BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 16-0395-EL-SSO
CASE NO. 16-0397-EL-AAM
CASE NO. 16-0396-EL-ATA

DIRECT TESTIMONY OF CRAIG L. JACKSON

PUBLIC VERSION

OCTOBER 11, 2016

- ☐ **MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION**
- ☐ **OPERATING INCOME**
- ☐ **RATE BASE**
- ☐ **ALLOCATIONS**
- ☐ **RATE OF RETURN**
- ☐ **RATES AND TARIFFS**
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I. INTRODUCTION

Q. Please state your name, employer and business address.

A. My name is Craig L. Jackson. I am employed by AES US Services, LLC, which is the service company that serves The Dayton Power and Light Company ("DP&L" or the "Company") and its parent holding company DPL Inc. ("DPL"). My business address is One Monument Circle, Indianapolis, IN 46204.

Q. What is your position and professional relationship with DP&L?

A. I am DPL's and DP&L's Chief Financial Officer and Director, Vice President, and Chief Financial Officer of AES US Services, LLC ("AES Services").

Q. How long have you been in your present position?

A. I have been the Chief Financial Officer of DPL and DP&L since May 2012 and the Vice President, Director and Chief Financial Officer of AES Services since May 2013.

Q. What are your responsibilities in your current position?

A. In my current position, I report to the President of AES US Services. I have direct responsibility and oversight for accounting, tax, financial planning, treasury, risk management, and internal audit functions of DPL and DP&L and other AES affiliates.

Q. Will you describe briefly your educational and business background?

A. I received a Bachelor of Science degree in Business Administration from Bloomsburg University in 1996. I also earned a Masters of Business Administration degree in Finance from Wright State University in 2001.

I joined DP&L in February 2000 as Financial Analyst, Corporate Modeling. In December 2002, I accepted the position of Team Leader, Independent System Operator ("ISO") Settlements, with PPL Corporation. In June 2004, I returned to DP&L as Manager, Financial Planning and Analysis, reporting to the Chief Financial Officer. From June 2004 to May 2012, I was promoted through several positions of increasing responsibility within the Treasury organization, the last of which was as Vice President and Treasurer. In May 2012, I was promoted to Chief Financial Officer at DP&L. In May 2013, I accepted my current position.

Prior to joining DP&L in February of 2000, I served in the United States Air Force ("Air Force") as a Finance Technician. I began my service with the Air Force in May 1996.

Q. Have you previously provided testimony before the Public Utilities Commission of Ohio ("PUCO" or the "Commission"), any other state commission or the Federal Energy Regulatory Commission ("FERC")?

A. Yes. I have sponsored testimony before the PUCO in Case No. 12-426-EL-SSO et al. (DP&L's last Electric Security Plan proceeding). I have also provided testimony before the Indiana Utility Regulatory Commission in Cause No. 44339 (IPL Replacement Generation Projects) and Cause No. 44576 (IPL Basic Rate Case).

II. PURPOSE OF TESTIMONY

Q. What are the purposes of this testimony?

A. The purposes of this testimony are to (1) support DP&L's need for a Distribution Modernization Rider ("DMR"); (2) explain the facts as to DP&L's and DPL's financial integrity, as shown by the Company's pro forma financial projections for the period of the

Electric Security Plan filing (January 2017 through December 2023); (3) explain that DMR funds should be excluded from the significantly excessive earnings test; and (4) support the Company's long-term cost of debt calculations.

Q. What workpapers and exhibits are you supporting?

A. I am sponsoring the following workpapers and exhibits, which satisfy the requirements set forth in Ohio Administrative Code ("OAC") 4901:1-35-03:

(1) Exhibit CLJ-1: Projected Statements of Income – DPL Inc.

(2) Exhibit CLJ-2: Projected Balance Sheet – DPL Inc.

(3) Exhibit CLJ-3: Projected Statements of Cash Flow – DPL Inc.

(4) Exhibit CLJ-4: Projected Statements of Income – Dayton Power and Light

(5) Exhibit CLJ-5: Projected Balance Sheet – Dayton Power and Light

(6) Exhibit CLJ-6: Projected Statements of Cash Flow – Dayton Power and Light

(7) Exhibit CLJ-7: Section D from The Company's Distribution Rate Case filing before the PUCO (Case No. 15-1830-EL-AIR et al) as sponsored or co-sponsored by Company Witness MacKay.

Q. Please summarize the results from the pro forma financial statements.

A. The pro forma Income Statement, Balance Sheet, and Cash Flow for DPL and DP&L for the 2017 through 2023 period are provided on Exhibits CLJ-1 through CLJ-6. In summary, the projections reflect the effects of (a) the DMR beginning in 2017, (b) a distribution rate increase, as filed by the Company, beginning in 2017 (Case No. 15-1830-EL-AIR et al) and riders filed in that case along with future distribution rate increases to recover costs and investments expected to be incurred during the period 2017 through 2023, and (c) utilizing cash available, after paying all costs and necessary capital investments, to reduce and retire debt at DP&L and DPL which enable both to achieve specified financial metrics as described herein.

III. FINANCIAL STATEMENTS

Q. Does DP&L's ESP comply with Ohio Administrative Code 4901:1-35-03, and if so, how?

A. Yes. In seeking approval for the Electric Security Plan ("ESP"), the Company must meet certain filing requirements as described in OAC 4901:1-35-03. These requirements include providing pro forma financial projections for the filing period (2017 through 2023) as well as calculations of its projected return on equity for each year of the ESP. The OAC also requires Balance Sheet and Income Statement information along with methodology and assumptions for these projections. DP&L satisfies these requirements by providing Balance Sheet, Income Statements, Cash Flow Statements, and return on equity projections for every year of the filed ESP period (2017 through 2023). The pro forma financial statements and projections for DP&L are included in Exhibits CLJ-4, CLJ-5 and CLJ-6.

IV. FINANCIAL INTEGRITY

Q. How do you define financial integrity for a utility and a utility holding company?

A. I define financial integrity of a utility or a utility holding company as having sufficient operating cash flow to: (a) pay all normal operating expenses and capital expenditures that are necessary to ensure safe and reliable electric service is provided to customers at a reasonable cost (including but not limited to operating and maintenance expenses, general taxes, general and administrative expenses, pension contributions and other normal course expenses necessary to operate a Company); (b) meet all contractual debt obligations on a timely basis; (c) maintain appropriate capitalization levels and investment grade credit ratings; and (d) have the opportunity to earn a reasonable rate of return on equity.

Q. Why are the financial integrity of the utility and utility holding company equally essential?

A. They are equally essential for the following reasons: (1) A utility must maintain its financial integrity to ensure that it can (a) make the necessary capital and operating investments/expenditures (as noted above) that are required in the normal course of business to ensure the safe and reliable provision of electric service; (b) access debt capital markets to refinance existing debt obligations on their contractually established maturity dates; (c) attract reasonably priced debt and equity capital to finance growth in its regulated asset base (including investment required to modernize its transmission and distribution infrastructure); and (d) maintain reasonably priced debt and equity capital to ensure reasonable rates to customers.

(2) Similarly, if the utility holding company cannot maintain its financial integrity, it will (a) need to rationalize capital and operating expenditures at the utility (that otherwise would be necessary to ensure the stable and safe provision of service) in order to ensure that its own financial obligations can be met; (b) not have funds, or access to the capital markets to raise funds, that may be required to invest in the utility and to ensure that the utility can maintain, modernize and/or grow its existing transmission and distribution

infrastructure; and (c) adversely affect its own credit ratings and the credit ratings of the utility (all of the major credit ratings agencies "notch" the utility and the utility holding company, so that the utility credit ratings are directly linked to that of the utility holding company), which will increase the borrowing costs for the utility and the utility holding company and decrease cash available to operate and maintain the utility's assets, or to invest in infrastructure modernization projects.

Q. What are credit ratings?

A. Credit ratings are reports which "rate" or assess the financial creditworthiness of a company. They reflect a third-party agency's independent judgment of a company's credit worthiness and its ability to meet its financial obligations to its creditors. Credit committees at each agency determine the ratings of a company based on a set of defined qualitative and quantitative measures. These factors are designed to assess the financial and business risk of a company and/or specific debt instruments.

Q. What are the definitions of an investment grade rating?

A. Both Fitch and Standard & Poor's ("S&P") define investment grade as any rating equal to or greater than "BBB-," while Moody's Investor Services ("Moody's") defines investment grade as any rating equal to or greater than "Baa3." Anything below those ratings would fall into the non-investment grade category.

Q. Why are maintaining appropriate capitalization levels and investment grade credit ratings considered an important element of a utility's and utility holding company's financial integrity?

A. Credit ratings directly impact a utility's and utility holding company's ability to access the capital markets at a reasonable cost and during all economic cycles. Given the persistent need to access the capital markets to finance new investments and to refinance existing obligations, having a resilient financial position that enables unrestricted access to the capital markets at reasonable costs is essential to a utility's financial integrity. Absent investment grade credit metrics, any utility would be at constant risk to increases in overall financing costs, higher rates for electric service and a strain on resources that could otherwise be utilized to meet customers' ongoing needs for reliable service. Furthermore, in a worst case, a utility may be unable to access the capital markets altogether to refinance existing obligations or to finance required capital expenditures, putting financial sustainability at risk.

Q. Do DPL and DP&L currently maintain investment grade credit ratings?

A. DPL's current ratings are B+/BB/Ba3 with negative outlooks (Fitch/S&P/Moody's), and DP&L's current secured bond ratings are BBB/BBB-/Baa2 with negative outlooks (Fitch/S&P/Moody's). Although DPL is below investment grade and DP&L is investment grade, both have a negative outlook by each of the three rating agencies. Given the significant amount of uncertainty and risk currently facing the consolidated Company, both DPL's and DP&L's credit ratings are at risk for an imminent downgrade as further described below.

Q. Can you describe the "uncertainty and risk" currently facing DPL and DP&L that have resulted in a negative outlook and threaten to further weaken their financial integrity?

A. Yes, there are a number of factors driving this outlook:

1. Load growth has been anemic at best with the combination of a slow economic recovery and increased energy efficiency holding down demand for electricity.

