

## THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION  
OF  
THE AMERICAN TRANSMISSION  
SYSTEMS INCORPORATED FOR  
AUTHORITY TO ISSUE SHORT-TERM  
NOTES AND OTHER EVIDENCES OF  
INDEBTEDNESS.

CASE No. 18-1427-EL-AIS

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

CASE No. 18-1428-EL-AIS

IN THE MATTER OF THE APPLICATION  
OF THE CLEVELAND ELECTRIC  
ILLUMINATING COMPANY FOR  
AUTHORITY TO ISSUE SHORT-TERM  
NOTES AND OTHER EVIDENCES OF  
INDEBTEDNESS.

CASE No. 18-1429-EL-AIS

IN THE MATTER OF THE APPLICATION  
OF THE TOLEDO EDISON COMPANY FOR  
AUTHORITY TO ISSUE SHORT-TERM  
NOTES AND OTHER EVIDENCES OF  
INDEBTEDNESS.

CASE No. 18-1430-EL-AIS

### SECOND FINDING AND ORDER

Entered in the Journal on June 19, 2019

#### I. SUMMARY

{¶ 1} The Commission authorizes the Applicants, through December 31, 2019, to have short-term notes outstanding, including those issued pursuant to R.C. 4905.401(A), in aggregate principal amounts of not more than \$500 million each for Ohio Edison Company, The Cleveland Electric Illuminating Company, American Transmission Systems Incorporated, and not more than \$300 million for The Toledo Edison Company,

at any one time and to continue to participate in the Money Pool, pursuant to the terms and conditions as described in the Applications and in this Second Finding and Order.

## II. DISCUSSION

{¶ 2} The Applicants, Ohio Edison Company (Ohio Edison), The Cleveland Electric Illuminating Company (CEI), The Toledo Edison Company (Toledo Edison), and the American Transmission Systems Incorporated (ATSI) (collectively, Applicants or the Companies) are public utilities as defined in R.C. 4905.02, and, as such, are subject to the jurisdiction of this Commission.

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

{¶ 4} Pursuant to R.C. 4905.401, as of June 30, 2018, Applicants were permitted to have outstanding notes and other evidences of short-term indebtedness, issuable without prior authorization of the Commission, in the amount of approximately \$84.6 million for Ohio Edison, \$123.4 million for CEI, \$26.9 million for Toledo Edison, and \$113.3 million for ATSI, because such amounts were less than five percent of the par value of the other stocks, bonds, notes, and other evidences of indebtedness of Applicants.

{¶ 5} On December 20, 2017, in Case Nos. 17-2137-EL-AIS, et al., the Commission authorized Applicants to participate in the utility money pool arrangement (the Money Pool). The Money Pool was created via an agreement between Applicants and Jersey Central Power & Light Company, Metropolitan Edison Company, Mid-Atlantic Interstate Transmission, LLC, Monongahela Power Company, Pennsylvania Power

Company, Pennsylvania Electric Company, The Potomac Edison Company, Trans-Allegheny Interstate Line Company, Waverly Electric Power & Light Company, and West Penn Power Company (collectively, the Non-Ohio Participating Companies). A separate non-utility money pool is comprised of FirstEnergy Corp. and its unregulated subsidiary companies. The Money Pool allows utilities to lend short-term funds to the Money Pool and receive interest income or borrow short-term funds from the Money Pool at rates generally more attractive than those obtained through outside financing. Importantly, funds from the utility and non-utility money pools cannot be commingled.

{¶ 6} On September 18, 2018, Applicants filed their respective applications and exhibits (Applications) under the provisions of R.C. 4905.401(A). Applicants filed amendments to their Applications on September 26, 2018.

{¶ 7} Ohio Edison, CEI, and ATSI are requesting consent and authority to issue up to \$500 million of short-term notes and continue to participate in the Money Pool through December 31, 2019. Additionally, Toledo Edison is requesting consent and authority to issue up to \$300 million of short-term notes and continue to participate in the Money Pool through December 31, 2019. The requested authority represents a renewal of the Applicants' existing authority granted in Case Nos. 17-2137-EL-AIS, et al.

{¶ 8} Applicants propose that the proceeds from the notes, including loans from the Money Pool, would be used to provide funds for current maturities of existing obligations, retirement and redemption of securities, working capital, and for other general corporate purposes.

