



Public Utilities Commission

Mike DeWine, Governor
Jenifer French, Chair

Commissioners

M. Beth Trombold
Lawrence K. Friedeman
Dennis P. Deters
Daniel R. Conway

December 6, 2021

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

RE: *In the Matter of the Application of The Dayton Power and Light Company d/b/a AES Ohio for Authority to Issue and Assume Liability on Short-Term Notes and Other Evidences of Indebtedness Pursuant to Section 4905.401 of the Ohio Revised Code, Case No. 21-1128-EL-AIS*

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the application of The Dayton Power and Light Company d/b/a AES Ohio for authority to issue short-term debt, Case No. 21-1128-EL-AIS.

David Liphtratt
Chief, Accounting and Finance Division
Rates and Analysis Department
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The)
Dayton Power and Light Company d/b/a AES)
Ohio for Authority to Issue and Assume) Case No. 21-1128-EL-AIS
Liability on Short-Term Notes and Other)
Evidences of Indebtedness Pursuant to)
Section 4905.401 of the Ohio Revised Code.)

Staff Review and Recommendation

APPLICATION DESCRIPTION

On November 2, 2021, The Dayton Power and Light Company d/b/a AES Ohio (“AES Ohio”) filed an application with exhibits (collectively, “Application”) with the Public Utilities Commission of Ohio (“Commission”), pursuant to Ohio Revised Code (“R.C.”) section 4905.401. Through its Application, AES Ohio is seeking authorization to issue notes, revolving loan agreement loans, and other evidences of indebtedness (collectively, “Debt”) for terms of less than 12 months in an aggregate amount not to exceed \$300 million at any one time during calendar year 2022. The Application represents a renewal of AES Ohio’s existing \$300 million of authority that was granted on December 16, 2020.¹

AES Ohio proposes to use the proceeds from the Debt to repay long-term debt, finance capital expenditures, and for other general corporate purposes.

R.C. 4905.401(A) permits Ohio electric utilities to incur short-term debt in an aggregate amount up to five percent of the par value of all outstanding long-term securities without prior approval from the Commission (“Statutory Exemption”). Any Ohio electric utility wishing to incur short-term obligations in excess of the Statutory Exemption must seek Commission authorization.

REVIEW AND ANALYSIS

Under the Statutory Exemption, as of September 30, 2021, AES Ohio could borrow approximately \$29 million without the Commission’s prior approval. In 2022, AES Ohio’s forecasted cash needs include outlays for property taxes (\$76 million), interest payments (\$20.5 million), pension

¹ See *In the Matter of the Application of The Dayton Power and Light Company for Authority to Issue and Assume Liability on Short-Term Notes and Other Evidences of Indebtedness*, Case No. 20-1698-EL-AIS, Finding and Order (Dec. 16, 2020).

funding (\$7.5 million), and preparation for seasonal peaks. The requested authority is sized to ensure preparation for unexpected disruptions in cash flow while reliably providing service.

AES Ohio has an unsecured, revolving credit agreement with a syndicated bank group; it has a borrowing limit of \$175 million. Under the terms of the credit agreement, AES Ohio can increase the size of the facility by an additional \$100 million. With this pool of liquidity, AES Ohio believes it has access to an amount sufficient to ensure continuity of operations in the event of cash flow disruption. The sources of funds used to repay any short-term borrowing include AES Ohio's operating cash flows, funds from long-term debt financing and/or equity capital contributions depending on internal liquidity needs and market conditions. As of September 30, 2021, AES Ohio had \$140 million of short-term borrowings outstanding under its revolving credit facility.

In its most recent financial release, AES Ohio disclosed that capital expenditures were planned to be \$224 million in 2021 and \$268 million in 2022.² Capital projects are subject to continuing review and are revised given changes in financial conditions, load forecasts, and regulatory developments, among other factors. Capital expenditures through nine months of 2021 were \$143.3 million.³

RECOMMENDATION

Upon review of the Application, Staff believes the requested authority as described by AES Ohio appears reasonable and recommends approval of the Application.

² Securities and Exchange Commission Form 10-Q for The Dayton Power and Light Company for the quarterly period ended September 30, 2021, Management Discussion and Analysis of Financial Condition and Results of Operations - Capital Requirements (November 4, 2021) (2021 Q3 10-Q).

³ 2021 Q3 10-Q, Condensed Statements of Cash Flows (November 4, 2021).

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on
12/6/2021 10:13:23 AM**

in

Case No(s). 21-1128-EL-AIS

Summary: Staff Review and Recommendation in regard to the application of The Dayton Power and Light Company d/b/a AES Ohio for authority to issue short-term debt electronically filed by Zee Molter on behalf of PUCO Staff