

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
AEP OHIO TRANSMISSION COMPANY,
INC. FOR AUTHORITY TO ISSUE AND SELL
SECURED OR UNSECURED PROMISSORY
NOTES AND ENTER INTO INTEREST RATE
MANAGEMENT AGREEMENTS.

CASE NO. 21-980-EL-AIS

FINDING AND ORDER

Entered in the Journal on December 15, 2021

I. SUMMARY

{¶ 1} The Commission approves AEP Ohio Transmission Company, Inc.'s application for authority to issue and sell secured or unsecured promissory notes and enter into interest rate management agreements.

II. DISCUSSION

{¶ 2} AEP Ohio Transmission Company, Inc. (OHTCo) 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. 4905.40 permits a public utility to issue stocks, bonds, notes, and other evidences of indebtedness, payable at periods of more than 12 months, when authorized by the Commission. Pursuant to R.C. 4905.40(A)(1), the public utility may issue notes or other evidences of indebtedness when it is necessary for, among other things, the construction, completion, extension, renewal, or improvement of its facilities and, under R.C. 4905.40(A)(2), for reorganization or readjustment of its indebtedness and capitalization, among other purposes. The application process for obtaining Commission authorization is outlined in R.C. 4905.41. The application must include the amount, purpose, and terms of the financial arrangement, as well as the total assets and liabilities of the public utility.

{¶ 4} In Case No. 20-1513-EL-AIS, the Commission authorized OHTCo, through December 31, 2021, to issue and sell secured or unsecured promissory notes of up to \$350 million and to enter into interest rate management agreements. *In re AEP Ohio*

Transmission Co., Inc. (Current Order), Case No. 20-1513-EL-AIS, Finding and Order (Dec. 16, 2020).

{¶ 5} On September 21, 2021, in the above-captioned case, OHTCo filed an application requesting Commission authorization, through December 31, 2022, to issue and sell secured or unsecured promissory notes (Notes) of up to \$350 million and to enter into interest rate management agreements. OHTCo proposes to use the proceeds from the Notes, along with other funds, to finance the construction, acquisition, maintenance, modification, and improvement of new and existing electric transmission facilities; refinance existing debt; meet working capital needs; and fund its other general corporate purposes.

{¶ 6} On December 2, 2021, Staff filed its review and recommendation (Staff Report). Staff states that during the authorization period of the *Current Order*, OHTCo issued \$160 million of long-term indebtedness, which is the final long-term debt financing expected under the *Current Order*. Staff further states that the requested authorization is incremental to OHTCo's existing debt capitalization. Staff indicates that \$83.2 million of the Senior Note Series A, Tranche 1, matures in October 2022 and is not expected to be refinanced. According to OHTCo, there are no outstanding long-term debts identified for early redemption. Staff relates that OHTCo's actual capital construction expenditures as of September 30, 2021, amounted to approximately \$399 million. According to Staff, OHTCo anticipates spending approximately \$99.2 million during the remainder of 2021 and \$561 million in 2022 for capital construction expenditures.

{¶ 7} Staff further reports in its description of the application that the new debt will be issued with a maturity of not more than 50 years; any long-term fixed rate debt security will have an interest rate that is not to exceed by more than 3 percent of the yield to maturity of U.S. Treasury obligations of comparable maturities at the time of pricing; the initial interest rate of any variable rate long-term debt security will not exceed 6 percent per annum; and the commission payable to agents and underwriters will not exceed 3.15 percent

of the principal amount of the new debt. With respect to the interest rate management agreements, Staff notes that these agreements create no additional claims on OHTCo's cash flow nor influence the level of debt outstanding. Staff concludes, following its thorough review of OHTCo's application, that the application should be approved and the authority to issue new debt in this matter supersede and replace the authority in Case No. 20-1513-EL-AIS. Additionally, Staff recommends that OHTCO be required to file in the case docket, within 30 days, summary reports detailing any utilization of the authority granted hereunder and that the summary reports contain the particulars outlined in the Staff Report.

{¶ 8} Based on the information contained in the application and Staff's review and recommendation, the Commission finds that the amount and terms of the Notes, and the probable cost to OHTCo, 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, the purposes to which the proceeds from the Notes shall be applied, and the use of the Notes, appear to be reasonably required by OHTCo to meet its present and prospective obligations to provide utility service. Therefore, the Commission finds that the application should be approved. Furthermore, the borrowing authority conferred upon OHTCo by the Commission in this case supersedes the borrowing authority conferred upon OHTCo by the Commission in Case No. 20-1513-EL-AIS.

III. ORDER

{¶ 9} It is, therefore,

{¶ 10} ORDERED, That OHTCo's application be approved, pursuant to the terms and conditions as described in the application. It is, further,

{¶ 11} ORDERED, That OHTCo shall apply the proceeds from the Notes for the purposes set forth in this Finding and Order and otherwise pursuant to the provisions of R.C. 4905.40. It is, further,

{¶ 12} ORDERED, That after the issuance of new debt or the entering into of any interest rate management agreement, as authorized by this Finding and Order, OHTCo promptly file, within 30 days, a report of the terms and conditions regarding each agreement, containing the particular information outlined in the Staff Report. It is, further,

{¶ 13} ORDERED, That the authorization granted by this Finding and Order shall not be construed as limiting the Commission's determination of the appropriateness of the Notes for future ratemaking treatment. It is, further,

{¶ 14} 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 OHTCo. It is, further,

{¶ 15} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation as to the Notes on the part of the state of Ohio. It is, further,

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

{¶ 17} ORDERED, That the borrowing authority conferred upon OHTCo supersedes the borrowing authority conferred upon OHTCo by the Commission in Case No. 20-1513-EL-AIS.

{¶ 18} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

COMMISSIONERS:

Approving:

Jenifer French, Chair
M. Beth Trombold
Lawrence K. Friedeman
Daniel R. Conway
Dennis P. Deters

DMH/kck

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Case No(s). 21-0980-EL-AIS

Summary: Finding & Order approving AEP Ohio Transmission Company, Inc.'s application for authority to issue and sell secured or unsecured promissory notes and enter into interest rate management agreements electronically filed by Heather A. Chilcote on behalf of Public Utilities Commission of Ohio