2. On June 20, 2016 the Supreme Court of Ohio reversed the Commission's Order in Case No. 12-426-EL-SSO. Beginning in September 2016, DP&L began collecting significantly less under its ESP I rates than it had under its ESP II rates.

3. On May 24, 2016, PJM posted the results of its 2019/2020 delivery year Reliability Pricing Model ("RPM") Base Residual Auction ("BRA"), which cleared at only $100 per MW-day.

   This auction, along with prior year auctions for PJM's RPM capacity market, have produced prices well below PJM's calculation of the "Net Cost of New Entry."

4. Natural gas has continued to trade around historically low prices, which has impacted power prices and ultimately, the $/MWh energy margins or "dark spreads" realized by coal plants have decreased due to low power prices.

All of the factors mentioned above have strained the financial performance of DPL and DP&L, reduced cash flow forecasts, and adversely impacted the financial outlook of both companies. In response, all three major international rating agencies – Moody's Investor Services, Fitch Ratings and S&P Global Ratings – have revised downward the outlook of DPL and DP&L from stable to negative, in each case reflecting the their weakening financial outlook.

Specifically, (1) on July 12, 2016, Fitch Ratings affirmed the credit ratings of DPL and DP&L, but revised their outlook to negative from stable. In its report, Fitch stated "revision of the Rating Outlook follows the Ohio Supreme Court's rejection of DP&L's "service stability rider (SSR) which could have a material credit impact on DP&L and DPL"; (2) on June 27, 2016, S&P Global Ratings placed DP&L and DPL on "CreditWatch with negative implications," because "[t]he Ohio Supreme Court's opinion increases the likelihood of a weaker financial risk profile, reflecting weaker financial measures for DPL and DP&L that could result in a near term ratings downgrade"; and (3) on August 5, 2016, Moody's Investor Services issued a press release and changed the ratings outlook of DPL and DP&L to negative from stable, prompted by the "substantial uncertainty resulting from a June 2016 Ohio Supreme court ruling . . . [and] the group's exposure to weak power merchant market conditions."

Without appropriate rate relief in this case, and as explained below, DPL and DP&L expect that: (a) a downgrade from each of Moody's, S&P and Fitch would be imminent, which would adversely impact DPL's and DP&L's cost of borrowing and access to the capital markets; and (b) the financial integrity of both DPL and DP&L would be further weakened.

Q. Have recent debt issuances been impacted by DPL and/or DP&L credit ratings?

A. Yes. On August 24, 2016, DP&L refinanced $445 million of First Mortgage Bonds that were scheduled to mature on September 15, 2016; however, given the significant uncertainty in Ohio and the existing rating instability that I have described above, DP&L was unable to refinance this debt in a traditional long-term investment grade utility format. Instead, DP&L needed to access the institutional term-loan market, which is typically reserved for companies that have unstable financial profiles and below investment grade credit ratings. In return for assuming the elevated credit risk associated with DP&L, the investors required:

(a) a short-term maturity (6-years);

(b) a relatively high (and variable) cost of borrowing; and

(c) a covenant package that, among other things, prevents the Company from raising debt to modernize the transmission and distribution system during the term of the loan.

As a result of these characteristics, this tranche of debt is very unattractive for a regulated utility.

Q. Do you expect similar future issues if the PUCO does not take action to ensure DPL's and DP&L's financial integrity?

A. Yes. I would expect similar issues and in fact, such issues would get worse with time, if the PUCO does not take action or delays in taking action. Specifically, if DPL and DP&L cannot maintain their financial integrity, then they would: (a) be at constant risk of increases in overall financing costs, which would result in higher rates for electric service and a strain on resources that could otherwise be utilized to meet customers' ongoing needs for reliable service; (b) have limited access to the capital markets to refinance existing obligations and maintain financial sustainability; and (c) have no ability to finance modernization investments or generally to invest in the expansion of their distribution infrastructure.

Q. Why is return on equity an important element of a utility's financial integrity?

A. A reasonable return on equity is essential to a utility's financial integrity in that it provides an economic incentive to invest equity capital in the utility. Without an expectation of a reasonable rate of return, the utility would not be able to access equity to finance capital expenditures.

Q. Do DP&L and DPL pay dividends?

A. DP&L pays dividends, or provides a return of invested equity to DPL. In 2015, DP&L paid $50 million in dividends to DPL and is

DPL has used these dividends, exclusively, to meet interest obligations and to retire debt at DPL.

DPL has not made any dividend payments to AES since 2012 (dividend payments to AES totaled $64 million in 2012) and

Q. Why hasn't DPL made dividends payments since 2012, and why isn't DPL planning to make, any dividend payments to AES?

A. DPL is using all excess cash flows (i.e. cash flows available after paying its debt obligations), to pay down debt to a level that is more appropriate given its forecasted cash flows as represented in the attached exhibits.

V. DP&L'S DISTRIBUTION MODERNIZATION RIDER ("DMR")

Q. Can you describe DP&L's proposal for a DMR?

A. Yes. DP&L is requesting that the Commission approve a seven-year non-bypassable DMR that would recover $145 million per year with no true-up. The cash flow from this rider would ensure: (a) that both DPL and DP&L could reach an appropriate capital structure and maintain their financial integrity, and (b) that DP&L would have access to equity and debt capital in order to finance transmission and distribution infrastructure modernization investments.

Q. Will the proposed DMR be used to support the generation business?

A. No. The cash flow from the DMR will be used to (a) pay interest obligations on existing debt at DPL and DP&L (b) make discretionary debt prepayments at DPL and DP&L (c) allow DP&L to make capital expenditures to modernize and/or maintain the Company's transmission and distribution infrastructure.

Q. Will the proposed discretionary debt prepayments include prepaying debt associated with the generation business?

A. No. Neither DP&L nor DPL maintain generation specific debt. All of the debt at DP&L was issued off the full faith and credit of the integrated utility, and is supported by the assets and cash flow of that entity. Similarly, all the debt at DPL is unsecured but nonetheless, supported primarily by the consolidated cash flows coming from DP&L. Any debt prepayment will be that of the consolidated entity and not specifically attributable to the generation business.

Q. Is the proposed amount of the DMR necessary to assure DP&L's and DPL's financial integrity?

A. Yes. The amount proposed is what the Company believes is necessary to continue to materially reduce consolidated long-term debt and/or to increase consolidated cash flows in order to achieve an investment grade credit rating. As stated earlier, achieving and maintaining an investment grade rating is an essential element of DP&L's and DPL's financial integrity as it will ensure unrestricted access to debt and equity capital markets at a reasonable cost in order to finance future investments in the Company's transmission and distribution infrastructure and to ensure that the Company can continue to refinance existing obligations without putting long term sustainability at risk.

Q. How did you calculate the amount of DMR that is required by the Company?

A. The amount of DMR required was calculated by utilizing the pro forma financial statements included in Exhibits CLJ-1 through CLJ-6 together with targeted investment grade credit metrics as defined by Moody's Rating Services (Moody's).

(a) Moody's in its Rating Methodology paper for the Regulated Electric & Gas Utilities identifies 13-22% as the appropriate FFO (pre-working capital cash flow from operations) to Debt range for Baa, or low investment grade, electric utility and electric utility holding companies with assets similar to DPL and DP&L.

Q. Why are you adjusting FFO in the aforementioned calculations?

A. Credit rating agencies, and prospective lending institutions (banks and/or institutional investors) will discount generation related cash flows when performing their respective credit analysis and making their investment/rating decisions. This is because: (1) the energy margins and capacity prices are both subject to significant market volatility, which is largely uncontrollable by the Company; and (2) these cash flows have a finite life span that could be dramatically reduced in the event unknown federal environmental legislation is passed (e.g. Clean Power Plan) that would negatively affect the economics of coal or gas fired plants.

Q. What is the DPL consolidated FFO/Debt during the ESP period?

In summary, after the DMR is fully collected, DPL's long-term cash flow profile will support an investment grade credit rating and enable it to maintain its financial integrity, given its then-current debt balance.

Q. Is FFO/Debt the only relevant component of an investment grade rating?

A. No. In its Rating Methodology paper for the Regulated Electric & Gas Utilities, Moody's lays out four factors that are important in its assessment of ratings in the regulated electric and gas utility sector, and their holding companies. These four factors are:

- Regulatory Framework
- Ability to Recover Costs and Earn Returns

- Diversification
- Financial Strength

Furthermore, "Financial Strength," which Moody's generally gives a 40% weight to the overall rating, typically includes more than one financial metric. Given the other characteristics of DP&L/DPL, we believe that the FFO/Debt metric is the best indicator of future ratings.

Q. You mentioned that DP&L and DPL could either grow cash flows or reduce debt in order to ensure financial integrity. Can you explain?

A. Yes. DPL can enhance its credit ratings and ensure financial integrity by (a) growing its consolidated cash flows (FFO), (b) reducing consolidated debt or (c) some combination of both. I am expecting, and have included in our forecasts, that DP&L will use DMR funds to reduce debt by approximately

This consolidated debt reduction will allow DPL consolidated to reach a targeted FFO/debt level that would provide DP&L access to equity and debt capital necessary to finance growth capital expenditures; however, if the opportunity exists for DP&L to immediately use DMR funds to modernize its transmission and distribution infrastructure and have a mechanism in place to grow its regulated FFO, and thus help the DPL consolidated achieve investment grade credit metrics – defined as a minimum of 13% adjusted FFO/debt – then the Company will do so.

Q. How does the Company plan to pay down debt at DP&L and DPL?

A. During the ESP period, the Company will utilize a projected of cash from the DMR to reduce DP&L debt. Also, as shown on Exhibit CLJ-3, the Company will distribute sufficient cash from the DMR to DPL to enable a prepayment of an additional of DPL parent level debt. In total, the consolidated company will pay down approximately during the ESP period with funds from the DMR.

Q. If the Commission does not approve the Company's recommended DMR, what impacts will such a ruling have on DPL and DP&L's financial integrity?

A. Without approval of the Company's proposed DMR, both DP&L and DPL would be unable to realize any of the elements essential to a utility's and utility holding company's financial integrity. Specifically, both DPL and DP&L would: (a) have insufficient cash flows to pay all normal course obligations, including but not limited to operating expenses, principal and interest, pension contributions, tax payments, and planned T&D capital expenditures; (b) face an immediate downgrade of their current credit ratings to a below investment grade level; (c) be unable to pay down debt to appropriately capitalize the business; and (d) be unable to provide a reasonable return to equity holders.

