

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. 17-2116-EL-AIS

FINDING AND ORDER

Entered in the Journal on December 20, 2017

I. SUMMARY

{¶ 1} The Commission approves the Application of Ohio Valley Electric Corporation, as amended, for authorization to issue debt and execute related financing agreements.

II. APPLICABLE LAW

{¶ 2} The Applicant, Ohio Valley Electric Corporation (OVEC or the Company), 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 12 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 12 months, when authorized by the Commission. R.C. 4905.401 also provides a statutory exemption that permits Ohio electric utilities to borrow up to five percent of the par value of all outstanding long-term securities without prior Commission approval. 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 February 8, 2017, the Commission issued a Finding and Order in Case No. 16-2136-EL-AIS, authorizing OVEC to issue debt and borrow up to \$325 million, comprised of \$125 million in long-term and \$200 million in short-term securities, through December 31, 2017. On June 21, 2017, the Commission issued a Second Finding and Order in that proceeding, granting OVEC's supplemental requests to issue, through December 31, 2017, an additional \$175 million, up to \$300 million total, in long-term securities to replace existing long-term securities with maturities during 2018 and the first quarter of 2019. OVEC's supplemental requests were initiated due to concerns regarding the financial position of FirstEnergy Solutions Corp. (FES), a subsidiary of FirstEnergy Corp., and one of OVEC's 13 sponsoring companies that purchase power produced by OVEC, as such concerns could adversely impact OVEC's ability to issue securities at favorable rates. *In re Ohio Valley Electric Corp. for Authority to Issue Debt*, Case No. 16-2136-EL-AIS Finding and Order (Feb. 8, 2017), and Second Finding and Order (Jun. 21, 2017).

{¶ 5} On October 11, 2017, OVEC filed the Application in this docket seeking authorization to issue up to \$300 million in long-term and short-term securities during the 2018 calendar year, through the issuance or renewal of secured or unsecured promissory notes in one or more series, tax exempt Authority Bonds, and secured or unsecured term loans or revolving credit arrangements. OVEC filed two supplements to the Application on November 3 and December 5, 2017, reducing its request to the issuance of \$200 million in short-term securities (Securities), which the Company anticipates will consist of short-term draws from OVEC's existing revolving credit facility (Revolver).

{¶ 6} On December 12, 2017, Staff filed a report finding that the Application, as amended, appears reasonable, and recommending that OVEC's request be approved. Staff notes that OVEC proposes to use the proceeds of the \$200 million in short-term securities to (a) finance coal, reagent, environmental allowance costs, material and supplies for the Kyger Creek and Clifty Creek Plants; (b) repay, refinance, refund or redeem outstanding debts;

and (c) for other general corporate purposes. Staff further reports that OVEC currently owes \$85 million under its Revolver, and that the Company anticipates the need for short-term funding in 2018 in excess of the statutory exemption provision under R.C. 4905.401 of approximately \$72 million, as of September 30, 2017, that the Company may borrow without prior Commission approval. Further, Staff reports that the terms and pricing parameters of OVEC's Revolver are within those included in the Application, and that while the Revolver is not scheduled to expire until late 2019, OVEC anticipates negotiating an extension or replacement during 2018.

IV. DISCUSSION

{¶ 7} Upon review of the Application, supplemental filings, and Staff's recommendations, the Commission finds that the maximum amount of the requested securities does not appear to be unreasonable, and that their probable costs, prices to OVEC, and other terms to be determined within the parameters set forth in the Application and supplemental filings 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, as amended, should be approved.

{¶ 8} OVEC is directed to report any draws upon the Revolver and the use of the proceeds on a quarterly basis. 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 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

{¶ 9} It is, therefore,

{¶ 10} ORDERED, That OVEC be authorized through December 31, 2018, to issue Short-term Securities in an aggregate principal amount of up to \$200 million as described in the Application and supplements. It is, further,

{¶ 11} 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,

{¶ 12} ORDERED, That OVEC file reports, on a quarterly basis, any use of the Revolver and the application of such proceeds, as authorized by this Finding and Order. It is, further,

{¶ 13} ORDERED, That OVEC account for the issuance of the Securities as prescribed by the Federal Energy Regulatory Commission Uniform System of Accounts in effect at the time of such issuance. It is, further,

{¶ 14} 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,

{¶ 15} 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,

{¶ 16} 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,

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

THE PUBLIC UTILITIES COMMISSION OF OHIO

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Asim Z. Haque, Chairman

M. Beth Trombold

M. Beth Trombold

Thomas W. Johnson

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Lawrence K. Friedeman

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DEC 20 2017

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Secretary