

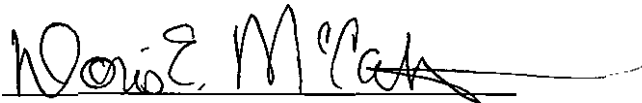
December 12, 2017

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus OH 43215RECEIVED-DOCKETING DIV  
2017 DEC 12 PM 1:51  
PUCO

RE: *In the Matter of the Application of Ohio Valley Electric Corporation for Authority to Issue Evidence of Indebtedness in the Form of Secured or Unsecured Promissory Notes, Securities, Financing Arrangements Relating to Bonds Issued by the Ohio Air Quality Development Authority, Indiana Finance Authority or Other Authorities, One or More Secured or Unsecured Term Loan or Revolving Credit Arrangements to Provide for Credit Enhancements, and To Enter into Interest Rate Management Agreements*

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the application of Ohio Valley Electric Corporation for authority to issue short-term debt in Case No. 17-2116-EL-AIS.



Doris McCarter  
Division Chief, Capital Recovery and Financial Analysis  
Rates and Analysis Department  
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.  
Technician AM Date Processed DEC 12 2017

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio	)	
Valley Electric Corporation for Authority to	)	
Issue Evidence of Indebtedness in the Form	)	Case No. 17-2116-EL-AIS
of Secured or Unsecured Promissory Notes,	)	
Securities, Financing Arrangements Relating	)	
to Bonds Issued by the Ohio Air Quality	)	
Development Authority, Indiana Finance	)	
Authority or Other Authorities, One or More	)	
Secured or Unsecured Term Loan or	)	
Revolving Credit Arrangements to Provide	)	
for Credit Enhancements, and To Enter into	)	
Interest Rate Management Agreements	)	

---

**Staff Review and Recommendation**

---

**APPLICATION DESCRIPTION**

On October 11, 2017, Ohio Valley Electric Corporation ("OVEC") filed an application with exhibits, and subsequently filed two supplemental applications<sup>1</sup> (collectively, "Application"), with the Public Utilities Commission of Ohio ("Commission") pursuant to Ohio Revised Code ("R.C.") 4905.401 seeking authority to make short-term borrowings of up to \$200 million from January 1, 2018, through December 31, 2018. OVEC anticipates the short-term borrowings will consist of short-term draws from their existing revolving credit facility ("Revolver"). OVEC is now seeking a renewal of its existing \$200 million of short-term debt authority that was granted in Case No. 16-2136-EL-AIS.<sup>2</sup>

OVEC proposes to use the proceeds from the short-term borrowings to fund, among other things, (a) coal, reagent, environmental allowance, material and supply inventories at its Kyger Creek

---

<sup>1</sup> See Supplemental Application (Nov. 3, 2017); Second Supplemental Application (Dec. 5, 2017).

<sup>2</sup> See *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 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, Including Assuming Liability on Short-Term Notes and Other Evidences of Short-Term Indebtedness*, Case No. 16-2136-EL-AIS, Finding and Order (Feb. 8, 2017).

and Clifty Creek Plants; (b) repay, refinance, refund or redeem outstanding debts; and (c) for other general corporate purposes.

R.C. 4905.401 provides a statutory exemption permitting Ohio electric utilities to borrow up to five percent of the par value of all outstanding long-term securities without the Commission's prior approval ("Statutory Exemption"). Any Ohio electric utility wishing to incur short-term obligations in excess of the Statutory Exemption must seek Commission authorization.

### **REVIEW AND ANALYSIS**

As of September 30, 2017, the Statutory Exemption permits OVEC to borrow up to approximately \$72 million without the Commission's approval. OVEC currently has \$85 million borrowed under the Revolver, and anticipates the periodic need for short-term funding over the course of 2018 that will be in excess of the amount allowed under the Statutory Exemption.

OVEC's Revolver has terms and pricing parameters that are within those included in the Application, and the Revolver is not scheduled to expire until late 2019. However, OVEC anticipates negotiating an extension or a replacement of the Revolver during 2018.

### **STAFF RECOMMENDATION**

Upon review of the Application and supporting documentation, Staff believes OVEC's request appears reasonable and recommends approval of the Application.