

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
AEP OHIO TRANSMISSION COMPANY,
INC. FOR AUTHORITY TO ISSUE AND SELL
SECURED OR UNSECURED PROMISSORY
NOTES AND ENTER INTO INTEREST RATE
MANAGEMENT AGREEMENTS.

CASE NO. 18-1340-EL-AIS

FINDING AND ORDER

Entered in the Journal on December 12, 2018

I. SUMMARY

{¶ 1} The Commission approves AEP Ohio Transmission Company, Inc.'s application for authority to issue and sell secured or unsecured promissory notes and enter into interest rate management agreements.

II. DISCUSSION

{¶ 2} AEP Ohio Transmission Company, Inc. (OHTCo) is an electric light 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, among other purposes. 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} In Case No. 17-2091-EL-AIS, the Commission authorized OHTCo, through December 31, 2018, to issue and sell secured or unsecured promissory notes of up to

\$350 million and to enter into interest rate management agreements. *In re AEP Ohio Transmission Co., Inc.*, Case No. 17-2091-EL-AIS, Finding and Order (Feb. 7, 2018).

{¶ 5} On August 27, 2018, in the above-captioned case, OHTCo filed an application requesting Commission authorization, through December 31, 2019, to issue and sell secured or unsecured promissory notes (Notes) of up to \$350 million and to enter into interest rate management agreements. OHTCo proposes to use the proceeds from the Notes, along with other funds, to finance the construction, acquisition, maintenance, and improvement of new and existing electric transmission facilities; refinance existing debt; meet working capital needs; and fund its other general corporate purposes.

{¶ 6} On November 23, 2018, Staff filed its review and recommendation. Staff reports that, as of September 7, 2018, OHTCo had issued an aggregate principal amount of \$115 million of the long-term securities to its parent company, AEP Transmission, as authorized under Case No. 17-2091-EL-AIS. Staff notes that OHTCo does not anticipate issuing any additional amounts of the unused portion of the remaining \$235 million authorized by the Commission. Staff notes that, as of September 30, 2018, OHTCo had long-term debt of approximately \$1.21 billion.

{¶ 7} Staff further reports that the new debt will be issued with a maturity of not more than 50 years; any long-term fixed rate debt security will have an interest rate that is not to exceed by more than 3 percent of the yield to maturity of U.S. Treasury obligations of comparable maturities at the time of pricing; the initial interest rate of any variable rate long-term debt security will not exceed 6 percent per annum; and the commission payable to agents and underwriters will not exceed 3.15 percent of the principal amount of the new debt.

{¶ 8} Staff indicates that during 2018, OHTCo's actual capital construction expenditures from January to August amounted to approximately \$327 million. Staff notes that the OHTCo anticipates spending approximately \$194 million during the remainder of 2018 and \$556 million in 2019 for capital construction expenditures. With respect to the

interest rate management agreements, Staff notes that, in general, there would be no proceeds associated with the agreements, as there are no new obligations created by the agreements. Staff concludes, following its thorough review of OHTCo's application, that the application should be approved and the authority to issue new debt in this matter supersede and replace the authority in Case No. 17-2091-EL-AIS.

{¶ 9} Based on the information contained in the application and Staff's review and recommendation, the Commission finds that the amount and terms of the Notes, 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, the purposes to which the proceeds from the Notes shall be applied, and the use of the Notes, 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. Furthermore, the borrowing authority conferred upon OHTCo by the Commission in this case supersedes the borrowing authority conferred upon OHTCo by the Commission in Case No. 17-2091-EL-AIS.

III. ORDER

{¶ 10} It is, therefore,

{¶ 11} ORDERED, That OHTCo's application be approved, pursuant to the terms and conditions as described in the application. It is, further,

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

{¶ 13} ORDERED, That after the new debt authorized by this Finding and Order is issued, OHTCo promptly file a report of the terms and conditions regarding each issuance of the securities. It is, further,

{¶ 14} 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 Notes for future ratemaking treatment. It is, further,

{¶ 15} 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,

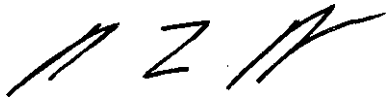
{¶ 16} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation as to the Notes on the part of the state of Ohio. It is, further,

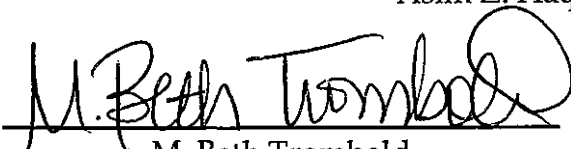
{¶ 17} ORDERED, That nothing in this Finding and Order be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 18} ORDERED, That the borrowing authority conferred upon OHTCo supersedes the borrowing authority conferred upon OHTCo by the Commission in Case No. 17-2091-EL-AIS

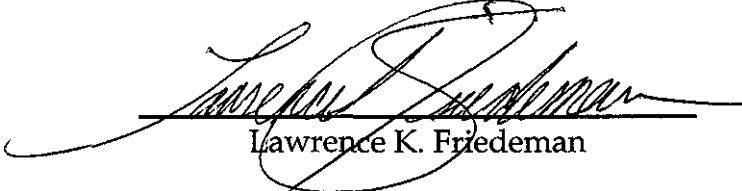
{¶ 19} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

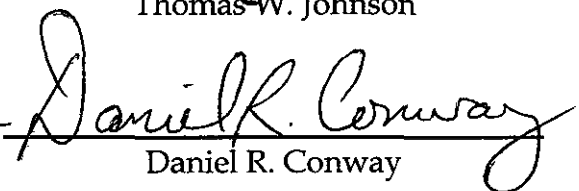
THE PUBLIC UTILITIES COMMISSION OF OHIO


Asim Z. Haque, Chairman


M. Beth Trombold


Thomas W. Johnson

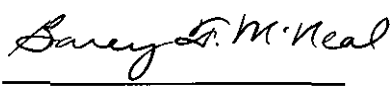

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Entered in the Journal

DEC 12 2018


Barcy F. McNeal
Secretary