

Commissioners

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November 16, 2017 PUCO

Docketing Division Public Utilities Commission of Ohio 180 East Broad Street Columbus OH 43215

RE: In the Matter of the Application of Dayton Power and Light Company for Authority to Issue and Assume Liability on Short-Term Notes and Other Evidences of Indebtedness

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the application of Dayton Power and Light Company for authority to issue short-term debt in Case No. 17-2107-EL-AIS.

Doris McCarter

Division Chief, Forecasting, Markets and Corporate Oversight

Rates and Analysis Department

Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of the)	
Dayton Power and Light Company for)	Case No. 17-2107-EL-AIS
Authority to Issue and Assume Liability on)	
Short-Term Notes and Other Evidences of)	•
Indebtedness		

Staff Review and Recommendation

<u>APPLICATION DESCRIPTION</u>

Pursuant to Ohio Revised Code ("R.C.") 4905.401, Ohio electric utilities are permitted to borrow up to 5% of the par value of all outstanding long-term securities ("Statutory Exemption") without specific approval of the Public Utilities Commission of Ohio (the "Commission"). Any Ohio electric utility wishing to incur short-term obligations in excess of the Statutory Exemption must seek Commission authorization.

On December 21, 2016, the Commission authorized the Dayton Power and Light Company ("DP&L") to have short-term debt outstanding in aggregate principal amounts of not more than \$600 million at any one time through December 31, 2017. As of September 30, 2017, DP&L had \$15 million in short-term borrowings outstanding.

On October 10, 2017, DP&L filed its application and exhibits (collectively, "Application"), pursuant to R.C. section 4905.401, requesting Commission authorization to issue and/or renew short-term promissory notes, including revolving loan agreement loans, and other evidences of indebtedness (collectively, "Debt") for terms of less than 12 months in an aggregate amount not to exceed \$300 million at any one time.

REVIEW AND ANALYSIS

Under the Statutory Exemption, DP&L could borrow up to approximately \$37 million as of June 30, 2017, without the Commission's prior approval.

DP&L proposes to use the proceeds from the Debt to discharge or refund its long-term debt obligations and for other general corporate purposes. DP&L completed the structural separation of its generation assets during 2017, and DP&L believes the requested authority provides them

¹ See Commission Order dated December 21, 2016, in Case No. 16-2125-EL-AIS.

with access to an adequate level of liquidity needed to support their local transmission and distribution ("T&D") operations.

In addition to daily operations and maintenance expenses, DP&L has an approximate budget of approximately \$90 million for capital expenditures. DP&L plans to fund its capital expenditures with cash from its operations, but due to working capital requirements, seasonality, major unplanned outages and repair work, there may be times that temporary draws from Debt facilities may be required.

RECOMMENDATION

Upon review of the Application, Staff believes the requested authority is appears reasonable for a T&D utility company the size of DP&L and recommends approval of the Application.