

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of OHIO VALLEY ELECTRIC CORPORATION for authority to issue long-term notes and enter into interest rate management agreements.	Case No. 19-763-EL-AIS
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SUPPLEMENTAL APPLICATION AND STATEMENT

TO THE HONORABLE

PUBLIC UTILITIES COMMISSION OF OHIO:

Ohio Valley Electric Corporation ("OVEC") respectfully moves the Public Utilities Commission of Ohio ("PUCO" or "Commission") to enter an order that (i) extends the May 31, 2020 end date of the authorization period established by its Finding and Order dated June 19, 2019 in the above-referenced proceeding (the "Order") and (ii) increases the maximum interest rate for fixed rate pricing for the Long-Term Securities (as defined below) authorized to be issued pursuant to the Order.. The Commission authorized OVEC in the Order to issue securities with maturities over twelve (12) months ("Long-term Securities") in connection with an aggregate of \$300 million refinancing bonds issued by the Ohio Air Quality Development Authority (the "OAQDA") and the Indiana Finance Authority (the "IFA") and to utilize interest rate management agreements ("Interest Agreements"), subject to the terms and conditions set forth in the Order.

OVEC respectfully requests that the Commission extend, by order, the end date of the authorization period under the Order from May 31, 2020 to December 31, 2020 and increase the

maximum interest rate for fixed rate pricing for the Long-Term Securities remaining to be issued pursuant to the Order to 4.5% above the yield to maturity of US Treasury obligations with equivalent maturity (a 1% increase).

In support of this Application, OVEC states as follows:

FIRST: OVEC is an Ohio corporation, which owns and operates facilities for the generation, transmission and sale of electric power and energy in the State of Ohio and owns and operates facilities for the transmission of electric power and energy in the Commonwealth of Kentucky. OVEC is subject to the jurisdiction of this Commission as a public utility within the meaning of Section 4905.02 of the Ohio Revised Code. OVEC's wholly-owned subsidiary, Indiana-Kentucky Electric Corporation ("IKEC"), owns and operates facilities for the generation, transmission and sale of electric power and energy in the State of Indiana. The combined electric production capability of the generating stations owned and operated by OVEC and IKEC (which are known as the Kyger Creek and Clifty Creek Plants) is approximately 2,390 megawatts.

SECOND: In response to an Application and Statement filed by OVEC on March 28, 2019 in the above captioned proceeding (the "Original Application"), this Commission issued the Order, which authorizes OVEC, among other things, to issue, through May 31, 2020 (the "Authorization Term"), up to \$300 million in Long-term Securities, and to enter into Interest Agreements, subject to the terms and conditions set forth therein, for the purpose of refinancing financial arrangements relating to certain specified bonds of the OAQDA and the IFA.

THIRD: the terms and conditions of the Order include pricing parameters for the Long-Term Securities, including a maximum interest rate with respect to fixed rate pricing of 3.5% above the yield to maturity of US Treasury obligations with equivalent maturity.

FOURTH: In August 2019, pursuant to the Order, OVEC effected refinancings (through remarketing or the issuance of refunding bonds) with respect to the following bonds of the OAQDA in an aggregate of \$150 million (collectively, the "OAQDA Bonds"):

- \$25 million State of Ohio Air Quality Revenue Bonds (Ohio Valley Electric Corporation Project), Series 2009A;
- \$25 million State of Ohio Air Quality Revenue Bonds (Ohio Valley Electric Corporation Project), Series 2009D; and
- \$100,000,000 State of Ohio Air Quality Revenue Bonds (Ohio Valley Electric Corporation Project), Series 2009E.¹

FIFTH: Under the Order, OVEC has authorization remaining to effect refinancing with respect to the following bonds of the IFA (collectively, the "IFA Bonds"):

- \$50 million Indiana Finance Authority Pollution Control Revenue Bonds, Series 2010A (Ohio Valley Electric Corporation Project) (the "Series 2010A Bonds");
- \$50 million Indiana Finance Authority Midwestern Disaster Relief Revenue Bonds, Series 2012B (Ohio Valley Electric Corporation Project) (the "Series 2012B Bonds"); and
- \$50 million Indiana Finance Authority Midwestern Disaster Relief Revenue Bonds, Series 2012C (Ohio Valley Electric Corporation Project) (the "Series 2012C Bonds").

