

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Valley)	
Electric Corporation for Authority to Issue and)	
Sell Secured or Unsecured Promissory Notes,)	
Debentures or Other Debt Securities, to Borrow)	
from or Enter Into Other Financing Arrangements)	
with The Ohio Air Quality Development)	Case No. 11-5763-EL-AIS
Authority, Indiana Finance Authority or Other)	
Authority, to Enter into One or More Secured or)	
Unsecured Term Loan or Revolving Credit)	
Arrangements and to Enter into Interest)	
Rate Management Agreements.)	

FINDING AND ORDER

The Commission finds:

- (1) Applicant, Ohio Valley Electric Corporation, is an Ohio corporation and a public utility as defined in Section 4905.02, Revised Code, and is subject to the jurisdiction of this Commission.
- (2) The Application and Exhibits were filed on November 15, 2011 (Application), pursuant to Section 4905.41, Revised Code.
- (3) Applicant proposes to: (a) issue and sell secured or unsecured promissory notes, debentures or other debt securities (Collectively, the Notes) in one or more series, (b) borrow from, or enter into other financing arrangements with, the Ohio Air Quality Development Authority or other tax exempt issuers through the issuance of tax exempt bonds, including but not limited to the Indiana Finance Authority or any statutory successor thereto (the Authority Bonds), (c) enter into one or more secured or unsecured term loan or revolving credit arrangements (the Credit Facilities), and (d) issue and sell any combination of Notes and Credit Facilities to one or more commercial banks, financial institutions or other institutional investors, or to make borrowing from either the Ohio, Indiana, or other Authority, from time to time, through December 31, 2012, in an aggregate principal amount of up to \$700 million, pursuant to the terms and conditions as described in the Application.

- (4) The Notes and the Authority Bonds will mature in not more than 60 years and the Credit Facilities will be issued for periods of not more than 10 years. The Notes and the Authority Bonds will carry either a fixed interest rate or a variable interest rate. The interest rates applicable to the Credit Facilities will be based on certain parameters, as described in the Application.
- (5) Applicant proposes to provide the Notes, the Authority Bonds or the Credit Facilities (collectively, the Securities) some form of credit enhancement in order to reduce Applicant's cost of financing, as described in the Application.
- (6) Applicant also requests Commission authorization to utilize Interest Rate Management Agreements (Interest Rate Agreements) to lower its overall effective interest cost on financings, within the parameters as set forth in the Application.
- (7) Applicant states that the Interest Rate Agreements are intended to allow Applicant sufficient alternatives and flexibility to reduce its effective interest cost and manage interest cost on financings.
- (8) Generally, there will be no proceeds associated with the Interest Rate Agreements since most transactions are effected without exchanging principal amounts.
- (9) The proceeds from the Securities will be used to: (a) finance coal, material and supply inventories and pay its general obligations and (b) repay, refinance or redeem Applicant's short and long-term debt, and (c) pay any expenditure incurred in connection with the compliance with environmental regulations of the state and the federal environmental protection agencies, all pursuant to Section 4905.40, Revised Code.
- (10) The maximum amount of the Securities does not appear to be unreasonable, and their probable costs, prices to Applicant, and other terms to be determined within the parameters set forth in the Application do not appear to be unjust or unreasonable.
- (11) The proposed guidelines or parameters set forth in the Application are intended to facilitate the issuance of the Securities on the best terms and at the lowest cost obtainable. The authorization of the sale of the Securities within the guidelines set

forth in the Application in no way relieves Applicant of its obligation to negotiate and obtain the best terms available.

- (12) The effect on Applicant's revenue requirements resulting from the issuance of the Securities can be determined only in rate proceedings in which all factors affecting rates are taken into account according to law.
- (13) Based on information contained in the Application and the Exhibits thereto, the purposes to which the proceeds from the issue and sale of the Securities shall be applied appear to be reasonably required by Applicant to meet its present and prospective obligations to provide utility service and the Commission is satisfied that consent and authority should be granted.

It is, therefore,

ORDERED, That Applicant is authorized through December 31, 2012, to: (a) issue and sell secured or unsecured promissory notes, debentures or other debt securities in one or more series, (b) borrow from or enter into other financing arrangements with, The Ohio Air Quality Development Authority, the Indiana Finance Authority or any statutory successor thereto, or other tax-exempt authority through the issuance of tax exempt bonds, (c) enter into one or more secured or unsecured term loan or revolving credit arrangements, or (d) issue and sell any combination of Notes and Credit Facilities to one or more commercial banks, financial institutions or other institutional investors, or to make borrowing from one of the Authorities, from time to time, in an aggregate principal amount of up to \$700 million, as described in the Application and Exhibits. It is, further,

ORDERED, That Applicant is authorized to enter into Interest Rate Management Agreements, as described in the Application and Exhibits. It is, further,

ORDERED, That Applicant is authorized to apply the proceeds from the Securities for the purposes set forth in this Order, or otherwise pursuant to the provisions of Section 4905.40, Revised Code. It is, further,

ORDERED, That Applicant shall file written reports with the Commission with the terms and full particulars of each issuance of the Securities, as promptly as practicable, when the Securities authorized by this Order are issued and sold and/or when Applicant enters into each Interest Rate Management Agreement. It is, further,

ORDERED, That Applicant shall account for the issuance of the Securities and the Interest Rate Management Agreements as prescribed by the Federal Energy

Regulatory Commission Uniform System of Accounts as currently in effect. It is, further,


ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule or regulation of Applicant. It is, further,

ORDERED, That nothing in this Finding and Order shall be construed to imply any guaranty or obligation as to the Securities, or the interest thereon and Interest Rate Management Agreements on the part of the State of Ohio. It is, further,

ORDERED, That nothing in this Finding and Order shall be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of the Applicant. It is, further,

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

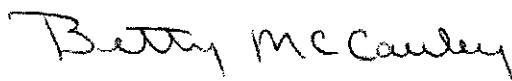
THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman
Paul A. Centolella
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MJP:jd

Entered in the Journal

DEC 14 2011


Betty McCauley
Secretary