**(0.2)**	(0.1)	(0.2)
Derivative activity:			
Change in derivative fair value, net of income tax benefit / (expense) of ($10.3), $10.5 and ($0.6) for each respective period	**18.2**	(18.8)	1.0
Reclassification of earnings, net of income tax benefit / (expense) of $5.6, ($11.5) and ($2.5) for each respective period	**(9.8)**	15.4	2.6
Total change in fair value of derivatives	**8.4**	(3.4)	3.6
Pension and postretirement activity:			
Prior service cost for the period, net of income tax benefit / (expense) of $0.0, $1.3 and ($0.2) for each respective period	**—**	(2.3)	0.5
Net loss for the period, net of income tax benefit / (expense) of ($1.0), $7.2 and ($1.9) for each respective	**1.7**	(12.5)	4.3
Reclassification to earnings, net of income tax benefit / (expense) of ($1.9), ($1.5) and ($1.9) for each respective period	**3.7**	2.7	3.8
Total change in unfunded pension and postretirement obligation	**5.4**	(12.1)	8.6
Other comprehensive income / (loss)	**13.6**	(15.6)	12.0
Net comprehensive income	**$ 120.0**	$ 99.4	$ 95.6

See Notes to Financial Statements.

Exhibit B

THE DAYTON POWER AND LIGHT COMPANY
BALANCE SHEETS

$ in millions		December 31, 2015		December 31, 2014
ASSETS				
Current assets:				
Cash and cash equivalents	$	5.4	$	5.4
Restricted cash		44.8		16.7
Accounts receivable, net (Note 2)		119.5		152.7
Inventories (Note 2)		108.0		99.0
Taxes applicable to subsequent years		79.2		75.4
Regulatory assets, current (Note 3)		14.4		44.2
Other prepayments and current assets		48.1		41.1
Total current assets		419.4		434.5
Property, plant and equipment:				
Property, plant and equipment		5,244.7		5,120.7
Less: Accumulated depreciation and amortization		(2,584.0)		(2,495.7)
		2,660.7		2,625.0
Construction work in process		78.0		75.4
Total net property, plant and equipment		2,738.7		2,700.4
Other non-current assets:				
Regulatory assets, non-current (Note 3)		179.9		167.5
Intangible assets, net of amortization (Note 1)		5.0		7.8
Other deferred assets		22.8		28.5
Total other non-current assets		207.7		203.8
Total Assets	$	3,365.8	$	3,338.7
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities:				
Current portion - long-term debt (Note 7)	$	444.9	$	0.1
Short-term debt		35.0		—
Accounts payable		94.1		104.8
Accrued taxes		86.2		82.6
Accrued interest		4.1		9.8
Customer security deposits		15.1		34.5
Regulatory liabilities, current (Note 3)		24.4		4.4
Other current liabilities		51.0		44.8
Advance on contract termination		27.7		—
Total current liabilities		782.5		281.0
Non-current liabilities:				
Long-term debt (Note 7)		318.0		877.0
Deferred taxes (Note 8)		631.2		650.0
Taxes payable		82.1		78.4
Regulatory liabilities, non-current (Note 3)		127.0		124.1
Pension, retiree and other benefits (Note 9)		87.1		95.9
Unamortized investment tax credit		20.0		22.4
Other deferred credits		82.3		43.6
Total non-current liabilities		1,347.7		1,891.4
Redeemable preferred stock of subsidiary (Note 10)		22.9		22.9
Commitments and contingencies (Note 11)				
Common shareholder's equity:				
Common stock, par value of $0.01 per share		0.4		0.4
250,000,000 shares authorized, 41,172,173 shares issued and outstanding				
Other paid-in capital		803.7		803.5
Accumulated other comprehensive loss		(28.7)		(42.3)
Retained earnings		437.3		381.8
Total common shareholder's equity		1,212.7		1,143.4
Total Liabilities and Shareholder's Equity	$	3,365.8	$	3,338.7

See Notes to Financial Statements.

Exhibit B

THE DAYTON POWER AND LIGHT COMPANY
STATEMENTS OF CASH FLOWS

$ in millions	Years ended December 31, 2015	2014	2013
Cash flows from operating activities:			
Net income	$ 106.4	$ 115.0	$ 83.6
Adjustments to reconcile Net income (loss) to Net cash from operating activities			
Depreciation and amortization	138.2	144.8	140.2
Amortization of deferred financing costs	2.9	3.1	1.5
Unrealized loss (gain) on derivatives	5.7	2.1	1.3
Deferred income taxes	(19.2)	7.5	(16.8)
Fixed-asset impairment	—	—	86.0
Loss / (Gain) on asset disposal	0.4	(3.5)	2.5
Changes in certain assets and liabilities:			
Accounts receivable	28.7	(7.1)	15.0
Inventories	(9.1)	(24.6)	27.2
Prepaid taxes	(1.3)	(1.1)	0.4
Taxes applicable to subsequent years	(3.7)	(6.9)	(1.8)
Deferred regulatory costs, net	21.8	5.4	7.8
Accounts payable	(5.8)	32.4	(5.9)
Accrued taxes payable	7.3	9.0	(9.1)
Accrued interest payable	(5.7)	0.1	(3.4)
Other current and deferred liabilities	(9.3)	(18.1)	5.9
Pension, retiree and other benefits	(0.7)	19.1	1.8
Unamortized investment tax credit	(2.4)	(2.5)	(2.5)
Other	2.5	(23.0)	1.6
Net cash from operating activities	256.7	251.7	335.3
Cash flows from investing activities:			
Capital expenditures	(127.0)	(114.2)	(122.1)
Decrease / (increase) in restricted cash	(0.3)	(3.7)	(2.3)
Purchase of renewable energy credits	(0.8)	(3.5)	(3.9)
Proceeds from sale of property	—	10.7	0.8
Insurance proceeds	5.2	0.9	14.2
Other investing activities, net	0.4	1.3	(1.2)
Net cash from investing activities	(122.5)	(108.5)	(114.5)
Cash flows from financing activities			
Dividends paid on common stock to parent	(50.0)	(159.0)	(190.0)
Dividends paid on preferred stock	(0.9)	(0.9)	(0.9)
Retirement of long-term debt	(314.4)	(0.1)	(470.1)
Issuance of long-term debt	200.0	—	445.0
Deferred financing costs	(3.9)	(0.7)	(10.4)
Borrowings from revolving credit facilities	50.0	—	—
Repayment of borrowings from revolving credit facilities	(50.0)	—	—
Borrowings from related party	35.0	15.0	—
Repayment of borrowings from related party	—	(15.0)	—
Net cash from financing activities	(134.2)	(160.7)	(226.4)
Cash and cash equivalents:			
Net increase / (decrease) in cash	—	(17.5)	(5.6)
Balance at beginning of period	5.4	22.9	28.5
Cash and cash equivalents at end of period	$ 5.4	$ 5.4	$ 22.9
Supplemental cash flow information:			
Interest paid, net of amounts capitalized	$ 27.5	$ 26.6	$ 41.5
Income taxes (refunded) / paid, net	$ 0.8	$ 0.7	$ (20.3)
Non-cash financing and investing activities:			
Accruals for capital expenditures	$ 16.9	$ 16.3	$ 14.7

See Notes to Financial Statement

Indicative Term Sheet

Issue:	Up to $455 million [redacted]
Issuer:	The Dayton Power & Light Company (the "Issuer")
Use of Proceeds:	Refinance existing debt
Final Maturities:	Up to 30 years from the date of issuance [redacted]
[redacted]	[redacted]

Notes

[redacted]