

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION
OF THE EAST OHIO GAS COMPANY
D/B/A DOMINION EAST OHIO FOR
CONSENT AND AUTHORITY TO ISSUE A
LONG-TERM NOTE.

CASE NO. 16-1707-GA-AIS

FINDING AND ORDER

Entered in the Journal on October 26, 2016

I. SUMMARY

{¶ 1} The Commission approves the application filed by The East Ohio Gas Company d/b/a Dominion East Ohio for authority to issue a long-term note, subject to Staff's recommended conditions.

II. DISCUSSION

{¶ 2} The East Ohio Gas Company d/b/a Dominion East Ohio (DEO or Company) is a natural gas company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4905.40 permits a public utility to issue stocks, bonds, notes, and other evidences of indebtedness, payable at periods of more than 12 months, when authorized by the Commission. Pursuant to R.C. 4905.40(A)(1), the public utility may issue notes or other evidences of indebtedness when it is necessary for, among other things, the construction, completion, extension, renewal, or improvement of its facilities and, under R.C. 4905.40(A)(2), for 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 public utility.

{¶ 4} On August 9, 2016, DEO filed an application and supporting exhibits pursuant to R.C. 4905.40 and 4905.41. DEO requests authority to issue and sell a long-term note (Note) to its parent company, Dominion Gas Holdings, LLC (DGH), not to exceed a principal amount of \$700 million. According to DEO, the full amount will become due at maturity, which will be 30 years from the issuance of the Note. DEO states that the proposed interest rate of 4.35 percent is a projected market rate expected to be available to DGH when the Note is issued, with the actual interest rate to be determined upon issuance of the Note. DEO further states that the purpose of the issuance is to finance the acquisition of property; to finance the construction, completion, extension, renewal, and improvement of the Company's facilities; to improve the Company's service to its customers; and to reorganize or readjust the Company's indebtedness and capitalization to align more closely its actual capital structure and the capital structure approved by the Commission in the Company's most recent rate case.

{¶ 5} On October 6, 2016, Staff filed its review and recommendation. Staff finds, following its review of DEO's application, that the application is reasonable and recommends that it be approved, with the following conditions. First, Staff recommends a maximum interest rate parameter of 5.0 percent. Staff explains that, although DEO did not propose a maximum allowable interest rate parameter, one is typically provided in debt authorizations, given the ever changing landscape of financial markets. Staff notes that its recommendation in no way relieves DEO from obtaining the best terms available and that Staff expects that the actual interest rate obtained will be much lower than the maximum allowable interest rate parameter. Second, Staff recommends that DEO be directed to file a report in this docket within a month of the consummation of the transaction.

{¶ 6} Upon consideration of the application, and Staff's review and recommendation, the Commission finds that the amount of the Note, the terms thereof, and the probable cost to DEO, within the parameters set forth in the application, as

modified by Staff, do not appear to be unjust or unreasonable. In addition, based on the information contained in the application, the purposes to which the proceeds from the Note shall be applied, and the use of the Note, appear to be reasonably required by DEO to meet its present and prospective obligations to provide utility service. Therefore, the Commission finds that the application should be approved, subject to Staff's recommended conditions.

III. ORDER

{¶ 7} It is, therefore,

{¶ 8} ORDERED, That DEO's application be approved, pursuant to the terms and conditions as described in the application, and subject to Staff's recommended conditions. It is, further,

{¶ 9} ORDERED, That DEO shall apply the proceeds from the Note for the purposes set forth in this Finding and Order and otherwise pursuant to the provisions of R.C. 4905.40. It is, further,

{¶ 10} ORDERED, That the authorization granted by this Finding and Order shall not be construed as limiting the Commission's determination of the appropriateness of the Note for future ratemaking treatment. It is, further,

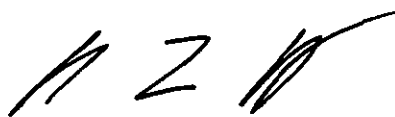
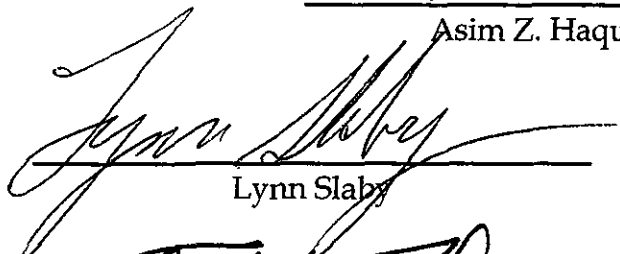
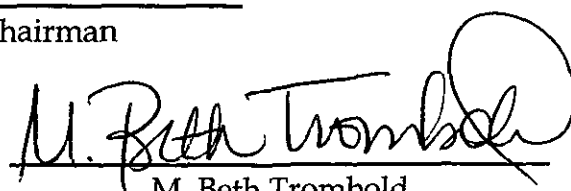
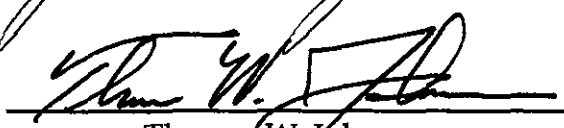

{¶ 11} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of DEO. It is, further,

{¶ 12} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation as to the Note on the part of the state of Ohio. It is, further,

{¶ 13} ORDERED, That nothing in this Finding and Order 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,

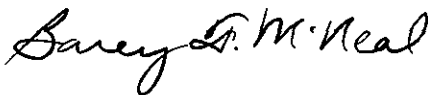
{¶ 14} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Asim Z. Haque, Chairman
Lynn Slaby
M. Beth Trombold
Thomas W. Johnson
M. Howard Petricoff

SJP/sc

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OCT 26 2016



Barcy F. McNeal
Secretary