

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of AEP Ohio)
Transmission Company, Inc. for Authority to)
Issue and Sell Secured or Unsecured Promissory) Case No. 14-1883-EL-AIS
Notes and Enter into Interest Rate Management)
Agreements.)

FINDING AND ORDER

The Commission finds:

- (1) The Applicant, AEP Ohio Transmission Company (OHTCo), is an Ohio corporation and a public utility, as defined in R.C. 4905.02, subject to the jurisdiction of this Commission.
- (2) On October 22, 2014, Applicant filed its application and exhibits and as supplemented on December 3, 2014 (Applications), pursuant to R. C. 4905.40 and 4905.42.
- (3) Applicant proposes to issue and sell through December 31, 2015, secured or unsecured notes (Notes), and/or secured or unsecured notes (AEP Notes) to their parent American Electric Power Company, Inc. (AEP), provided that the aggregate amounts of the Notes, and the AEP Notes (collectively the New Debt) will not exceed \$250 million, as described in the Application.
- (4) The New Debt will mature in not more than 60 years and may be sold by (i) competitive bidding, (ii) negotiations with underwriters or agents, or (iii) direct placement with a commercial bank or other institutional investor. The Notes will have either a fixed or variable interest rate and may be provided by some form of credit enhancement, as described in the Application.
- (5) The terms of the AEP Notes will be similar to the terms of the Notes. The interest rate of the AEP Notes will be equal to the cost of capital of AEP, as described in the Application.
- (6) Applicant also requests Commission authorization to enter into Interest Rate Management Agreements (Interest Agreements) to utilize interest rate management techniques to lower its overall

effective interest cost, within the parameters described in the Application.

- (7) Generally, there will be no proceeds associated with the Interest Agreements since most transactions are effective without exchanging principal amounts. Applicant states that the Interest Agreements are intended to provide Applicant additional alternatives and flexibility to reduce its effective interest costs and to manage interest costs on financing.
- (8) The proceeds from the sale of the New Debt will be used to fund Applicant's construction, acquisition, maintenance, and/or modification or improvements to its new and existing electric transmission facilities; to refinance existing debt; to meet working capital needs; and for other corporate purposes, all pursuant to R. C. 4905.40, as described in the Application.
- (9) The Applicant states its intent to maintain a balanced capital structure using the proceeds of any long-term debt offering(s) together with funds from operations, retained earnings, and parent equity contributions to pay for capital expenditures and repay short-term debt. The Commission expects that the Applicant will take necessary measures to maintain a balanced capital structure before filing a new request to issue any long-term debt and will evaluate the efficacy of such request pursuant to this expectation.
- (10) The proposed guidelines or parameters set forth in the Application are intended to facilitate the issuance of the New Debt on the best terms possible and at lowest cost. The authorization to consummate these financial transactions, within the parameters set forth in the Application, in no way relieves the Applicant of its responsibility to negotiate and obtain the best terms available.
- (11) The amount of the New Debt, the terms thereof, and the probable cost to the Applicant, which are to be no less favorable than the terms as described in the Application, do not appear to be unjust or unreasonable.
- (12) The effect on Applicant's revenue requirements resulting from the issuance of the New Debt will be considered in the determination

of required revenue in rate proceedings in which all factors affecting rates will be taken into account according to law.

- (13) Based on the information contained in the Application, the purposes to which the proceeds from the New Debt shall be applied appear to be reasonably required by the 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, AEP Ohio Transmission Company, is authorized through December 31, 2015, to issue promissory notes, including AEP Notes, provided the aggregate principal amount of Notes and AEP Notes do not exceed \$250 million, and enter into Interest Agreements, within the terms and conditions as set forth in the Application. It is, further,

ORDERED, That Applicant shall apply the proceeds from the New Debt for the purposes set forth in this Order and otherwise pursuant to the provisions of R. C. 4905.40. It is, further,

ORDERED, That after the proposed securities are issued and the proceeds thereof are used, Applicant is expected to take necessary measures to maintain a balanced capital structure before filing for new request to issue any long-term debt. The Commission will evaluate the efficacy of such issuance for the Applicant to maintain a balanced capital structure as Commission determines appropriate. It is further,

ORDERED, That after the New Debt authorized by this Order are issued, Applicant shall report to the Commission, as soon as practicable, the terms and full particulars regarding the Securities. It is, further,

ORDERED, That the authorization granted by this Order shall not be construed as limiting the Commission's determination of the appropriateness of the New Debt for future ratemaking treatment. It is, further,

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

ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation as to the New Debt on the part of the state of Ohio. It is, further,

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

THE PUBLIC UTILITIES COMMISSION OF OHIO

Thomas W. Johnson, Chairman

Steven D. Lesser

Lynn Slaby

M. Beth Trombold

Asim Z. Haque

JZ/js

Entered in the Journal

JAN 21 2015

Barcy F. McNeal

Barcy F. McNeal
Secretary