Q. Why would it matter if DPL and/or DP&L cannot maintain their financial integrity?

A. As described above, an inability of a utility or a utility holding company – in this case DP&L and DPL – to maintain its financial integrity would have a deleterious effect on the utility's (a) ability to provide stable and certain utility service to customers, (b) access to debt and/or equity to finance capital expenditures necessary to maintain, modernize or grow existing transmission and distribution infrastructure; (c) access to the debt capital markets to refinance existing obligations; (d) borrowing costs and net cash flows available to maintain its transmission and distribution assets.

Q. Has DPL or DP&L made efforts to cut costs and to maintain its financial integrity without having to receive a DMR?

A. Yes. Over the past several years, DPL and DP&L have taken strategic actions to improve its financial integrity: (1) Asset Sales: the sale of its ownership interests in East Bend generating station and the sale of its competitive retail businesses (MC Squared Energy Services, LLC and DPL Energy Resources, LLC); (2) Operational Actions: DP&L has implemented cost controls, travel restrictions and other measures to reduce its operating expenses; (3) Financing Actions: DP&L has refinanced with short-term variable-rate instruments which have a high risk profile but relatively low cost, which has lowered the Company's consolidated interest expenses; (4) Debt prepayment: the actions above, along with the use of existing operating cash flows, enabled DPL and DP&L to pay down approximately

(5) on November 30, 2015, DP&L filed a Distribution Rate Case requesting an increase to base distribution rates, of which the total requested amount is included in the financial projections reflected in Exhibits CLJ-1 through CLJ-6; and (6) finally, as noted earlier, AES has foregone (historically and prospectively) any dividend and tax sharing payments from DPL since the end of 2012.

The Company took these actions to enhance cash flows and maintain its financial integrity. However, without additional relief as laid out here, these actions will prove to be insufficient to allow DPL and DP&L to maintain their financial integrity.

VI. FINANCIAL PROJECTIONS

Q. What methodology and associated processes were used to develop the financial statements?

A. The pro forma financial statements included in Exhibits CLJ-1 through CLJ-6 reflect the projected financial effect of the Company's filed ESP, including the proposed DMR, and were developed consistently with the methodology and process used by the Company for preparing its normal operating forecast. This methodology is a "bottom up" approach to forecasting that requires input and assumptions from a variety of areas within the Company. The assumptions, which include distribution sales, Standard Service Offer sales, generation plant characteristics, operating cost projections, capital expenditures and financing assumptions, among others, are reviewed with the business areas to determine the most reasonable set of assumptions to be incorporated into the forecast. As we progress through the business year, we track and monitor actual results compared to the forecast. Based on actual results combined with potential changes in business and market conditions, the forecast is adjusted as needed. The process makes the forecast a reliable one.

Q. What are the major components of the financial forecast?

A. The inputs and assumptions received are used to derive the following major components of the forecast:

(1) Distribution baseline sales volumes;

(2) Retail and wholesale revenue estimates;

(3) Operations and maintenance expense forecast;

(4) Capital expenditures forecast; and

(5) Financing Assumptions

Q. How are each of the above components developed?

A. The development and methodology for each of these major components are as follows:

(1) Distribution Baseline Sales Volumes – The distribution baseline sales volumes are consistent with the Company's Long-Term Forecast Report filing, Case No. 16-0724-EL-FOR.

(2) Retail and wholesale revenue estimates – The retail revenues reflected in the Company's pro forma financial statements include tariff rates as proposed in DP&L's recently filed Distribution Rate Case (Case No. 15-1830-EL-AIR et al.), revenues associated with the Company's DMR in this case, and the distribution baseline sales volume described earlier. Additionally, retail revenues incorporate the impacts from the Competitive Bid Process ("CBP"), which are completely offset by a corresponding expense.

Wholesale revenue estimates are based on DP&L's internal price and dispatch forecasts, discussed below.

(3) Operations and Maintenance ("O&M") Expense Forecast – O&M expenses are forecasted by (and reviewed with) all of the business areas within the Company.

Underlying the O&M forecasts are assumptions for various items such as projected salary increases and inflationary factors. Each area's O&M forecast includes staffing plans, labor costs, and other operational costs necessary to perform the functions of the specific area.

(4) Capital Expenditures Forecast – Capital expenditures are forecasted by (and reviewed with) all of the business areas within the Company, although a substantial portion of the forecast is driven by the Company's operational groups: Transmission, Distribution, and Generation. The forecast includes specific projects with estimated in-service dates as well as dollars to fund smaller projects under a blanket capital budget. The capital expenditures and related in-service dates are used to estimate depreciation (book and tax) and capitalized interest.

(5) Financing Assumptions – Financing assumptions, including but not limited to assumptions related to new financings, refinancings, debt retirements, and overall capitalization targets, are provided by DP&L's Treasury organization and reviewed by the finance leadership team. The forecasts include specific plans related to (a) known and measurable events, including the refinancing of near term debt obligations and (b) targeted use of excess (or discretionary) cash flows for debt reductions / retirements.

Q. As the Company currently supplies 100% of the Standard Service Offer through the Competitive Bid Process ("CBP"), does the CBP produce financial impacts that are reflected in the Company's pro forma financial statements?

A. No. As of January 1, 2016, the Company began sourcing 100% of its standard service offer through the CBP. In this pending ESP case, the Company has proposed to continue a similar CBP. Therefore, there are no financial impacts related to the CBP in the Company's pro forma financial statements.

Q. Do your pro forma financial statements account for generation separation?

A. No. The pro forma financial statements do not assume that generation separation is effectuated. Although DP&L is no longer required to separate its generation assets, DP&L is continuing to make efforts to transfer, including filing a request for approval from FERC. Nevertheless, separation of generation will not have any impact on DPL FFO/debt ratio or the amount of the DMR.

Q. Do your pro forma financial statements account for changes in Base Distribution rates that may come out of your ongoing distribution rate proceedings?

A. Yes. The pro forma financial statements do assume that the distribution revenue requirement increases by $65 million, the level requested in the Company's ongoing distribution rate proceeding, beginning in 2017. If the outcome of the distribution rate proceeding were to result in a revenue requirement increase of less than the requested $65 million, then the DMR, in this ESP proceeding, would need to increase to offset that reduction to the revenue requirement to ensure the Company can achieve the targeted financial metrics described above.

Q. Was the amount of the proposed DMR reflective of the Distribution rate increases noted above?

A. Yes. The proposed DMR was determined after giving consideration to the Distribution rate increases.

Q. Do you anticipate issuing incremental long-term debt at DP&L over the forecast period?

A. No, not at this time. In fact, the Company will be reducing debt at both DP&L and DPL Inc.

VII. SIGNIFICANTLY EXCESSIVE EARNINGS TEST ("SEET")

Q. Can you explain the method that DP&L proposes should be used for the significantly excessive earnings tests in Ohio Rev. Code 4928.143 (E) & (F)?

A: Yes. If the DMR is in place as proposed, a pro forma adjustment should be made to exclude it from DP&L's SEET calculation. Thus, there will be no effect on the SEET for DP&L as a result of DMR, and the current SEET threshold of 12% should remain.

Q: Can you explain why you believe that this method is reasonable?

A: Yes. The financial stability of DP&L, and its ability to fund future investments in accordance with Ohio energy policy, is dependent on the financial strength of its parent DPL. If the SEET included these funds, there would be no assurance that these funds would be available to (a) refinance and/or retire debt principal obligations, (b) make interest payments due on its debt, and/or (c) recapitalize its balance sheet and ensure the long-term viability of DPL and DP&L.

VIII. COST OF LONG-TERM DEBT

Q. What Cost of Debt (CoD) is reasonable for the purposes of setting rates in this case?

A. I am proposing a 5.29% CoD for this proceeding, which is the same CoD that was proposed in the distribution rate case filed in November 2015 before the PUCO.

Q. How did you calculate this CoD?

A. The Cost of Debt was calculated by using the embedded (actual) CoD as of September 30, 2015 and adjusting it, to reflect the impact of the imminent refinancing of a short term, variable rate $445 million institutional term loan (the "Term Loan").

Q. Why are you adjusting the CoD?

A. On August 24, 2016 DP&L refinanced $445 million of First Mortgage Bonds that were scheduled to mature on September 15, 2016; however, given the significant amount of uncertainty relating to DP&L, the Company was unable to refinance this debt in a traditional long term investment grade utility format. Instead, DP&L accessed the institutional term loan market, which is typically reserved for companies that have unstable financial profiles and below investment grade credit ratings. In return for assuming the elevated credit risk associated with DP&L and that is prevalent in Ohio, the investors required:

(a) a short term maturity

(b) a relatively high (and variable) cost of borrowing

(c) a covenant package which among other things, limits the Company's ability to raise debt to modernize the transmission and distribution network or to make incremental capital expenditures that might benefit DP&L's customers.

As a result of all these characteristics, this tranche of debt is envisioned to be very short term in nature and inappropriate for setting rates. In fact, once the regulatory and market conditions in Ohio stabilize, it is the Company's intent to redeem this loan at par value, and refinance it in the investment grade market with long term first mortgage bonds under more traditional terms and conditions. For this reason, I have adjusted the CoD to reflect the impact of refinancing this short term and variable rate $445 million Term Loan.

Q. What adjustments are you proposing to the embedded cost of debt for this rate proceeding?

A. I am proposing to adjust the embedded (actual) CoD to account for the imminent refinancing of the 6-year $445 million institutional Term Loan with new and more conventional 30-year first mortgage bonds. Once market and regulatory conditions in Ohio stabilize, DP&L will seek to recapitalize its business with a traditional fixed-rate, long-term debt issuance. As discussed below, I believe the coupon associated with this issue will be approximately 6.60% and after including financing costs, redemption costs and other related costs (including unamortized gains and losses associated with this series of debt) this planned issuance will have the effect of normalizing DP&L's total CoD at approximately 5.29%.

