

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio )  
Power Company for Authority to Issue )  
and Sell Promissory Notes and to Enter ) Case No. 15-2039-EL-AIS  
into Interest Rate Management )  
Agreements. )

FINDING AND ORDER

The Commission finds:

- (1) Ohio Power Company (Ohio Power) is a public utility as defined in R.C. 4905.02 and, as such, is subject to the jurisdiction of this Commission.
- (2) R.C. 4905.40 permits public utility companies to issue "notes, or other evidences of indebtedness payable at periods of more than twelve months," when authorized by the Commission. Pursuant to R.C. 4905.40(A)(2), an authorized company may issue notes or other evidences when it is necessary for, among other things, reorganization or readjustment of its indebtedness and capitalization. The application process for obtaining Commission authorization is outlined in R.C. 4905.41. The application must include the amount, purpose, and terms of the financial arrangement, as well as the total assets and liabilities of the utility.
- (3) On December 4, 2015, Ohio Power filed an application seeking to issue and sell unsecured promissory notes of up to \$500 million through March 31, 2017. The proceeds from the notes, according to Ohio Power, will be used to pay at maturity or refund long-term debt, to repay short-term indebtedness used for paying at maturity or refunding long-term debt, and to provide working capital for its construction program. Ohio Power states it currently has approximately \$2.2 billion in long-term debt and no short-term debt. According to Ohio Power, the notes will mature in not more than 60 years. Further, the interest rates of the notes will be fixed or variable. The interest rate for any fixed rate note is not to exceed by more than 4% over the yield to maturity of U.S. Treasury obligations of

comparable maturities at the time of pricing. For variable rates, the interest rate will not exceed 6% per annum.

- (4) Ohio Power also requests to utilize interest rate management techniques and enter into interest rate management agreements. The Company asserts the fees and commissions on the agreements will not exceed 1% of the amount of the underlying obligation, and there will be no proceeds from the obligations. The purpose of the agreements is to lower effective interest cost.
- (5) On February 8, 2016, Staff filed a review and recommendation. In its review, Staff states that Ohio Power's requests are reasonable and are necessary for the utility to continue operating successfully. Further, Staff notes that when the securities are issued, it expects the terms will be much lower than the stated parameters. Thus, Staff recommends that the Commission approve the application.
- (6) Upon review of the application and Staff's recommendation, the Commission finds that the amount of the borrowings, the terms thereof, and the probable cost to Ohio Power, which are to be no less favorable than the terms as described in the application, do not appear to be unjust or unreasonable. In addition, based on the information contained in the application, and the exhibits thereto, the purposes to which the proceeds from the loan shall be applied and the use of the interest agreements appear to be reasonably required by Ohio Power to meet its present and prospective obligations to provide utility service. Therefore, the Commission finds that the application should be approved.

It is, therefore,

ORDERED, That Ohio Power be authorized, through March 31, 2017, to have long-term notes in aggregate principal amount of not more than \$500 million and to enter into interest rate management agreements, pursuant to the terms and conditions as described in the application and in this Finding and Order. It is, further,

ORDERED, That Ohio Power be authorized to apply the proceeds from the loan for the purposes set forth in this Order, pursuant to the provisions of R.C. 4905.40. It is, further,

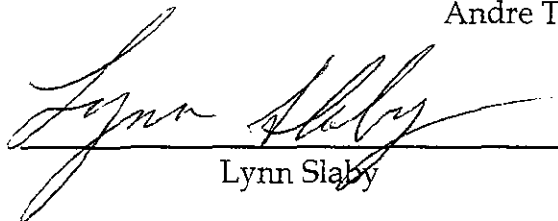
ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation as to the unsecured notes and other evidences of indebtedness, or the associated interest, on the part of the state of Ohio. It is, further,

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


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

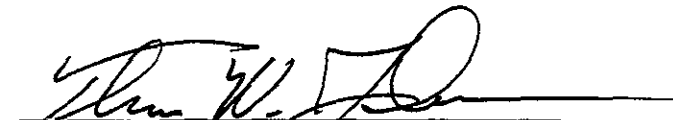
THE PUBLIC UTILITIES COMMISSION OF OHIO

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Andre T. Porter, Chairman

  
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Lynn Slaby

  
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M. Beth Trombold

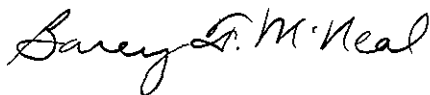
  
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Asim Z. Haque

  
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Thomas W. Johnson

NW/vrm

Entered in the Journal

**APR 07 2016**

  
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Barcy F. McNeal  
Secretary