

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
AEP OHIO TRANSMISSION COMPANY, INC.
FOR AUTHORITY TO ISSUE SHORT-TERM
NOTES AND OTHER EVIDENCES OF
INDEBTEDNESS.

CASE NO. 17-2092-EL-AIS

FINDING AND ORDER

Entered in the Journal on December 20, 2018

I. SUMMARY

{¶ 1} The Commission approves the application filed by AEP Ohio Transmission Company, Inc., for authority to continue its participation in the AEP System Utility Money Pool and to make short-term borrowings, subject to Staff's recommended conditions.

II. DISCUSSION

{¶ 2} AEP Ohio Transmission Company, Inc., (OHTCo) is a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4905.401 permits a public utility that is an electric light company to issue notes or other evidences of indebtedness payable at periods of not more than 12 months, when authorized by the Commission. Pursuant to the statute, Commission authorization is not required for a public utility that is an electric light company to issue short-term notes and other evidences of indebtedness aggregating not more than five percent of the par value of the other stocks, bonds, notes, and other evidences of indebtedness of the company.

{¶ 4} In Case No. 16-1970-EL-AIS, the Commission authorized OHTCo to borrow up to \$250 million and continue its participation in the AEP System Utility Money Pool (Money Pool) through December 31, 2017. *In re AEP Ohio Transmission Company, Inc.*, Case No. 16-1970-EL-AIS, Finding and Order (Dec. 21, 2016).

{¶ 5} On October 4, 2017, in the above-captioned case, OHTCo filed an application pursuant to R.C. 4905.401, requesting Commission authorization through December 31,

2018, to continue OHTCO's participation in the Money Pool and to make short-term intercompany borrowings from American Electric Power Company, Inc., AEP Transmission Holding Company, LLC, or AEP Transmission Company, LLC, provided that the aggregate amount of short-term intercompany borrowings and Money Pool borrowings does not exceed \$250 million. On November 21, 2017, OHTCo filed an amendment to the application to substitute Exhibit B in the original application with an updated document. In its application, OHTCo proposes to use the proceeds from the intercompany and Money Pool borrowings for the interim financing of capital expenditure programs, the repayment of prior borrowings incurred for such purposes, and working capital needs.

{¶ 6} On December 4, 2017, Staff filed its review and recommendation. Initially, Staff notes that, consistent with R.C. 4905.401, OHTCo was permitted to borrow, as of September 30, 2017, up to approximately \$105,457,927, without the Commission's prior authorization, because such amount was less than five percent of the par value of OHTCo's other stocks, bonds, notes, and other evidences of indebtedness. Staff also recommends that the Commission approve OHTCo's application for authority to continue its participation in the Money Pool and to borrow short-term debt of up to \$250 million. Staff further recommends that the Commission impose the following conditions on OHTCo's participation in the Money Pool, in order to provide safeguards to insulate OHTCo from the financial risks associated with the other companies that participate in the Money Pool:

- (a) Funds provided by OHTCo to the Money Pool and borrowed therefrom are by only those participating companies that are regulated public utilities or subsidiaries of such utilities, and such borrowings shall not exceed \$250 million, at any one time, through December 31, 2018.
- (b) If any regulatory agency having jurisdiction over one or more of the participating companies imposes any condition limiting the amount of short-term debt that may be loaned to any participating company

in the Money Pool, OHTCo shall inform the Director of the Rates and Analysis Department of the Commission within ten days, so that the Commission may consider whether to impose a similar condition on OHTCo.

- (c) Loans to participating companies through the Money Pool should be made only to those participating companies that have, or whose direct parent company has, investment grade or higher credit ratings from at least one nationally recognized rating agency or, in the absence of such rating, investment grade or higher credit ratings on their corporate credit rating from at least one nationally recognized rating agency. In the event the credit rating of any participating company, or its parent company in the case of an unrated company, falls below investment grade, OHTCo shall inform the Director of the Rates and Analysis Department of the Commission within ten days of such event.
- (d) On a quarterly basis, OHTCo shall file, in this case docket, information relating to its participation in the Money Pool.

{¶ 7} Upon consideration of the application and Staff's review and recommendation, the Commission finds that the amount of the short-term borrowings under the Money Pool, the terms thereof, and the probable cost to OHTCo, 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 supporting exhibits, and subject to Staff's recommended conditions, the purposes to which the proceeds from the borrowings through participation in the Money Pool shall be applied appear to be reasonably required by OHTCo 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

{¶ 8} It is, therefore,

{¶ 9} ORDERED, That OHTCo be authorized, through December 31, 2018, to incur short-term debt of not more than \$250 million at any one time, and continue its participation in the Money Pool, pursuant to the terms and conditions described in the application, and subject to the conditions recommended by Staff and adopted in this Finding and Order. It is, further,

{¶ 10} ORDERED, That nothing in this Finding and Order be construed as limiting the Commission's determination of the appropriateness of OHTCo'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,

{¶ 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 OHTCo. It is, further,

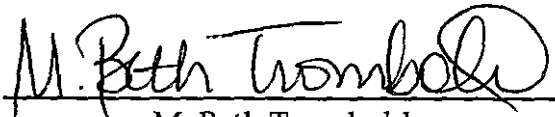
{¶ 12} ORDERED, That nothing in this Finding and Order be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

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

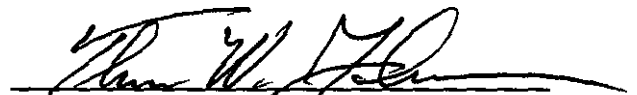
THE PUBLIC UTILITIES COMMISSION OF OHIO



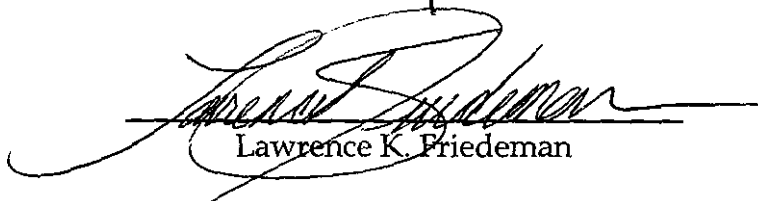
Asim Z. Haque, Chairman



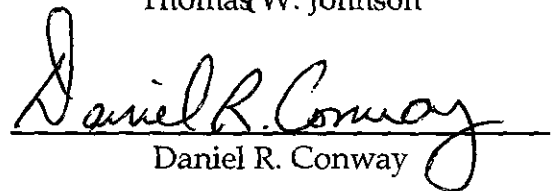
M. Beth Trombold



Thomas W. Johnson



Lawrence K. Friedeman



Daniel R. Conway

AS/vrm

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Barcy F. McNeal
Secretary