Q. How did you arrive at the 6.60% interest rate for a 30-year issuance?

A. My methodology was as follows:

1. It is my opinion that the average 30-year US treasury yield forecast for 2016 as measured by Global Insight and Value Line of 4.00% is appropriate for estimating a future interest rate for DP&L;

2. I then factored in the expected secured bond rating of DP&L and I have assumed that the uncertainty mentioned earlier in my testimony is addressed in such a way that DP&L maintains a secured bond rating of BBB/Baa2; and
3. I then applied the corresponding credit spread for a similarly rated 30-year First Mortgage Bond. A regularly replenished population of public utility bonds as rated by Moody's derives a 260 basis point spread above the 30 year US Treasury for Baa public utility issuers as of September 30, 2015.

These assumptions resulted in a projected interest rate for new 30 year first mortgage bonds issued in late 2016 of 6.60%.

Q. Why are you using a 4.00% US Treasury yield? Haven't interest rates dropped since your distribution rate case was filed in November 2015?

A. Yes, 30-year US treasury yields are currently below 4.00% but the refinancing of the new $445M institutional loan will take place at a future date, after the market and regulatory conditions in Ohio have stabilized. The expectation is that interest rates will increase in the immediate future. It should also be noted that credit spreads often have an inverse relationship with treasuries; meaning, if the benchmark treasury rates decrease, credit spreads are more likely to increase. As a result of these two factors, I believe it is appropriate to maintain the assumptions as originally presented in the distribution rate case filing.

Q. What is the final CoD you are proposing?

A. After replacing the 6-year loan facility with a longer-term 30-year issue, and adjusting this new 30-year bond for financing, redemption and other related costs (including unamortized gains and losses associated with this series of debt) this results in my proposed adjusted total CoD of 5.29%. This figure is consistent with other regulatory rate proceedings the Company is engaged in at this time.

IX. WORKPAPERS AND EXHIBITS

Q. Please identify and describe Exhibit CLJ-1.

A. Exhibit CLJ-1 is the pro forma Statements of Income for the DPL Inc., the parent Company of The Dayton Power and Light Company, for the years ending December 31, 2017 through 2023.

Q. Please identify and describe Exhibit CLJ-2.

A. Exhibit CLJ-2 is the pro forma Balance Sheet for DPL Inc. for the years ending December 31, 2017 through 2023.

Q. Please identify and describe Exhibit CLJ-3.

A. Exhibit CLJ-3 is the pro forma Statements of Cash Flow for DPL Inc. for the years ending December 31, 2017 through 2023.

Q. Please identify and describe Exhibit CLJ-4.

A. Exhibit CLJ-4 is the pro forma Statements of Income for The Dayton Power and Light Company for the years ending December 31, 2017 through 2023.

Q. Please identify and describe Exhibit CLJ-5.

A. Exhibit CLJ-5 is the pro forma Balance Sheet for The Dayton Power and Light Company for the years ending December 31, 2017 through 2023.

Q. Please identify and describe Exhibit CLJ-6.

A. Exhibit CLJ-6 is the pro forma Statements of Cash Flow for The Dayton Power and Light Company for the years ending December 31, 2017 through 2023.

Q. Please identify and describe Exhibit CLJ-7.

A. Exhibit CLJ-7 includes the schedules and workpapers sponsored or co-sponsored by Jeffrey K. MacKay in the Company's Distribution Rate Case filing before the PUCO (Case No. 15-1830-EL-AIR et al).

Q. Are the pro forma statements included in Exhibits CLJ-1, CLJ-2, CLJ-3, CLJ-4, CLJ-5, CLJ-6 and CLJ-7 accurate?

A. Based on the various assumptions and input received, and the review completed by the Company, yes, the statements are accurate.

X. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, it does.

1106413.1

The Dayton Power and Light Company
Case No. 16-0395-EL-SSO
Projected Statements of Income (unaudited) ($ in millions) - DPL Inc
2017 - 2023
REDACTED

Data: Forecasted | Revised Exhibit CLJ-1
Type of Filing: Revised | Page 1 of 1
Work Paper Reference No(s).: None | Witness Responsible: Craig Jackson

Line No.	Description	2017	2018	2019	2020	2021	2022	2023	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	Operating Revenues								
2	Retail	[redacted]							Internal Documents
3	Distribution Modernization Rider	$ 145	$ 145	$ 145	$ 145	$ 145	$ 145	$ 145	Internal Documents
4	Wholesale	[redacted]							Internal Documents
5	Capacity Revenues	[redacted]							Internal Documents
6	Other Revenues	[redacted]							Internal Documents
7	Total Revenues	[redacted]							Sum Lines 2 thru 6
8									
9	Fuel and Purchased Power								
10	Fuel Costs	[redacted]							Internal Documents
11	Purchased Power	[redacted]							Internal Documents
12	Total Fuel and Purchased Power	[redacted]							Line 10 + Line 11
13									
14	Gross Margin	[redacted]							Line 7 - Line 12
15									
16	Operating Expenses								
17	Operation and Maintenance	[redacted]							Internal Documents
18	General Taxes	[redacted]							Internal Documents
19	Depreciation and Amortization	[redacted]							Internal Documents
20	Total Operating Expenses	[redacted]							Sum Lines 17 thru 19
21									
22	Operating Income	[redacted]							Line 14 - Line 20
23									
24	Interest Expense	[redacted]							Internal Documents
25	Other Income (Deductions)	[redacted]							Internal Documents
26									
27	Earnings Before Income Tax	[redacted]							Line 22 + Line 24 + Line 25
28									
29	Income Tax	[redacted]							Internal Documents
30									
31	Net Operating Income	[redacted]							Line 27 - Line 29
32									
33	(Less) Preferred Dividend	[redacted]							Internal Documents
34									
35	Available for Common	[redacted]							Line 31 - Line 35
36									
37	Projections do not include implementation of the Distribution Investment Rider								
38	The schedule above may contain minor rounding differences								

The Dayton Power and Light Company
Case No. 16-0395-EL-SSO
Projected Balance Sheet (unaudited) ($ in millions) - DPL Inc
2017 - 2023
REDACTED

Data: Forecasted | Revised Exhibit CLJ-2
Type of Filing: Revised | Page 1 of 1
Work Paper Reference No(s).: None | Witness Responsible: Craig Jackson

Line No.	Description	2017	2018	2019	2020	2021	2022	2023	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	Assets								
2	Total Current Assets	[redacted]							Internal Documents
3									
4	Property, Plant and Equipment								
5	Property, Plant and Equipment	[redacted]							Internal Documents
6	Accumulated depreciation and amortization								Internal Documents
7	Total Property, Plant and Equipment								Line 5 + Line 6
8									
9	Total Other Noncurrent Assets	[redacted]							Internal Documents
10									
11	Total Assets	[redacted]							Line 2 + Line 7 +Line 9
12									
13									
14	Liabilities and Shareholder's Equity								
15	Current Portion of Long Term Debt	[redacted]							Internal Documents
16	Other Current and Non Current Liabilities								Internal Documents
17	Current and Non Current Liabilities								Line 15 + Line 16
18									
19	Capitalization								
20	Common Shareholder's Equity	[redacted]							Internal Documents
21	Preferred Stock								Internal Documents
22	Total Long Term Debt								Internal Documents
23	Total Capitalization								Sum Lines 20 thru 22
24									
25	Total Liabilities and Shareholder's Equity	[redacted]							Line 17 + Line 23
26									
27	Projections do not include implementation of the Distribution Investment Rider								
28	The schedule above may contain minor rounding differences								

The Dayton Power and Light Company
Case No. 16-0395-EL-SSO
Projected Statements of Cash Flows (unaudited) ($ in millions) - DPL Inc
2017 - 2023
REDACTED

Data: Forecasted | Revised Exhibit CLJ-3
Type of Filing: Revised | Page 1 of 1
Work Paper Reference No(s).: None | Witness Responsible: Craig Jackson

Line No.	Description	2017	2018	2019	2020	2021	2022	2023	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1									
2	Net cash provided by operating activities	[redacted]							Internal Documents
3									
4	Net cash used for investing activities	[redacted]							Internal Documents
5									
6	Repayments of long-term debt	[redacted]							Internal Documents
7	Other financing activities	[redacted]							Internal Documents
8	Net cash used for financing activities	[redacted]							Line 6 + Line 7
9									
10	Cash and Cash Equivalents:								
11	Net Change	[redacted]							Line 2 + Line 4 +Line 8
12	Balance at beginning of period	[redacted]							Prior column, Line 13
13	Cash and cash equivalents at end of period	[redacted]							Line 11 + Line 12
14									
15	**FFO / Debt - DPL Inc.**								
16	Cash flow from operations	[redacted]							Line 2
17	Less: Income taxes	[redacted]							Internal Documents
18	Less: Distribution Modernization Rider (after tax)	$ (93)	$ (93)	$ (93)	$ (93)	$ (93)	$ (93)	$ (93)	CLJ-1, Line 3 X (1-35.84%)
19	Funds from Operations	[redacted]							Sum Lines 16 thru 18
20	DPL Inc Consolidated Debt	[redacted]							CLJ-2, Line 15 + Line 22
21	**FFO / Debt**	[redacted]							**Line 19 / Line 20**
22									
23	Adjusted FFO	[redacted]							Internal Documents
24	**Adjusted FFO / Debt**	[redacted]							**Line 23 / Line 20**
25									
26	Projections do not include implementation of the Distribution Investment Rider								
27	The schedule above may contain minor rounding differences								

The Dayton Power and Light Company
Case No. 16-0395-EL-SSO
Projected Statements of Income (unaudited) ($ in millions) - Dayton Power and Light
2017 - 2023
REDACTED

Data: Forecasted — Revised Exhibit CLJ-4
Type of Filing: Revised —
Work Paper Reference No(s).: None — Witness Responsible: Craig Jackson