SIXTH: Market conditions have become markedly adverse since OVEC effected the refinancings with respect to the OAQDA Bonds. These adverse conditions are a result of the negative impacts on the financial markets stemming from concerns around a novel strain of coronavirus, known as COVID-19 ("COVID-19"), that was identified in China in December 2019 and which has since spread globally at a rapid pace. The municipal bond market has

¹ The first two bond series were refinanced by being remarketed, while the third bond series was refinanced through

experienced severe decline and volatility, with some indexes indicating a decrease of 7% since the beginning of March 2020.² In the week through March 25, the municipal bond market experienced \$13.7 billion of withdrawals, leading to a second consecutive week of record-setting outflows.³ The continuing decline and volatility has led the Federal Reserve to intervene by taking measures such as expanding its emergency lending program to provide liquidity to purchases of short-term municipal bonds.⁴ However, OVEC cannot anticipate if these measures will be sufficient to stabilize the market. Such deterioration of market conditions has forced OVEC to delay its scheduled remarketing of the IFA Bonds authorized by the Order, which had been originally set to occur in March 2020.

SEVENTH: The continued impact of COVID-19 in the financial markets remains uncertain, including for the remarketing of the IFA Bonds. As a result, issuers of municipal securities generally are delaying their issuances, waiting for markets to stabilize. In order to ensure OVEC's ability to negotiate and obtain competitive market terms, OVEC will also need to wait for municipal bond markets to stabilize before it will be able to effect a successful remarketing or other refinancing of the IFA Bonds.

EIGHTH: OVEC has consulted with its advisors and determined that as a result of the current uncertain market conditions, for OVEC to effect a successful refinancing of the IFA Bonds through fixed-interest rate bonds, the interest rate applicable to the fixed rate pricing option under any Long-term Securities may need to exceed the maximum interest rates specified

the OAQDA's issuance of refunding bonds.

² Information as of March 24, 2020, available at <https://www.bloomberg.com/quote/LMB1TR:IND>.

³ Information as of March 26, 2020, available at <https://www.bloomberg.com/opinion/articles/2020-03-27/coronavirus-sorts-bond-market-into-winners-and-losers>. See also <https://lipperalpha.refinitiv.com/2020/03/lipper-u-s-weekly-fundflows-insight-report-investors-continue-to-take-money-out-of-play-in-record-numbers/>.

⁴ Information as of March 23, 2020, available at <https://www.bloomberg.com/news/articles/2020-03-23/muni-market-support-for-federal-reserve-intervention-grows>.

in the Order by 1% more than authorized by the Order (or up to 4.5% above the yield to maturity of US Treasury obligations with equivalent maturity).

WHEREFORE: For the reasons outlined above, OVEC respectfully requests that your Honorable Commission issue a Supplemental or other Finding and Order in Case No. 19-763-EL-AIS that:

(1) Extends the Authorization Term with respect to the refinancing of the IFA Bonds to December 31, 2020, up to \$150 million.

(2) Increases the authorized interest rate spread on any fixed rate Long-term Securities used for the refinancing of the IFA Bonds to not more than 4.5% above the yield to maturity of US Treasury obligations with equivalent maturity at the time of pricing.

(3) Confirms that, except for the changes in the authorizations requested in numbers (1) and (2) above, in all other respects the authorizations granted to OVEC in the Order, all terms and conditions of the transactions described therein, and all requirements upon OVEC set out by the Commission therein shall remain unchanged from those approved by the Commission in the Order.

OVEC prays for all other and further relief necessary and appropriate in the premises.

Respectfully submitted this 16 day of April, 2020.

OHIO VALLEY ELECTRIC CORPORATION

By: 

Justin J. Cooper,
Chief Financial Officer, Secretary & Treasurer

STATE OF OHIO

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) SS:

COUNTY OF PIKE

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Before me, a Notary Public in and for Pike County in the State of Ohio, personally appeared Justin J. Cooper, CFO, Secretary and Treasurer of Ohio Valley Electric Corporation, OVEC in the foregoing supplemental application and statement, and he being duly sworn says that the facts and allegations herein contained are true to the best of his knowledge and belief.

Sworn to and subscribed to before me this 16th day of April, 2020.



MISTY MICKLES EMMERT
NOTARY PUBLIC - OHIO
MY COMMISSION EXPIRES
1-21-21

Misty Emmert

Notary Public

My Commission expires

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Summary: Application Supplemental Application electronically filed by Mr. Justin J Cooper on behalf of Ohio Valley Electric Corporation