

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
OHIO VALLEY ELECTRIC CORPORATION
FOR AUTHORITY TO ISSUE EVIDENCE OF
SHORT-TERM INDEBTEDNESS IN THE
FORM OF ONE OR MORE REVOLVING
CREDIT, TERM LOAN OR OTHER
FACILITIES.

CASE NO. 19-1911-EL-AIS

FINDING AND ORDER

Entered in the Journal on December 18, 2019

I. SUMMARY

{¶ 1} The Commission approves the Application of Ohio Valley Electric Corporation 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. 4905.401 permits public utility companies to issue stocks, bonds, notes, and other evidences of indebtedness, payable at periods of not more than twelve 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 (Statutory Exemption). 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 October 18, 2019, OVEC filed the Application in this docket seeking authorization to issue up to \$185 million in short-term securities during the 2020 calendar

year, using OVEC's existing \$185 million revolving credit facility (Revolver), or under new unsecured or secured revolving credit facilities, term loans, or other arrangements.

{¶ 5} On November 26, 2019, Staff filed a report concluding that the Application appears reasonable, and recommending that OVEC's request be approved. Staff calculates that, as of September 30, 2019, OVEC could have borrowed approximately \$68 million without prior Commission approval, under the Statutory Exemption. Staff notes that OVEC proposes to use the \$185 million in proceeds for the interim financing of OVEC's capital expenditure programs, working capital needs, and to repay previous borrowings incurred for such purposes. OVEC's current outstanding short-term debt balance of \$80 million has been primarily used to finance the purchase of coal, reagent, environmental allowance materials and supplies, and for other corporate purposes. Staff also observes that OVEC is currently authorized, through December 31, 2018, to have outstanding short-term debt in an aggregate principal amount of not more than \$200 million. *In re Ohio Valley Electric Corp. for Authority to Issue Debt*, Case No. 17-2116-EL-AIS, Finding and Order (Dec. 20, 2017).

{¶ 6} According to the Staff report, OVEC primarily issues its short-term debt through its Revolver arrangement with a group of banks that was originally negotiated in 2014, was renewed for a three year period in 2019, and is scheduled to expire in April, 2022. Staff notes that OVEC's actual capital construction costs during 2018 were approximately \$9.9 million. OVEC's actual and projected capital construction costs are \$10 million for 2019, and \$11 million for 2020. Staff concludes that OVEC has demonstrated a need for short-term funding over the course of 2020 to support its capital expenditure program and other corporate needs that may exceed the amount permitted by the Statutory Exemption under R.C. 4905.401.

IV. DISCUSSION

{¶ 7} Upon review of the Application 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 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 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 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 considered according to law.

V. ORDER

{¶ 9} It is, therefore,

{¶ 10} ORDERED, That OVEC be authorized through December 31, 2020, to incur short-term debt through its Revolver, or the issuance of other short-term securities, in an aggregate principal amount of up to \$185 million as described in the Application. It is, further,

{¶ 11} ORDERED, That OVEC be authorized to apply the proceeds from such debt for the purposes set forth in this Finding and Order, or otherwise pursuant to R.C. 4905.401. It is, further,

{¶ 12} ORDERED, That OVEC file reports, on a quarterly basis, regarding 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 any 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 any 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.

COMMISSIONERS:

Approving:

Sam Randazzo, Chairman
M. Beth Trombold
Lawrence K. Friedeman
Daniel R. Conway
Dennis P. Deters

MLW/hac

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Case No(s). 19-1911-EL-AIS

Summary: Finding & Order that the The Commission approves the Application of Ohio Valley Electric

Corporation for authorization to issue debt and execute related financing agreements.
electronically filed by Docketing Staff on behalf of Docketing.