Line No.	Description	2017	2018	2019	2020	2021	2022	2023	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	Operating Revenues								
2	Retail	[redacted]							Internal Documents
3	Distribution Modernization Rider (DMR)	$ 145	$ 145	$ 145	$ 145	$ 145	$ 145	$ 145	Internal Documents
4	Wholesale, Capacity & Other	[redacted]							Internal Documents
5	Utility Revenues								Line 2 + Line 3 + Line 4
6									
7	Cost of Revenues	[redacted]							Internal Documents
8									
9	Gross Margin	[redacted]							Line 5 - Line 7
10									
11	Operating Expenses								
12	Operation and Maintenance	[redacted]							Internal Documents
13	General Taxes								Internal Documents
14	Depreciation and Amortization								Internal Documents
15	Total Operating Expenses								Sum Lines 12 thru 14
16									
17	Operating Income	[redacted]							Line 9 - Line 15
18									
19	Interest Expense	[redacted]							Internal Documents
20	Other Income (Deductions)								Internal Documents
21									
22	Earnings Before Income Tax	[redacted]							Line 17 + Line 19 + Line 20
23									
24	Income Tax	[redacted]							Internal Documents
25									
26	Net Operating Income	[redacted]							Line 22 - Line 24
27									
28	(Less) Preferred Dividend	[redacted]							Internal Documents
29									
30	Available for Common	[redacted]							Line 26 - Line 28
31									
32	Common Shareholder's Equity	[redacted]							CLJ-5, Line 20
33									
34	Average Annual Return on Equity (ROE)*	[redacted]							Line 30 / Line 32
35									
36	***Distribution Modernization Rider and Asset Impairment Sensitivity***								
37	Earnings Before Income Tax	[redacted]							Line 22
38	Less: DMR	(145)	(145)	(145)	(145)	(145)	(145)	(145)	Line 3
39	Earnings Before Income Tax, excluding DMR	[redacted]							Line 37 + Line 38
40									
41	Net Income, excluding DMR	[redacted]							Line 39 x (1 - 35.84%)
42									
43	Common Shareholder's Equity	[redacted]							CLJ-5, Line 20
44	Less: Cumulative DMR	(93)	(186)	(279)	(372)	(465)	(558)	(651)	Line 38 * (1 - 35.84%), cumulative
45	Plus: Prior Asset Impairment Charge	584	584	584	584	584	584	584	Internal Documents
46	Common Shareholder's Equity, excluding DMR and Asset Impairment	[redacted]							Sum Line 43 to Line 46
47		[redacted]							
48	Average Annual Return on Equity (ROE), excluding DMR and Asset Impairment								Line 41 / Line 47
49									
50	Projections do not include implementation of the Distribution Investment Rider								
51	The schedule above may contain minor rounding differences								
52									
53	*ROE calculation based off the current year equity for first year.								

The Dayton Power and Light Company
Case No. 16-0395-EL-SSO
Projected Balance Sheet (unaudited) ($ in millions) - Dayton Power and Light
2017 - 2023
REDACTED

Data: Forecasted | Revised Exhibit CLJ-5
Type of Filing: Revised | Page 1 of 1
Work Paper Reference No(s).: None | Witness Responsible: Craig Jackson

Line No.	Description	2017	2018	2019	2020	2021	2022	2023	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	Assets								
2	Total Current Assets	[redacted]							Internal Documents
3									
4	Property, Plant and Equipment								
5	Property, Plant and Equipment	[redacted]							Internal Documents
6	Accumulated depreciation and amortization								Internal Documents
7	Total Property, Plant and Equipment								Line 5 + Line 6
8									
9	Total Other Noncurrent Assets	[redacted]							Internal Documents
10									
11	Total Assets	[redacted]							Line 2 + Line 7 +Line 9
12									
13									
14	Liabilities and Shareholder's Equity								
15	Current Portion of Long Term Debt	[redacted]							Internal Documents
16	Other Current and Non Current Liabilities								Internal Documents
17	Current and Non Current Liabilities								Line 15 + Line 16
18									
19	Capitalization								
20	Common Shareholder's Equity	[redacted]							Internal Documents
21	Preferred Stock								Internal Documents
22	Total Long Term Debt								Internal Documents
23	Total Capitalization								Sum Lines 20 thru 22
24									
25	Total Liabilities and Shareholder's Equity	[redacted]							Line 17 + Line 23
26									
27	Projections do not include implementation of the Distribution Investment Rider								
28	The schedule above may contain minor rounding differences								

The Dayton Power and Light Company
Case No. 16-0395-EL-SSO
Projected Statements of Cash Flows (unaudited) ($ in millions) - Dayton Power and Light
2017 - 2023
REDACTED

Data: Forecasted | Revised Exhibit CLJ-6
Type of Filing: Revised | Page 1 of 1
Work Paper Reference No(s).: None | Witness Responsible: Craig Jackson

Line No.	Description	2017	2018	2019	2020	2021	2022	2023	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1									
2	Net cash provided by operating activities	[redacted]							Internal Documents
3									
4	Net cash used for investing activities	[redacted]							Internal Documents
5									
6	Repayments of long-term debt	[redacted]							Internal Documents
7	Dividend / Equity to/from DPL Inc.								Internal Documents
8	Other financing activities								Internal Documents
9	Net cash used for financing activities								Line 6 + Line 7 + Line 8
10									
11	Cash and Cash Equivalents:								
12	Net Change	[redacted]							Line 2 + Line 4 +Line 9
13	Balance at beginning of period								Prior column, Line 14
14	Cash and cash equivalents at end of period								Line 12 + Line 13
15									
16									
17	Projections do not include implementation of the Distribution Investment Rider								
18	The schedule above may contain minor rounding differences								

Section D
Rate of Return

The Dayton Power & Light Company

Case No.: 15-1830-EL-AIR

Test Year: Twelve Months Ending May 31, 2016

Date Certain: September 30, 2015

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Proforma Regulated Business Rate of Return Summary
As of September 30, 2015

Data: Actual as Adjusted
Type of Filing: Original
Work Paper Reference No(s).: None

Schedule D-1a
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Description	Schedule Reference	($) Amount	($) Adjustment	($) Proforma	% of Total	(%) Cost	Weighted Cost (%)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I) = (G) * (H)
1	Long-Term Debt[1]	D-3, Line 7	$ 729,172,129	$ 246,979,791	$ 482,192,338 [2]	47.80%	5.29%	2.53%
2								
3	Preferred Stock	D-4, Line 10	$ 22,158,362	$ -	$ 22,158,362	2.20%	3.91%	0.09%
4								
5	Common Equity	D-1.1, Line 1	$ 1,177,923,549	$ 673,538,032	$ 504,385,517	50.00%	10.50%	5.25%
6								
7	Total Capital		$ 1,929,254,040	$ 920,517,824	$ 1,008,736,216	100.00%		7.86%
8								
9	Deferred Income Taxes							
10	Account 190	B-6, Line 17	$ 19,736,594					
11								
12	Deferred Income Taxes							
13	Account 281	B-6, Line 18	$ -					
14								
15	Deferred Income Taxes							
16	Account 282	B-6, Line 19	$ (615,410,717)					
17								
18	Deferred Income Taxes							
19	Account 283	B-6, Line 20	$ (32,496,796)					

[1] Excludes WPAFB debt
[2] Schedule D-3a, Line 5 Column J

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Regulated Business Rate of Return Summary
As of September 30, 2015

Data: Actual
Type of Filing: Original
Work Paper Reference No(s).: None

Schedule D-1
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Description	Schedule Reference	($) Amount	% of Total	(%) Cost	Weighted Cost (%)
(A)	(B)	(C)	(D)	(E)	(F)	(G) = (E) * (F)
1	Long-Term Debt[1]	D-3, Line 7	$ 729,172,129	37.80%	2.72%	1.03%
2						
3	Preferred Stock	D-4, Line 10	$ 22,158,362	1.15%	3.91%	0.04%
4						
5	Common Equity	D-1.1, Line 1	$ 1,177,923,549	61.06%	10.50%	6.41%
6						
7	Total Capital		$ 1,929,254,040	100.00%		7.48%
8						
9	Deferred Income Taxes					
10	Account 190	B-6, Line 17	$ 19,736,594			
11						
12	Deferred Income Taxes					
13	Account 281	B-6, Line 18	$ -			
14						
15	Deferred Income Taxes					
16	Account 282	B-6, Line 19	$ (615,410,717)			
17						
18	Deferred Income Taxes					
19	Account 283	B-6, Line 20	$ (32,496,796)			

[1] Excludes WPAFB debt

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Common Equity
As of September 30, 2015

Data: Actual
Type of Filing: Original
Work Paper Reference No(s).: None

Schedule D-1.1
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Description	Schedule Reference	Common Stock Amount	Paid-In Capital Amount	Retained Earnings Amount	Other Miscellaneous Common Equity Amount	Intercompany Eliminations Amount	Total Common Equity Amount
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I) = (D) + (E) + (F) + (G) + (H)
1	Dayton Power and Light		$ 411,722	$ 804,318,969	$ 406,855,051	$ (33,662,193)	$ -	$ 1,177,923,549
2								
3	Total Parent - DPL Inc.		$ -	$ 2,237,663,307	$ (2,037,668,415)	$ 13,367,370	$ -	$ 213,362,262

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Embedded Cost of Short-Term Debt
As of September 30, 2015

Data: Actual
Type of Filing: Original
Work Paper Reference No(s).: None

Schedule D-2
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Description	Amount Outstanding	Interest Rate	Interest Requirement
(A)	(B)	(C)	(D)	(E) = (C) * (D)
1	DP&L Revolving Line of Credit	$ 10,000,000	2.20%	$ 220,000

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Proforma Embedded Cost of Long-Term Debt
As of September 30, 2015

Data: Actual as Adjusted
Type of Filing: Original
Work Paper Reference No(s).: WPD-3.2a, WPD-3.4a

Schedule D-3a
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No. (A)	Description (B)	Date Issued (Mo/Day/Yr) (C)	Maturity Date (Mo/Day/Yr) (D)	Principal Amount (E)	Face Amount Outstanding (F)	Unamort (Discount) or Premium (G)	Unamort Debt Expense (H)	Unamort Gain or (Loss) On Reacquired Debt (I)	Carrying Value (J) = (F)+(G)-(H)+(I)	Annual Interest Cost[1] (K)
1	First Mortgage Bonds:									
2										
3	Total DP &L Company LT Debt			$ 500,234,375	$ 500,234,375	$ -	$ 6,754,854	$ (11,287,183)	$ 482,192,338	$ 25,504,699
4										
5	Subtotal				$ 500,234,375	$ -	$ 6,754,854	$ (11,287,183)	$ 482,192,338	$ 25,504,699
6										
7	Other Long-Term Debt:									
8										
9	WPAFB Loan	02-01-11	02-01-61	$ 18,136,119	$ 18,136,119	$ -	$ -	$ -	$ 18,136,119	$ 764,019
10										
11	TOTALS				$ 518,370,494	$ -	$ 6,754,854	$ (11,287,183)	$ 500,328,457	$ 26,268,718
12										
13	**EMBEDDED COST OF LONG-TERM DEBT**									**5.25%**
14										
15	**EMBEDDED COST OF LONG-TERM DEBT (excluding WPAFB Loan)[2]**									**5.29%**

[1] Annualized interest expense plus (or minus) amortization of discount or premium plus amortization of issue costs minus (or plus) amortization of gain (or loss) on reacquired debt.

