Ohio Public Utilities Commission

**DIS Case Number: 21-0577-EL-CRS**

## Section A: Application Information

## Section B: Applicant Managerial Capability and Experience

## Section C: Applicant Financial Capability and Experience

**C-9. Financial arrangements**

Provide copies of the applicant's financial arrangements to satisfy collateral requirements to conduct retail electric/natural gas business activities (e.g., parental guarantees, letters of credit, contractual arrangements, etc., as described below).

Renewal applicants may provide a current statement from an Ohio local distribution utility (LDU) that shows that the applicant meets the LDU’s collateral requirements. The statement or letter must be on the utility’s letterhead and dated within a 30-day period of the date the applicant files its renewal application.

First-time applicants or applicants whose certificate has expired must meet the requirements of C-9 in one of the following ways:

1. The applicant itself states that it is investment grade rated by Moody’s Investors Service, Standard & Poor’s Financial Services, or Fitch Ratings and provides evidence of rating from the rating agencies. If you provided a credit rating in C-4, reference the credit rating in the statement.
2. The applicant’s parent company is investment grade rated (by Moody’s, Standard & Poor’s, or Fitch) and guarantees the financial obligations of the applicant to the LDU(s). Provide a copy of the most recent credit opinion from Moody’s, Standard & Poor’s or Fitch.
3. The applicant’s parent company is not investment grade rated by Moody’s, Standard & Poor’s or Fitch but has substantial financial wherewithal i**n the opinion of the Staff reviewer** to guarantee the financial obligations of the applicant to the LDU(s). The

parent company's financials and a copy of the parental guarantee must be included in the application if the applicant is relying on this option.

4. The applicant can provide evidence of posting a letter of credit with the LDU(s) listed as the beneficiary, in an amount sufficient to satisfy the collateral requirements of the LDU(s).

File(s) attached

## Section D: Applicant Technical Capacity

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# Application Attachments

**Exhibit C-9, Financial Arrangements**

- Bp Subsidiaries

## 37. Subsidiaries, joint arrangements and associates

The more important subsidiaries and associates of the group at 31 December 2020 and the group percentage of ordinary share capital (to nearest whole number) are set out below. There are no individually significant incorporated joint arrangements. The group's share of the assets and liabilities of the more important unincorporated joint arrangements are held by subsidiaries listed in the table below. Those subsidiaries held directly by the parent company are marked with an asterisk (*), the percentage owned being that of the group unless otherwise indicated. A complete list of undertakings of the group is included in Note 14 in the parent company financial statements of BP p.l.c. which are filed with the Registrar of Companies in the UK, along with the group's annual report.

| Subsidiaries | % | Country of incorporation | Principal activities |
|---|---|---|---|
| International | | | |
| BP Corporate Holdings | 100 | England & Wales | Investment holding |
| BP Exploration Operating Company | 100 | England & Wales | Exploration and production |
| *BP Global Investments | 100 | England & Wales | Investment holding |
| *BP International | 100 | England & Wales | Integrated oil operations |
| BP Oil International | 100 | England & Wales | Integrated oil operations |
| *Burmah Castrol | 100 | Scotland | Lubricants |
| Angola | | | |
| BP Exploration (Angola) | 100 | England & Wales | Exploration and production |
| Azerbaijan | | | |
| BP Exploration (Caspian Sea) | 100 | England & Wales | Exploration and production |
| BP Exploration (Azerbaijan) | 100 | England & Wales | Exploration and production |
| Canada | | | |
| *BP Holdings Canada | 100 | England & Wales | Investment holding |
| Egypt | | | |
| BP Exploration (Delta) | 100 | England & Wales | Exploration and production |
| Germany | | | |
| BP Europa SE | 100 | Germany | Refining and marketing |
| India | | | |
| BP Exploration (Alpha) | 100 | England & Wales | Exploration and production |
| Trinidad & Tobago | | | |
| BP Trinidad and Tobago | 70 | US | Exploration and production |
| UK | | | |
| BP Capital Markets | 100 | England & Wales | Finance |
| US | | | |
| *BP Holdings North America | 100 | England & Wales | Investment holding |
| Atlantic Richfield Company | 100 | US | Exploration and production, refining and marketing |
| BP America | 100 | US | Exploration and production, refining and marketing |
| BP America Production Company | 100 | US | Exploration and production, refining and marketing |
| BP Company North America | 100 | US | Exploration and production, refining and marketing |
| BP Corporation North America | 100 | US | Exploration and production, refining and marketing |
| BP Products North America | 100 | US | Exploration and production, refining and marketing |
| Standard Oil Company | 100 | US | Exploration and production, refining and marketing |
| BP Capital Markets America | 100 | US | Finance |

| Associates | % | Country of incorporation | Principal activities |
|---|---|---|---|
| Russia | | | |
| Rosneft Oil Company | 19.75 | Russia | Integrated oil operations |

## 38. Condensed consolidating information on certain US subsidiaries

On June 30, 2020, bp completed the sale of all its interest in BP Exploration (Alaska) Inc., to Hilcorp Energy, and BP Exploration (Alaska) Inc. is therefore no longer a subsidiary of BP p.l.c. Accordingly, bp is no longer presenting condensed consolidating information on BP Exploration (Alaska) Inc. as a subsidiary issuer of registered securities pursuant to Rule 3-10 of Regulation S-X. BP p.l.c. will continue to fully and unconditionally guarantee the payment obligations under the BP Prudhoe Bay Royalty Trust. BP p.l.c. also fully and unconditionally guarantees securities issued by BP Capital Markets p.l.c. and BP Capital Markets America Inc., which are 100%-owned finance subsidiaries of BP p.l.c.

