

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
THE DAYTON POWER AND LIGHT
COMPANY FOR AUTHORITY TO ISSUE
FIRST MORTGAGE BONDS, DEBENTURES,
NOTES, OR OTHER EVIDENCES OF
INDEBTEDNESS OR UNSECURED NOTES.

CASE NO. 16-563-EL-AIS

FINDING AND ORDER

Entered in the Journal on May 18, 2016

I. SUMMARY

{¶ 1} In this Finding and Order, the Commission authorizes The Dayton Power and Light Company (DP&L) to issue and sell, throughout the authorized period, up to \$455 million principal amount of First Mortgage Bonds, debentures, notes, and other evidences of indebtedness in one or more series for a term not to exceed 30 years, the proceeds of which will be used to refinance its existing \$445 million of outstanding First Mortgage Bonds, either by tender or call, and to pay the cost associated with such refinancing. Additionally, the Commission orders DP&L to take necessary steps to attain a balanced capitalization ratio by January 1, 2018.

II. DISCUSSION

{¶ 2} The Dayton Power and Light Company (DP&L), an Ohio corporation is a public utility, as defined in R.C. 4905.02, and is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4905.401 permits public utilities that are electric light companies to “issue notes, or other evidences of indebtedness payable at periods of not more than twelve months[,]” when authorized by the Commission. Pursuant to the statute, Commission authorization is not required for a public utility electric light company to issue short-term notes and other evidences of indebtedness aggregating “not more than five per cent of the par value of the other stocks, bonds, notes, and other evidences of indebtedness” of the company.

{¶ 4} On March 14, 2016, DP&L filed an application for authority to issue and sell up \$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. DP&L proposes that the proceeds from the sale 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 refinancing. DP&L asserts that the proposed transaction will benefit customers by replacing \$445 million of existing First Mortgage Bonds that are due and payable on September 15, 2016, and will help DP&L obtain the consent of bondholders necessary to properly effectuate the transfer of DP&L's generation assets.

{¶ 5} On April 15, 2016, Staff filed its review and recommendations regarding DP&L's application. Staff asserts that the proposed financing requested by DP&L will not make any noticeable change on a pro forma basis in the capitalization structure of DP&L. Further, Staff notes that in Case No. 13-2420-EL-UNC, the Commission directed DP&L to achieve and maintain a capital ratio of 50 percent debt and 50 percent equity after its generation assets are transferred. *In re The Dayton Power and Light Co.*, Case No. 13-2420-EL-UNC, Finding and Order (Sept. 17, 2014). Staff states that it believes the proposed issuance in this proceeding will facilitate DP&L's transfer of its generation assets and eventually arrive at a balanced capitalization structure. Staff also recommends that the Commission direct DP&L to take necessary steps to attain a balanced capitalization ratio by January 1, 2018. Accordingly, Staff asserts that DP&L's application is reasonable and should be approved.

{¶ 6} Upon review of the application, the Commission finds that DP&L's application is reasonable and should be approved. DP&L requests authorization to issue and sell, throughout the authorized period, up to \$455 million principal amount of First Mortgage Bonds, debentures, notes, and other evidences of indebtedness in one or more series for a term not to exceed 30 years, the proceeds of which will be used to refinance its existing \$445 million of outstanding First Mortgage Bonds, either by tender or call, and to pay the cost associated with such refinancing. The Commission agrees with DP&L and Staff

that the proposed transaction will help DP&L obtain the consent of bondholders, which will be necessary to amend DP&L's First & Refunding Mortgage in order to properly effectuate the transfer of DP&L's generation assets. Additionally, the Commission agrees with Staff that DP&L should take necessary steps to attain a balanced capitalization ratio by January 1, 2018. Accordingly, DP&L's application is reasonable and should be approved. Finally, the Commission finds that no hearing is necessary in this matter.

III. ORDER

{¶ 7} It is, therefore,

{¶ 8} ORDERED, That DP&L is authorized through December 31, 2016, to issue and sell up to \$455 million principal amount of First Mortgage Bonds, debentures, notes, and other evidences of indebtedness in one or more series for a term not to exceed 30 years, pursuant to R.C. 4905.40 and 4905.41, and pursuant to the terms and conditions as described in the application and this Finding and Order. It is, further,

{¶ 9} ORDERED, That the authorization granted by this Finding and Order shall not be construed as limiting the Commission's determination of the appropriateness of DP&L's future long-term security offerings issues wholly or in part for the purpose of retiring its outstanding short-term evidences of indebtedness. It is, further,

{¶ 10} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation as to the unsecured notes and other evidences of indebtedness or the associated interest on the part of the state of Ohio. It is, further,

{¶ 11} ORDERED, That nothing in this Finding and Order be deemed to be binding upon the Commission in any future proceedings or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation of DP&L. It is, further,

{¶ 12} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of DP&L. It is, further,

{¶ 13} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

Commissioners Voting: Andre T. Porter, Chairman; Asim Z. Haque, Vice Chairman; Lynn Slaby; M. Beth Trombold; Thomas W. Johnson.

BAM/sc