[2] Equals Line 5 Column K / Column J

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Embedded Cost of Long-Term Debt
As of September 30, 2015

Data: Actual
Type of Filing: Original
Work Paper Reference No(s).: WPD-3.1, WPD-3.2, WPD-3.3

Schedule D-3
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Description	Date Issued (Mo/Day/Yr)	Maturity Date (Mo/Day/Yr)	Principal Amount	Face Amount Outstanding	Unamort (Discount) or Premium	Unamort Debt Expense	Unamort Gain or (Loss) On Reacquired Debt	Carrying Value	Annual Interest Cost[1]
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J) = (F)+(G)-(H)+(I)	(K)
1	First Mortgage Bonds:									
2										
3	PCB 4.80 OH FGD	9-13-06	9-01-36	$ 100,000,000	$ 100,000,000	$ -	$ 1,252,749	$ -	$ 98,747,251	$ 4,860,049
4	PCB Variable Rate OH Series A & B	8-3-15	8-1-20	$ 200,000,000	$ 200,000,000	$ -	$ 2,662,301	$ -	$ 197,337,699	$ 2,791,889
5	FMB- 1.875% Series Due 2016	9-30-13	9-15-16	$ 445,000,000	$ 445,000,000	$ (247,256)	$ 2,464,716	$ (9,200,849)	$ 433,087,179	$ 12,160,125
6										
7	Subtotal			$ 745,000,000	$ 745,000,000	$ (247,256)	$ 6,379,766	$ (9,200,849)	$ 729,172,129	$ 19,812,063
8										
9	Other Long-Term Debt:									
10										
11	WPAFB Loan	02-01-11	02-01-61	$ 18,136,119	$ 18,136,119	$ -	$ -	$ -	$ 18,136,119	$ 764,019
12										
13	TOTALS				$ 763,136,119	$ (247,256)	$ 6,379,766	$ (9,200,849)	$ 747,308,248	$ 20,576,082
14										
15	**EMBEDDED COST OF LONG-TERM DEBT**									**2.753%**
16										
17	**EMBEDDED COST OF LONG-TERM DEBT (excluding WPAFB Loan)[2]**									**2.717%**

[1] Annualized interest expense plus (or minus) amortization of discount or premium plus amortization of issue costs minus (or plus) amortization of gain (or loss) on reacquired debt.

[2] Equals Line 7 Column K / Column J

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Embedded Cost of Preferred Stock
As of September 30, 2015

Data: Actual
Type of Filing: Original
Work Paper Reference No(s).: None

Schedule D-4
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Description	Date Issued (Mo/Day/Yr)	Dollar Amounts Outstanding at Par Value	Premium or (Discount)	Issue Expense	Gain or (Loss) on Reacquired Stock [1]	Net Proceeds	Annual Dividends
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H) = (D)+(E)-(F)+(G)	(I)
1	3.750% Series A $100 Par Value	6/01/47	$ 9,328,000	$ -	$ -	$ 101,959	$ 9,429,959	$ 349,800
2	3.750% Series B $100 Par Value	6/01/47	$ 6,939,800	$ -	$ -	$ 79,968	$ 7,019,768	$ 260,243
3	3.900% Series C $100 Par Value	6/01/50	$ 6,583,000	$ -	$ -	$ 108,058	$ 6,691,058	$ 256,737
4	7.700% Series E $100 Par Value	3/23/71	$ -	$ -	$ -	$ (175,439)	$ (175,439)	$ -
5	7.375% Series F $100 Par Value	5/17/73	$ -	$ -	$ -	$ (200,321)	$ (200,321)	$ -
6	8.625% Series H $100 Par Value	4/06/78-6/01/78	$ -	$ -	$ -	$ (135,624)	$ (135,624)	$ -
7	9.375% Series I $100 Par Value	5/16/79-8/08/79	$ -	$ -	$ -	$ (150,228)	$ (150,228)	$ -
8	11.60% Series J $100 Par Value	7/16/80	$ -	$ -	$ -	$ (320,811)	$ (320,811)	$ -
9								
10	TOTAL		$ 22,850,800	$ -	$ -	$ (692,438)	$ 22,158,362	$ 866,780
11								
12	**DP&L EMBEDDED COST OF PREFERRED STOCK [2]**							**3.912%**

[1] Source - General ledger balances at September 30, 2015
[2] Equals Line 10 Column I / Column H

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Comparative Financial Data
($000)

Data: 4 Months Actual & 8 Months Estimated
Type of Filing: Original
Work Paper Reference No(s).: WPC-2.1, WPC-10.2, WPD-5

Schedule D-5

Witness Responsible: Karin M. Nyhuis

Line		Test	Most Recent Ten Calendar Years									
No.	Description	Year	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
1	PLANT DATA (Electric-As of Date Certain):											
2	Intangible Plant	$ 71,852	$ 90,694	$ 85,769	$ 76,827	$ 62,599	$ 54,842	$ 48,642	$ 38,113	$ 36,119	$ 34,157	$ 32,173
3	Production	$ 3,077,844	$ 2,962,754	$ 3,006,560	$ 3,216,310	$ 3,385,103	$ 3,330,924	$ 3,309,403	$ 3,193,039	$ 2,814,596	$ 2,556,399	$ 2,520,546
4	Transmission	$ 440,134	$ 432,940	$ 417,220	$ 409,329	$ 396,001	$ 388,985	$ 383,829	$ 378,683	$ 376,720	$ 371,997	$ 370,131
5	Distribution	$ 1,642,324	$ 1,592,743	$ 1,552,139	$ 1,503,519	$ 1,393,668	$ 1,278,652	$ 1,228,340	$ 1,166,165	$ 1,124,442	$ 1,068,933	$ 986,860
6	General & Other	$ 34,169	$ 35,239	$ 36,263	$ 35,047	$ 32,257	$ 31,980	$ 32,495	$ 33,607	$ 33,083	$ 35,698	$ 34,891
7	Construction Work in Progress	$ 69,409	$ 75,370	$ 60,864	$ 87,830	$ 150,703	$ 119,574	$ 87,929	$ 152,990	$ 363,783	$ 375,184	$ 165,118
8	Total Utility Plant - Gross	$ 5,335,731	$ 5,189,740	$ 5,158,815	$ 5,328,862	$ 5,420,331	$ 5,204,957	$ 5,090,638	$ 4,962,597	$ 4,748,743	$ 4,442,368	$ 4,109,719
9	Held for Future Use	$ 1,059	$ 1,059	$ 1,646	$ 2,141	$ 2,141	$ 2,141	$ 2,141	$ 2,141	$ 2,141	$ 2,141	$ 2,141
10	Less: Accum. Provision for Depr. And Amort.	$ 2,788,767	$ 2,614,972	$ 2,562,006	$ 2,627,331	$ 2,680,278	$ 2,559,973	$ 2,468,781	$ 2,264,481	$ 2,158,079	$ 2,078,399	$ 1,972,756
11	Net Utility Plant	$ 2,548,023	$ 2,575,827	$ 2,598,455	$ 2,703,672	$ 2,742,194	$ 2,647,125	$ 2,623,998	$ 2,700,257	$ 2,592,805	$ 2,366,110	$ 2,139,104
12												
13	Percentage Of Construction Expenditures											
14	Financed Internally	100.00%	89.93%	79.79%	91.97%	73.15%	100.00%	100.00%	100.00%	84.40%	69.20%	95.52%
15												
16	CAPITAL STRUCTURE (As of Date Certain):											
17	Long-Term Debt (Incl. portion due within one year)	$ 729,172	$ 839,608	$ 835,567	$ 866,400	$ 864,463	$ 862,252	$ 860,041	$ 857,640	$ 844,918	$ 754,169	$ 653,537
18	Preferred Stock (Incl. portion due within one year)	$ 22,158	$ 22,037	$ 21,875	$ 21,713	$ 21,551	$ 21,389	$ 21,227	$ 21,066	$ 20,999	$ 20,914	$ 20,828
19	Common Equity	$ 1,177,924	$ 1,144,187	$ 1,204,827	$ 1,300,299	$ 1,359,184	$ 1,380,944	$ 1,404,234	$ 1,455,311	$ 1,371,213	$ 1,233,175	$ 1,081,386

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Comparative Financial Data
($000)

Data: 4 Months Actual & 8 Months Estimated
Type of Filing: Original
Work Paper Reference No(s).: WPC-2.1, WPC-10.2, WPD-5