**Exhibit C-9, Financial Arrangements**

- Standard & Poor's Ratings long-term credit rating for bp is A-1
- Moody's Investors Service rating is A1
- Fitch Ratings' long-term credit rating is A

## 29. Financial instruments and financial risk factors – continued

**(c) Liquidity risk**

Liquidity risk is the risk that suitable sources of funding for the group's business activities may not be available. The group's liquidity is managed centrally with operating units forecasting their cash and currency requirements to the central treasury function. Unless restricted by local regulations, generally subsidiaries pool their cash surpluses to the treasury function, which will then arrange to fund other subsidiaries' requirements, or invest any net surplus in the market or arrange for necessary external borrowings, while managing the group's overall net currency positions.

The group benefits from open credit provided by suppliers who generally sell on five to 60-day payment terms in accordance with industry norms. bp utilizes various arrangements in order to manage its working capital and reduce volatility in cash flow. This includes discounting of receivables and, in the supply and trading businesses, managing inventory, collateral and supplier payment terms within a maximum of 60 days.

It is normal practice in the oil and gas supply and trading business for customers and suppliers to utilise letter of credit (LC) facilities to mitigate credit and non-performance risk. Consequently, LCs facilitate active trading in a global market where credit and performance risk can be significant. In common with the industry, bp routinely provides LCs to some of its suppliers.

The group has committed LC facilities totalling $11,325 million (2019 $12,175 million), allowing LCs to be issued for a maximum 24-month duration. There were also uncommitted secured LC facilities in place at 31 December 2020 for $3,460 million (2019 $4,440 million), which are secured against inventories or receivables when utilized. The facilities are held with over 25 international banks. The uncommitted secured LC facilities can only be terminated by either party giving a stipulated termination notice to the other.

In certain circumstances, the supplier has the option to request accelerated payment from the LC provider in order to further reduce their exposure. bp's payments are made to the provider of the LC rather than the supplier according to the original contractual payment terms. At 31 December 2020, $5,250 million (2019 $4,755 million) of the group's trade payables subject to these arrangements were payable to LC providers, with no material exposure to any individual provider. If these facilities were not available, this could result in renegotiation of payment terms with suppliers such that settlement periods were shorter.

Standard & Poor's Ratings long-term credit rating for bp is A- (negative outlook) and Moody's Investors Service rating is A1 (negative outlook) and the Fitch Ratings' long-term credit rating is A (stable).

During 2020, $14 billion (2019 $8 billion) of long-term taxable bonds were issued with terms ranging from two to thirty years. In addition the group issued perpetual hybrid bonds with a US dollar equivalent value of $11.9 billion. Commercial paper is issued at competitive rates to meet short-term borrowing requirements as and when needed.

As a further liquidity measure, the group continues to maintain suitable levels of cash and cash equivalents, amounting to $31.1 billion at 31 December 2020 (2019 $22.5 billion), primarily invested with highly rated banks or money market funds and readily accessible at immediate and short notice. At 31 December 2020, the group had substantial amounts of undrawn borrowing facilities available, consisting of an undrawn committed $10.0 billion credit facility and $7.6 billion (2019 $7.6 billion) of standby facilities. On 1st March 2021, following an assessment of liquidity requirements, the group replaced these with new facility agreements, consisting of an undrawn committed $8.0 billion credit facility and $4.0 billion of standby facilities. The facilities are available for three and five years respectively at pre-agreed margins and are with 27 international banks, and borrowings under them would be at pre-agreed rates.

For further information on the group's sources and uses of cash see Liquidity and capital resources on page 306.

The group manages liquidity risk associated with derivative contracts, other than derivative hedging instruments, based on the expected maturities of both derivative assets and liabilities as indicated in Note 30. Management does not currently anticipate any cash flows, other than noted below, that could be of a significantly different amount or could occur earlier than the expected maturity analysis provided.

The table below shows the timing of cash outflows relating to finance debt, trade and other payables and accruals. As part of actively managing the group's debt portfolio it is possible that cash flows in relation to finance debt could be accelerated from the profile provided. As a result of the 19 March 2021 debt buy back (see Note 26 for further information) $1.9 billion equivalent of cash outflows relating to finance debt that are presented in the table with maturities of 2-8 years have occurred within one year of the balance sheet date.

| | | | | | | | | $ million |
|---|---|---|---|---|---|---|---|---|
| | | | | 2020 | | | | 2019 |
| | Trade and other payables* | Accruals | Finance debt | Interest on finance debt | Trade and other payables* | Accruals | Finance debt* | Interest on finance debt |
| Within one year | 33,290 | 4,650 | 9,119 | 1,778 | 43,699 | 5,066 | 10,065 | 2,037 |
| 1 to 2 years | 1,728 | 157 | 6,292 | 1,477 | 1,937 | 261 | 6,726 | 1,641 |
| 2 to 3 years | 1,590 | 184 | 7,031 | 1,305 | 1,465 | 146 | 7,949 | 1,409 |
| 3 to 4 years | 1,332 | 87 | 8,047 | 1,110 | 1,409 | 181 | 7,022 | 1,172 |
| 4 to 5 years | 1,335 | 217 | 6,652 | 919 | 1,332 | 108 | 7,554 | 942 |
| 5 to 10 years | 4,570 | 108 | 22,156 | 2,408 | 5,863 | 231 | 23,540 | 1,970 |
| Over 10 years | 4,419 | 99 | 10,008 | 1,037 | 3,957 | 69 | 2,497 | 249 |
| | 48,264 | 5,502 | 69,305 | 10,034 | 59,662 | 6,062 | 65,353 | 9,420 |

* 2020 includes $14,569 million (2019 $16,129 million) in relation to the Gulf of Mexico oil spill, of which $13,160 million (2019 $14,501 million) matures in greater than one year.