

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

CASE NO. 17-157-EL-AIS

FINDING AND ORDER

Entered in the Journal on May 17, 2017

I. SUMMARY

{¶ 1} The Commission approves the application filed by Ohio Power Company d/b/a AEP Ohio for authority to participate in the AEP System Utility Money Pool and to make short-term borrowings up to \$400 million through May 31, 2018, subject to Staff's recommended conditions.

II. DISCUSSION

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio) 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. 4905.401 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 twelve 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. 16-496-EL-AIS, the Commission authorized AEP Ohio to participate in the AEP System Utility Money Pool (Money Pool) and borrow up to

\$400 million through May 31, 2017. *In re Ohio Power Co.*, Case No. 16-496-EL-AIS, Finding and Order (May 11, 2016). The Money Pool was created via an agreement between American Electric Power Company, Inc., AEP Utilities, Inc., American Electric Power Service Corporation, AEP Utility Funding, LLC, and certain direct and indirect subsidiaries of American Electric Power Company, Inc. The Money Pool allows its participants to coordinate borrowing and loaning funds on a short-term basis.

{¶ 5} On February 28, 2017, AEP Ohio filed, in the above-captioned case, an application and supporting exhibits pursuant to R.C. 4905.401. AEP Ohio requests authority, through May 31, 2018, to continue its participation in the Money Pool and to make short-term borrowings of up to \$400 million from the Money Pool from time to time, consistent with the terms and conditions as described in the application. AEP Ohio proposes to use the proceeds from the short-term borrowings from the Money Pool for interim financing of its maturing long-term debt, capital expenditure programs, working capital needs, and repayment of previous borrowings incurred for such purposes.

{¶ 6} On April 20, 2017, Staff filed its review and recommendation. In its review, Staff notes that, consistent with R.C. 4905.401, AEP Ohio was permitted to borrow, as of February 28, 2017, up to \$101 million, without the Commission's prior authorization, because such amount was less than five percent of the par value of AEP Ohio's other stocks, bonds, notes, and other evidences of indebtedness. Additionally, Staff states that AEP Ohio has \$350 million in long-term notes maturing in May 2018, as well as approximately \$49 million in borrowings from the Money Pool, as of February 28, 2017, with no other short-term debt. Staff notes that the Money Pool serves as AEP Ohio's primary source of liquidity for its short-term financing needs. Staff recommends that the Commission approve the application, in light of AEP Ohio's financial condition and anticipated financing needs. Staff further recommends that the Commission impose the following conditions on AEP Ohio's participation in the Money Pool, in order to provide

safeguards to insulate AEP Ohio from the financial risks associated with the other companies that participate in the Money Pool:

- (a) Funds provided by AEP Ohio to the Money Pool and borrowed therefrom by the participating companies shall not exceed \$400 million at any one time through May 31, 2018, and should only be loaned to those Money Pool participants that are regulated public utilities or subsidiaries of such utilities;
- (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, AEP Ohio shall report to the Commission, in this case docket, the full particulars of such condition within ten days of the imposition of the condition, in order to enable the Commission to consider whether to impose a similar condition on AEP Ohio;
- (c) Loans to the participating companies made through the Money Pool should be made only to those 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, an investment grade 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, AEP Ohio shall file the full details of such condition, in this case docket, within ten days of such event; and

- (d) AEP Ohio shall file, in this case docket, information relating to its participation in the Money Pool on a quarterly basis.

{¶ 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 AEP Ohio, 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 AEP Ohio 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 AEP Ohio be authorized, through May 31, 2018, to participate in the Money Pool, pursuant to the terms and conditions as described in the application, and subject to Staff's recommended conditions. It is, further,

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

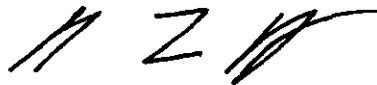
{¶ 11} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation as to the unsecured notes and other evidences of indebtedness, or the associated interest, on the part of the state of Ohio. It is, further,

{¶ 12} 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 AEP Ohio. It is, further,

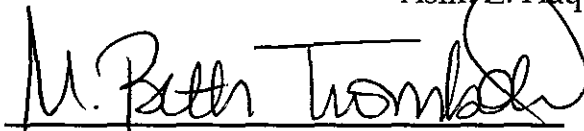
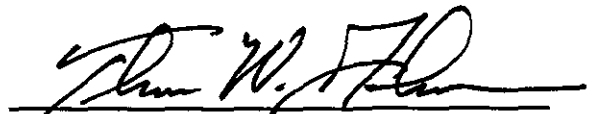
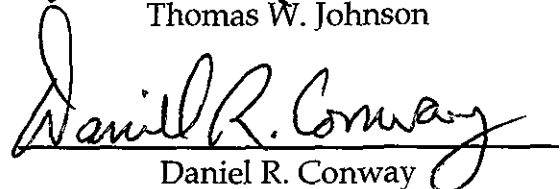
{¶ 13} ORDERED, That nothing in this Finding and Order be deemed to be binding upon this Commission in any future proceedings or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 14} 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

SJP/sc

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MAY 17 2017



Barcy F. McNeal
Secretary