Schedule D-5
Page 2 of 4
Witness Responsible: Karin M. Nyhuis

Line		Test	Most Recent Ten Calendar Years									
No.	Description	Year	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
1	CONDENSED INCOME STATEMENT DATA:											
2	Operating Revenues	$ 1,525,100	$ 1,786,399	$ 1,576,389	$ 1,566,393	$ 1,741,894	$ 1,790,968	$ 1,606,889	$ 1,656,572	$ 1,507,576	$ 1,385,249	$ 1,276,889
3	Operating Expenses (excluding income taxes)	$ 1,387,248	$ 1,556,951	$ 1,449,815	$ 1,381,834	$ 1,405,742	$ 1,354,032	$ 1,197,483	$ 1,208,187	$ 1,131,716	$ 982,627	$ 908,725
4	Income Tax (current)	$ 46,847	$ 35,015	$ 39,066	$ 53,260	$ 55,826	$ 78,127	$ (75,268)	$ 89,561	$ 93,935	$ 146,289	$ 132,154
5	Deferred Income Tax, net	$ (19,276)	$ 7,545	$ (17,393)	$ 4,456	$ 50,853	$ 54,194	$ 200,155	$ 40,513	$ 21,143	$ (13,940)	$ (8,558)
6	Investment Tax Credit, net	$ (2,393)	$ (2,506)	$ (2,506)	$ (2,506)	$ (2,506)	$ (2,784)	$ (2,784)	$ (2,784)	$ (2,811)	$ (2,866)	$ (2,866)
7	Operating Income	$ 112,674	$ 189,394	$ 107,407	$ 129,349	$ 231,979	$ 307,399	$ 287,303	$ 321,095	$ 263,593	$ 273,139	$ 247,434
8	AFDC (Borrowed + Other)	$ 2,342	$ 1,498	$ 1,452	$ 3,955	$ 4,451	$ 3,379	$ 3,143	$ 10,016	$ 22,285	$ 13,260	$ 2,054
9	Other Income (net)	$ (4,958)	$ (45,465)	$ 14,156	$ (64)	$ (671)	$ 8,161	$ 11,614	$ 6,906	$ 63,926	$ 22,072	$ 32,130
10	Extraordinary Item (Exp./Inc.)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,234)
11	INCOME AVAILABLE FOR FIXED CHARGES	$ 110,058	$ 145,427	$ 123,015	$ 133,240	$ 235,759	$ 318,939	$ 302,060	$ 338,017	$ 349,804	$ 308,471	$ 278,384
12	Interest Charges (Excl. ABFUDC)	$ 28,166	$ 30,406	$ 39,402	$ 42,118	$ 42,544	$ 41,265	$ 43,233	$ 52,229	$ 78,224	$ 66,037	$ 66,674
13	Net Income	$ 81,892	$ 115,021	$ 83,613	$ 91,122	$ 193,215	$ 277,674	$ 258,827	$ 285,788	$ 271,580	$ 242,434	$ 211,710
14	Preferred Dividends and Capital Stock Expense	$ 865	$ 867	$ 867	$ 865	$ 867	$ 867	$ 867	$ 867	$ 867	$ 795	$ 867
15	Earnings Available for Common Equity	$ 81,026	$ 114,154	$ 82,746	$ 90,257	$ 192,348	$ 276,807	$ 257,960	$ 284,921	$ 270,713	$ 241,639	$ 210,843
16	AFDC - % of Earnings Available for Common Equity	2.89%	1.31%	1.75%	4.38%	2.31%	1.22%	1.22%	3.52%	8.23%	5.49%	0.97%
17	COST OF CAPITAL:											
18	Embedded Cost of Long-Term Debt %	2.72%	3.52%	3.53%	5.00%	5.08%	4.94%	4.99%	5.10%	5.46%	5.51%	5.62%
19	Embedded Cost of Preferred Stock	3.91%	3.93%	3.96%	3.99%	4.02%	4.05%	4.08%	4.11%	4.13%	3.80%	4.16%
20	FIXED CHARGE COVERAGE:											
21	Pre-tax Interest Coverage	4.65	5.92	3.51	4.35	7.77	10.74	9.67	8.54	5.78	6.39	5.88
22	Pre-tax Interest Coverage (excluding AFDC)	4.66	5.93	3.54	4.39	7.82	10.79	9.73	8.71	6.05	6.59	5.91
23	After-tax Interest Coverage	3.91	4.78	3.12	3.16	5.54	7.73	6.99	6.47	4.47	4.67	4.18
24	After-tax Fixed Charge Coverage	3.79	4.65	3.05	3.10	5.43	7.57	6.85	6.37	4.42	4.62	4.12
25	INDENTURE PROVISIONS											
26	Debt to Capitalization (must be <.65:1)	0.38	0.42	0.41	0.40	0.39	0.38	0.38	0.37	0.38	0.38	0.37
27	EBIDTA to Interest Charges (must be >2.5:1)	9.70	10.83	9.32	9.72	11.14	14.03	12.93	11.34	7.50	8.59	7.83
28	Total Equity to Total Capitalization (must be >.5:1)	0.62	0.58	0.59	0.60	0.61	0.62	0.62	0.63	0.62	0.62	0.63

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Comparative Financial Data
($000)

Data: 4 Months Actual & 8 Months Estimated
Type of Filing: Original
Work Paper Reference No(s).: WPC-2.1, WPC-10.2, WPD-5

Schedule D-5
Page 3 of 4
Witness Responsible: Jeffery K. MacKay & Karin M. Nyhuis

Line No.	Description	Test Year	Most Recent Ten Calendar Years 2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
1	STOCK AND BOND RATINGS											
2	Moody's Bond Rating	Baa2	Baa2	Baa1	A3	A3	Aa3	Aa3	A2	A2	A3	Baa1
3	S&P Bond Rating	BBB-	BBB-	BBB-	BBB-	BBB+	A	A	A-	A-	BBB	BBB-
4	Moody's Preferred Stock Rating	Ba2	Ba2	Ba1	Ba1	Ba1	Baa1	Baa1	Baa2	Baa2	Baa3	Ba1
5	S&P Preferred Stock Rating	B+	B+	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6												
7	COMMON STOCK RELATED DATA:											
8	Shares Outstanding - Year End (000)	41,172	41,172	41,172	41,172	41,172	41,172	41,172	41,172	41,172	41,172	41,172
9	Shares Outstanding - Weighted Average (monthly)	41,172	41,172	41,172	41,172	41,172	41,172	41,172	41,172	41,172	41,172	41,172
10	Earnings Per Share - Weighted Average	$ 1.97	$ 2.77	$ 2.01	$ 2.19	$ 4.67	$ 6.72	$ 6.27	$ 6.92	$ 6.58	$ 5.87	$ 5.12
11	Dividends Paid Per Share	$ 1.21	$ 3.86	$ 4.61	$ 3.52	$ 5.34	$ 7.29	$ 7.89	$ 3.76	$ 3.04	$ 2.43	$ 3.64
12	Dividends Declared Per Share	$ 1.21	$ 3.86	$ 4.61	$ 3.52	$ 5.34	$ 7.29	$ 7.89	$ 3.76	$ 3.04	$ 2.43	$ 3.64
13	Dividend Payout Ratio (declared basis)	0.62	1.39	2.30	1.61	1.14	1.08	1.26	0.54	0.46	0.41	0.71
14	Market Prices - High, (Low)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
15	1st Quarter	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	2nd Quarter	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	3rd Quarter	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
18	4th Quarter	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Book Value Per Share (year end)	$ 28.61	$ 27.79	$ 29.26	$ 31.58	$ 33.01	$ 33.54	$ 34.11	$ 35.35	$ 33.30	$ 29.95	$ 26.27

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Comparative Financial Data
($000)

Data: 4 Months Actual & 8 Months Estimated
Type of Filing: Original
Work Paper Reference No(s).: WPC-2.1, WPC-10.2, WPD-5

Schedule D-5
Page 4 of 4
Witness Responsible: Karin M. Nyhuis

Line		Test	Most Recent Ten Calendar Years									
No.	Description	Year	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
1	RATE OF RETURN MEASURES:											
2	Return On Average Common Equity	6.98%	9.72%	6.61%	6.79%	14.04%	19.88%	18.04%	20.16%	20.79%	20.88%	38.99%
3	Return On Average Total Capital	5.59%	7.15%	5.79%	6.01%	10.46%	14.02%	13.08%	14.79%	16.48%	16.39%	31.71%
4	Return On Average Net Utility Plant-in-service	4.40%	7.32%	4.05%	4.75%	8.62%	11.67%	10.80%	12.14%	10.64%	12.14%	23.16%
5	- Total Company											
6												
7	OTHER FINANCIAL AND OPERATING DATA:											
8	Mix of Sales (%)											
9	Electric	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
10	Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11												
12	Mix of Fuel (%)											
13	Electric	Requested waiver of this standard filing requirement										
14	Gas	Requested waiver of this standard filing requirement										
15												
16												
17	Composite Depreciation Rates:											
18	Production	2.20%	2.40%	5.20%	4.90%	2.20%	2.30%	2.40%	2.30%	2.50%	3.00%	3.00%
19	Transmission	2.40%	2.30%	2.30%	2.40%	2.40%	2.50%	2.40%	2.40%	2.40%	2.40%	2.60%
20	Distribution	3.30%	3.50%	3.50%	3.40%	3.40%	3.40%	3.70%	3.70%	3.60%	3.80%	3.40%
21	General	8.60%	6.70%	6.20%	5.40%	4.10%	3.70%	3.10%	7.20%	8.90%	7.50%	9.50%

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Unamortized Issue Expense on Long-Term Debt
Embedded Cost of Long - Term Debt

Data: Actual as Adjusted
Type of Filing: Original
Work Paper Reference No(s).: WPD-3.1

WPD-3.1a
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Debt Issue Type, Rate, Date	Monthly Amortization	Annual Amortization	Unamortized Issue Expense Balance
(A)	(B)	(C)	(D)	(E)
1	UNAMORTIZED ISSUE EXPENSE - ACCOUNT 181			
2				
3	FIRST MORTGAGE BONDS:			
4				
5	PCB 4.80 OH FGD 2036	$ 5,004	$ 60,049	$ 1,252,749
6				
7	2015 Series A and Series B	$ 43,159	$ 517,909	$ 2,662,301
8	NEW 2016 FMB	$ 16,841	$ 202,097	$ 6,062,906
9	Total Unamortized Issue Expense	$ 65,005	$ 780,055	$ 9,977,956

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Unamortized Issue Expense on Long-Term Debt
Embedded Cost of Long - Term Debt

Data: Actual
Type of Filing: Original
Work Paper Reference No(s).: None

WPD-3.1
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Debt Issue Type, Rate, Date	Monthly Amortization	Annual Amortization	Unamortized Issue Expense Balance
(A)	(B)	(C)	(D)	(E)
1	UNAMORTIZED ISSUE EXPENSE - ACCOUNT 181			
2				
3	FIRST MORTGAGE BONDS:			
4				
5	PCB 4.80 OH FGD 2036	$ 5,004	$ 60,049	$ 1,252,749
6				
7	FMB 1.875% Series Due 2016	$ 214,279	$ 2,571,343	$ 2,464,716
8	2015 Series A & B OAQDA bonds	$ 43,159	$ 517,909	$ 2,662,301
9	Total Unamortized Issue Expense	$ 262,442	$ 3,149,301	$ 6,379,766

