

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
OHIO VALLEY ELECTRIC CORPORATION
FOR AUTHORITY TO ISSUE DEBT AND TO
ENTER INTO FINANCING, REVOLVING
CREDIT, AND INTEREST RATE
MANAGEMENT AGREEMENTS.

CASE NO. 16-2136-EL-AIS

FINDING AND ORDER

Entered in the Journal on February 8, 2017

I. SUMMARY

{¶ 1} The Commission approves this application by Ohio Valley Electric Corporation, as amended, for authorization to issue debt and execute certain financing agreements.

II. APPLICABLE LAW

{¶ 2} The Applicant, Ohio Valley Electric Corporation (OVEC), is an Ohio corporation and a public utility, as defined in R.C. 4905.02, subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4905.40 permits public utility companies to issue stocks, bonds, notes, and 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 of indebtedness when it is necessary for, among other things, reorganization or readjustment of its indebtedness and capitalization. R.C. 4905.401 permits public utility companies to issue stocks, bonds, notes, and other evidences of indebtedness, payable at periods of not more than twelve months, when authorized by the Commission. The application process for obtaining Commission authorization is outlined in R.C. 4905.41, and must include the amount, purpose, and terms of the financial arrangement, as well as the total assets and liabilities of the utility.

III. PROCEDURAL HISTORY

{¶ 4} On December 16, 2015, the Commission authorized OVEC to issue debt and enter into arrangements to borrow an aggregate principal amount of up to \$450 million through December 31, 2016 in Case No. 15-1657-EL-AIS.

{¶ 5} On October 28, 2016, OVEC filed this Application, as supplemented on November 22, 2016 and December 30, 2016, pursuant to R.C. 4905.41 and 4905.401, requesting Commission authorization through December 31, 2017, to issue the following debt (Securities) and enter into the following financing agreements:

- (a) issue and sell secured or unsecured promissory notes (Notes) in one or more series;
- (b) borrow from the Ohio Air Quality Authority, the Indiana Finance Authority, or another authority through the issuance of tax exempt bonds (Authority Bonds);
- (c) enter into one or more secured or unsecured term loan or revolving credit arrangements (Credit Facilities);
- (d) issue and sell any combination of Notes and Credit Facilities, or issue Authority Bonds from time to time for maturities with a duration of over 12 months (Long-term Securities) up to \$125 million;
- (e) enter into indebtedness for maturities of 12 months or less (Short-term Securities) up to \$200 million; and
- (f) enter into certain interest rate management agreements (Interest Agreements).

{¶ 6} On January 19, 2017, Staff filed a report of its review recommending that the Application be approved based on Staff's assessment of OVEC's most recent issuances in filings made on February 3, May 2, and November 14, 2016 in Case No. 15-1657-EL-AIS. Staff notes that OVEC proposes to use the proceeds of the \$125 million Long-term Securities to extend three letters of credit in 2017:

- (a) a \$25 million letter of credit, expiring February 12 , 2017, that enhances the credit rating of the OVEC \$25 million 2009A Ohio Air Quality Development Authority (OAQDA) tax exempt bonds at a lower interest rate than OVEC issued debt;
- (b) a \$50 million letter of credit from, expiring June 28, 2017, that enhances the credit rating of the OVEC \$50 million 2012C Indiana Finance Authority (IFA) tax exempt bonds at a lower interest rate than OVEC issued debt; and
- (c) a \$50 million bank agreement, expiring June 29, 2017, that holds the OVEC \$50 million 2010A Indiana Finance Authority (IFA) tax exempt bonds at a lower interest rate than OVEC issued debt.

{¶ 7} Staff notes that OVEC proposes to use the proceeds of the \$200 million Short-term Securities to: (a) finance coal, reagent, environmental allowance costs, material and supplies for Kyger Creek and Clifty Creek Plants, and pay general obligations; and (b) fund working capital and general corporate purposes. Staff reports that the proposed financing will not create any change in the capitalization structure of OVEC on a pro forma basis.

IV. DISCUSSION

{¶ 8} Upon review of the Application and Staff's recommendations, the Commission finds that the maximum amount of the securities does not appear to be unreasonable, and their probable costs, prices to OVEC, and other terms to be determined

within the parameters set forth in the Application do not appear to be unjust or unreasonable. Further, the purposes to which the proceeds from the borrowings shall be applied appear to be reasonably required to meet OVEC's present and prospective obligations to provide utility service. Therefore, the Commission finds that the Application should be approved as recommended by Staff.

{¶ 9} With respect to the issuance of the \$125 million in long-term debt, OVEC is directed to file a report on the use of the proceeds within 10 days of the consummation of the transaction. Further, the proposed guidelines or parameters set forth in the Application, as supplemented, 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 OVEC of its obligation to negotiate and obtain the best terms available. Further, the effect on OVEC'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.

V. ORDER

{¶ 10} It is, therefore,

{¶ 11} ORDERED, That OVEC be authorized through December 31, 2017, to issue Notes, Authority Bonds, and Short-term Securities, and enter into Credit Facilities in an aggregate principal amount of up to \$325 million, including \$200 million in Short-term Securities as described in the Application, as supplemented. It is, further,

{¶ 12} ORDERED, That OVEC be authorized to enter into the Interest Rate Management Agreements described in the Application. It is, further,

{¶ 13} ORDERED, That OVEC be authorized to apply the proceeds from the Securities for the purposes set forth in this Finding and Order, or otherwise pursuant to R.C. 4905.40. It is, further,

{¶ 14} ORDERED, That OVEC file, within 10 days of the consummation of the transaction, written reports of the terms and conditions of each issuance of the Securities when the Securities authorized by this Finding and Order are issued and sold, and/or when OVEC enters into each Interest Rate Management Agreement. It is, further,

{¶ 15} ORDERED, That OVEC 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 in effect at the time of such issuance. It is, further,

{¶ 16} ORDERED, That the authorization granted by this Finding and Order not be construed as limiting the Commission's determination of the appropriateness of the OVEC's future long-term security offerings issued wholly or in part for the purpose of retiring its outstanding short-term evidences of indebtedness. It is, further,

{¶ 17} 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,

{¶ 18} 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 of OVEC. It is, further,

{¶ 19} 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 OVEC. It is, further.

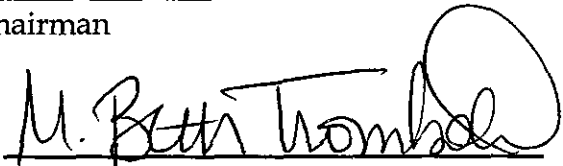
{¶ 20} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO




Asim Z. Haque, Chairman

Lynn Slaby



M. Beth Trombold




Thomas W. Johnson

RMB/dah/vrm

Entered in the Journal

FEB 08 2017



Barcy F. McNeal
Secretary