{¶ 9} On November 28, 2018, Staff filed its review and recommendations regarding the Applications in each corresponding docket, providing that, upon Staff's review, Staff believes the Applications are reasonable and should be approved by the Commission, subject to the following conditions that are intended to insulate Applicants from financial risks associated with other companies participating in the Money Pool:

- (a) The aggregate amount loaned by the Ohio Utility Companies through the Money Pool to Non-Ohio Participating Companies may not exceed \$1 billion at any one time, wherein none of the Ohio Utility Companies are contributing more than their maximum authorization at any one time;
- (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, the Ohio Utility Companies shall report to the Commission, in each of their respective above-captioned dockets, the full particulars of such condition(s) within 10 days of the imposition of the condition(s), so that the Commission may consider whether to impose similar condition(s) on the Ohio Utility Companies;
- (c) Money Pool loans made to Non-Ohio Participating Companies may be effectuated only with Non-Ohio Participating Companies that have, or whose direct parent company has, an investment grade credit rating from at least one nationally recognized rating agency, or in the absence of such rating, investment grade credit ratings on their corporate credit rating from at least one nationally recognized rating agency. In the event the applicable credit rating of any participating company, or its parent company, falls below investment grade, Applicants shall file, within their respective case dockets, the full details of such event(s) within 10 days of their occurrence; and

- (d) The Ohio Utility Companies are required to report details of the Ohio Utility Companies' participation in the Money Pool on a quarterly basis and file those quarterly reports in each respective case docket.

{¶ 10} On December 19, 2018, the Commission approved the Applications, but, due to concerns regarding the Companies' reports regarding participation in the Money Pool, the Commission modified the term of the requested authority to end June 30, 2019. Further, the Commission directed Staff to review the Companies' participation in the Money Pool and to file a supplemental Staff Report, indicating whether a six-month extension of the granted authority, until December 31, 2019, was warranted. Finding and Order (Dec. 19, 2018) at ¶ 10.

{¶ 11} On June 4, 2019, Staff filed its Supplemental Staff Report. In the Supplemental Staff Report, Staff states that it had conducted a review of the Money Pool and that, based upon this review, Staff concluded that the Companies' participation in the Money Pool is beneficial to the Companies and their customers. Accordingly, Staff recommends a six-month extension of the authority previously granted in the December 19, 2018 Finding and Order, until December 31, 2019.

{¶ 12} Upon review of the Applications, the Staff Report and the Supplemental Staff Report, the Commission finds that the amount of the short-term borrowings under the Money Pool, the terms thereof, and the probable cost to Applicants, which are to be no less favorable than the terms described in the Applications, do not appear to be unjust or unreasonable. In addition, based on the information contained in the Applications, and the exhibits thereto, the purposes to which the proceeds from the borrowings through the participation in the Money Pool shall be applied generally appear reasonably required by Applicants to meet their present and prospective obligations to provide utility service. Accordingly, we find that the Applications should be approved, subject

to Staff's recommendations as set forth in this Second Finding and Order, and that Applicant's authority to participate in the Money Pool be extended to December 31, 2019.

### III. ORDER

{¶ 13} It is, therefore,

{¶ 14} ORDERED, That Ohio Edison, CEI, and ATSI are authorized through December 31, 2019, to have short-term notes outstanding, including those issued pursuant to R.C. 4905.401(A), in aggregate principal amounts of not more than \$500 million each at any one time and to continue to participate in the Money Pool, pursuant to the terms and conditions as described in the Applications and in this Second Finding and Order. It is, further,

{¶ 15} ORDERED, That Toledo Edison is authorized through December 31, 2019, to have short-term notes outstanding, including those issued pursuant to R.C. 4905.401(A), in aggregate principal amounts of not more than \$300 million at any one time and to continue to participate in the Money Pool, pursuant to the terms and conditions as described in the Applications and in this Second Finding and Order. It is, further,

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

{¶ 17} ORDERED, That nothing in this Second 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 Second Finding and Order be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of Applicants. It is, further,

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

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

COMMISSIONERS:

*Approving:*

Sam Randazzo, Chairman

M. Beth Trombold

Lawrence K. Friedeman

Daniel R. Conway

Dennis P. Deters

GAP/sc

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**Case No(s). 18-1427-EL-AIS, 18-1428-EL-AIS, 18-1429-EL-AIS, 18-1430-EL-AIS**

Summary: Finding & Order that the Commission authorizes the Applicants, through December 31, 2019, to have short-term notes outstanding, including those issued pursuant to R.C. 4905.401(A), in aggregate principal amounts of not more than \$500 million each for Ohio Edison Company, The Cleveland Electric Illuminating Company, American Transmission Systems Incorporated, and not more than \$300 million for The Toledo Edison Company, at any one time and to continue to participate in the Money Pool, pursuant to the terms and conditions as described in the Applications and in this Second Finding and Order.  
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