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Unamortized (Discount) or Premium, Unamortized Gain or (Loss)
Amended Mortgage Amortization on First Mortgage Bonds
Embedded Cost of Long-Term Debt

Data: Actual as Adjusted
Type of Filing: Original
Work Paper Reference No(s).: WPD-3.2

WPD-3.2a
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Debt Issue Type, Rate, Date	Monthly Amortization	Annual Amortization	Unamortized Balance
(A)	(B)	(C)	(D)	(E)
1	UNAMORTIZED (DISCOUNT) or PREMIUM on Debt - ACCOUNT 226			
2				
3	FIRST MORTGAGE BONDS:			
4				
5	Disc FMB 1.875% Series Due 2016	$ -	$ -	$ -
6	Disc NEW 2016 FMB	$ -	$ -	$ -
7	Account 226	$ -	$ -	$ -
8				
9	UNAMORTIZED GAIN OR (LOSS) ON REACQUIRED DEBT - ACCOUNT 189			
10				
11	LOSS FMB 1.875% Series Due 2016	$ 82,257	$ 987,079	$ (9,200,849)
12	LOSS on NEW 2016 FMB	$ 5,795	$ 69,544	$ (2,086,334)
13	Account 189	$ 88,052	$ 1,056,624	$ (11,287,183)

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Unamortized (Discount) or Premium, Unamortized Gain or (Loss)
Amended Mortgage Amortization on First Mortgage Bonds
Embedded Cost of Long-Term Debt

Data: Actual
Type of Filing: Original
Work Paper Reference No(s).: WPD-3.1

WPD-3.2
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Debt Issue Type, Rate, Date	Monthly Amortization	Annual Amortization	Unamortized Issue Expense Balance
(A)	(B)	(C)	(D)	(E)
1	UNAMORTIZED (DISCOUNT) or PREMIUM on Debt - ACCOUNT 226			
2				
3	FIRST MORTGAGE BONDS:			
4				
5	Disc FMB 1.875% Series Due 2016	$ 21,496	$ 257,953	$ (247,256)
6	Account 226	$ 21,496	$ 257,953	$ (247,256)
7				
8	UNAMORTIZED GAIN OR (LOSS) ON REACQUIRED DEBT - ACCOUNT 189			
9				
10	LOSS FMB 1.875% Series Due 2016	$ 82,257	$ 987,079	$ (9,200,849)
11	Account 189	$ 82,257	$ 987,079	$ (9,200,849)

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Annual Interest Cost Calculation
As of September 30, 2015

Data: Actual as Adjusted
Type of Filing: Original
Work Paper Reference No(s).: WPD-3.1a, WPD-3.2a, WPD-3.3

WPD-3.3a
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Issue	Face Amount Outstanding	Annualized Interest Cost	Annual Interest Expense	Annual Amortization of Issue Expense	Annual Amortization Of Amended Mortgages	Annual Amortization of (Discount) or Premium	Annual Amortization of Gain or (Loss) on Reacquired Debt
(A)	(B)	(C)	(D) = (E)+(F)+(G)-(H)-(I)	(E)	(F)	(G)	(H)	(I)
1	First Mortgage Bonds:							
2								
3	2015 Series A & B OAQDA bonds	$ 200,000,000	$ 2,791,889	$ 2,273,980	$ 517,909	$ -	$ -	$ -
4	PCB 4.80 OH FGD	$ 100,000,000	$ 4,860,049	$ 4,800,000	$ 60,049	$ -	$ -	$ -
5	NEW 2016 FMB	$ 445,000,000	$ 30,628,720	$ 29,370,000	$ 202,097	$ -	$ -	$ (1,056,624)
6								
7	Other Long-Term Debt:							
8								
9	WPAFB Loan	$ 18,136,119	$ 764,019	$ 764,019	$ -	$ -	$ -	$ -
10								
11	Totals	$ 763,136,119	$ 39,044,677	$ 37,207,999	$ 780,055	$ -	$ -	$ (1,056,624)

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Annual Interest Cost Calculation
As of September 30, 2015

Data: Actual
Type of Filing: Original
Work Paper Reference No(s).: None

WPD-3.3
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Issue	Face Amount Outstanding	Annualized Interest Cost	Annual Interest Expense	Annual Amortization of Issue Expense	Annual Amortization Of Amended Mortgages	Annual Amortization of (Discount) or Premium	Annual Amortization of Gain or (Loss) on Reacquired Debt
(A)	(B)	(C)	(D) = (E)+(F)+(G)-(H)-(I)	(E)	(F)	(G)	(H)	(I)
1	First Mortgage Bonds:							
2								
3	2015 Series A & B OAQDA bonds	$ 200,000,000	$ 2,791,889	$ 2,273,980	$ 517,909	$ -	$ -	$ -
4	PCB 4.80 OH FGD	$ 100,000,000	$ 4,860,049	$ 4,800,000	$ 60,049	$ -	$ -	$ -
5	FMB- 1.875% Series Due 2016	$ 445,000,000	$ 12,160,125	$ 8,343,750	$ 2,571,343	$ -	$ (257,953)	$ (987,079)
6								
7	Other Long-Term Debt:							
8								
9	WPAFB Loan	$ 18,136,119	$ 764,019	$ 764,019	$ -	$ -	$ -	$ -
10								
11	Totals	$ 763,136,119	$ 20,576,082	$16,181,749	$ 3,149,301	$ -	$ (257,953)	$ (987,079)

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Embedded Cost of Long-Term Debt
As of September 30, 2015

Data: Actual as Adjusted
Type of Filing: Original
Work Paper Reference No(s).: WPD-3.1a, WPD-3.1, WPD-3.2a, WPD-3.3a

WPD-3.4a
Page 1 of 1
Witness Responsible: Jeffery K. MacKay

Line No.	Debt Issue Type, Coupon, Rate	Date Issued (Mo/Day/Yr)	Maturity Date (Mo/Day/Yr)	Principal Amount	Face Amount Outstanding	Unamort (Discount) or Premium	Unamort Debt Expense	Unamort Gain or (Loss) On Reacquired Debt	Carrying Value	Annual Interest Cost
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J) = (F)+(G)-(H)+(I)	(K)
1	First Mortgage Bonds:									
2										
3	2015 Series A & B OAQDA bonds	8/3/2015	8/1/2020	$ 200,000,000	$ 200,000,000	$ -	$ 2,662,301	$ -	$ 197,337,699	$ 2,791,889
4	PCB 4.80 OH FGD	9/13/2006	9/1/1936	$ 100,000,000	$ 100,000,000	$ -	$ 1,252,749	$ -	$ 98,747,251	$ 4,860,049
5	NEW 2016 FMB	10/1/2016	10/1/1946	$ 445,000,000	$ 445,000,000	$ -	$ 6,062,906	$ (11,287,183)	$ 427,649,911	$ 30,628,720
6										
7	Total								$ 723,734,861	$ 38,280,658
8										
9	EMBEDDED COST OF LONG-TERM DEBT (excluding WPAFB Loan)									**5.29%**

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Comparative Financial Data Workpaper
For the Twelve Months Ended May 31, 2016
($000)

Data: 4 Months Actual & 8 Months Estimated
Type of Filing: Original
Work Paper Reference No(s).: WPC-2.1, WPC-10.2

WPD-5
Page 1 of 1
Witness Responsible: Karin M. Nyhuis

Line No.	Description	Test Year	Most Recent Ten Calendar Years 2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
1	Allowance for Borrowed Funds 432 (line 69, p117 of FERC)	$ 337	$ 346	$ 1,020	$ 1,903	$ 2,175	$ 1,782	$ 2,664	$ 9,100	$ 21,968	$ 12,908	$ 2,040
2	Total Taxes on Other Income & Deductions (line 59, p117 of FERC)	$ -	$ -	$ 372	$ 437	$ (274)	$ 5,959	$ 5,096	$ (2,812)	$ 16,658	$ 2,337	$ 372
3	Depreciation Expense 403 (line 6, p114 of FERC)	$ 125,763	$ 131,694	$ 217,784	$ 214,736	$ 130,892	$ 128,245	$ 133,198	$ 123,231	$ 119,585	$ 124,434	$ 118,105
4	Deprec. Exp. For Asset Retirement Costs 403.1 (line 7, p114 of FERC)	$ 4,028	$ 4,100	$ 484	$ 355	$ 452	$ 165	$ 48	$ (40)	$ (330)	$ 240	$ 282
5	Amort. & Depl. Of Utility Plant 404-405 (line 8, p114 of FERC)	$ 8,313	$ 7,973	$ 6,970	$ 6,043	$ 2,705	$ 2,133	$ 1,477	$ 3,874	$ 5,062	$ 4,955	$ 4,627
6	Common Stock Dividends(line 36, p118 of FERC)	$ 50,000	$ 159,000	$ 190,000	$ 145,000	$ 220,000	$ 300,000	$ 325,000	$ 155,000	$ 125,000	$ 100,000	$ 150,000
7	Provision for Deferred Income Taxes 410.1 (line 17, p114 of FERC)	$ (19,276)	$ 7,545	$ (17,393)	$ 4,456	$ 50,853	$ 54,194	$ 200,155	$ 40,513	$ 21,143	$ (13,940)	$ (8,558)
8	Investment Tax Credit Adj 411.4 (line 19, p114 of FERC)	$ (2,393)	$ (2,506)	$ (2,506)	$ (2,505)	$ (2,506)	$ (2,784)	$ (2,784)	$ (2,784)	$ (2,812)	$ (2,865)	$ (2,866)
9	Gross Additions to Utility Plant (line 26, p120 of FERC)	$ 91,249	$ 114,280	$ 122,130	$ 180,639	$ 207,638	$ 152,443	$ 154,699	$ 229,885	$ 337,213	$ 361,444	$ 180,415
10	Allowance for Other Funds 419.1 (line 38, p117 of FERC)	$ 2,005	$ 1,153	$ 432	$ 2,052	$ 2,276	$ 1,597	$ 479	$ 916	$ 317	$ 352	$ 14

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing testimony has been served via electronic mail upon the following counsel of record, this 11th day of October, 2016:

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