

APPENDIX C-2:

EXAMPLE MARK-TO-MARKET EXPOSURE AMOUNT CALCULATION

The following is an illustration of the methodology The Dayton Power and Light Company will use to determine the Mark-to-Market Exposure Amounts for each SSO Supplier, including a methodology The Dayton Power and Light Company expects to use to derive off-peak Forward Market Prices. Notwithstanding the foregoing, if The Dayton Power and Light Company is unable to obtain publicly available market quotations for Forward Market Prices, Forward Market Prices will be determined by The Dayton Power and Light Company using any method which The Dayton Power and Light Company deems appropriate and which reasonably reflects forward market pricing conditions in PJM.

On the closing day of the Solicitation, the following parameters are determined by The Dayton Power and Light Company:

1. The expected On-Peak SSO Load per Tranche;
2. The expected Off-Peak SSO Load per Tranche;
3. Prevailing On-Peak Forward Market Prices for each month during the Original Delivery Period; and
4. Ratios of Off-Peak to On-Peak monthly Forward Market Prices for each month during the Original Delivery Period (to be used to determine the Off-Peak Forward Market Prices from the On-Peak Forward Market Prices).

The Forward Market Prices prevailing on the closing day of the Solicitation are used to establish the "mark" for each month during the Original Delivery Period. Table 1 contains hypothetical initial On-Peak Forward Market Prices for a hypothetical 17-month Original Delivery Period from January 2016 through May 2017. The initial Off-Peak Forward Market Prices are determined by multiplying the On-Peak Forward Market Prices for each Billing Month in Table 1 by the ratios of off-peak to on-peak prices for each Billing Month in Table 2. Table 3 contains the hypothetical "marks" established on the day the Solicitation is completed using the Forward Market Prices established in Tables 1 and 2. The "marks" will not change over the Original Delivery Period.

For each calculation of the Mark-to-Market Exposure Amount, The Dayton Power and Light

Company will determine the Forward Market Prices for each month during the Original Delivery Period. Table 4 contains hypothetical Forward Market Prices as of the first day of the Original Delivery Period. Table 5 contains a calculation of the Mark-to-Market Exposure Amount as of the first date of the Delivery Period for the seventeen-month Original Delivery Period based on the difference between the hypothetical "marks" set forth in Table 3 and the hypothetical Forward Market Prices set forth in Table 4.

MARK-TO-MARKET EXAMPLE

All Energy prices are based on a Market Price Hub

Table 1 – Hypothetical Initial Market Price Data

On-Peak Forward Market Price Quotes on the Solicitation Closing Date

Month	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
On-Peak	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43	\$46.39	\$56.39	\$56.39	\$44.56

Month	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
On-Peak	\$40.90	\$44.03	\$43.11	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43

Table 2 - Off-peak Forward Market Price Factors

The Dayton Power and Light Company's Pre-determined Ratio of Off-Peak to On-Peak Prices

Month	Ratio of Off-Peak to On-Peak Price
January	0.75
February	0.75
March	0.75
April	0.75
May	0.75
June	0.65
July	0.65
August	0.65
September	0.65
October	0.75
November	0.75
December	0.75

Table 3 – Hypothetical Closing Day "Marks"

"Marks" Set on the Solicitation Closing Date
 Energy (MWh/Tranche)

Hypothetical prices for January 2016 through May 2017 so as to correspond to a 17 month Original Delivery Period.

	On-Peak Volume	Off-Peak Volume	On-Peak Price	Off-Peak Price
Jan-16	1,621	1,590	\$53.11	\$39.83
Feb-16	1,500	1,492	\$51.69	\$38.77
Mar-16	1,414	1,522	\$50.40	\$37.80
Apr-16	1,399	1,280	\$50.40	\$37.80
May-16	1,383	1,263	\$48.43	\$36.32
Jun-16	1,480	1,443	\$46.39	\$30.15
Jul-16	1,643	1,603	\$56.39	\$36.65
Aug-16	1,741	1,391	\$56.39	\$36.65
Sep-16	1,284	1,428	\$44.56	\$28.96
Oct-16	1,435	1,260	\$40.90	\$30.68
Nov-16	1,383	1,374	\$44.03	\$33.02
Dec-16	1,435	1,718	\$43.11	\$32.33
Jan-17	1,621	1,590	\$53.11	\$39.83
Feb-17	1,500	1,492	\$51.69	\$38.77
Mar-17	1,414	1,522	\$50.40	\$37.80
Apr-17	1,399	1,280	\$50.40	\$37.80
May-17	1,383	1,263	\$48.43	\$36.32

Table 4 – Hypothetical Forward Market Prices on Day 1 of the Delivery Period

On-Peak Forward Market Quotes on Day 1 of the Delivery Period

Month	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
On-Peak	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43	\$46.39	\$57.39	\$56.39	\$46.56

Month	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
On-Peak	\$40.90	\$45.03	\$43.11	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43

