

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

CASE NO. 21-930-EL-AIS

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

CASE NO. 21-931-EL-AIS

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

CASE NO. 21-932-EL-AIS

**IN THE MATTER OF THE APPLICATION OF
AMERICAN TRANSMISSION SYSTEMS
INCORPORATED FOR AUTHORITY TO
ISSUE SHORT-TERM NOTES AND OTHER
EVIDENCES OF INDEBTEDNESS.**

CASE NO. 21-933-EL-AIS

FINDING AND ORDER

Entered in the Journal on December 15, 2021

I. SUMMARY

{¶ 1} The Commission authorizes the Applicants, through December 31, 2022, to have short-term notes outstanding, including those issued pursuant to R.C. 4905.401(A), in aggregate principal amounts of not more than \$500 million each for Ohio Edison Company, The Cleveland Electric Illuminating Company, and American Transmission Systems Incorporated, and not more than \$300 million for The Toledo Edison Company, at any one time and to continue to participate in the Money Pool, pursuant to the terms and conditions as described in the Applications and in this Finding and Order.

II. DISCUSSION

{¶ 2} The Applicants, Ohio Edison Company (Ohio Edison), The Cleveland Electric Illuminating Company (CEI), The Toledo Edison Company (Toledo Edison), and the American Transmission Systems Incorporated (ATSI) (collectively, Applicants or the Ohio Utility Companies) are public utilities as defined in R.C. 4905.02, and, as such, are subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4905.401 permits public utilities that are electric light companies 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 electric light company to issue short-term notes and other evidences of indebtedness aggregating “not more than five percent of the par value of other stocks, bonds, notes, and other evidences of indebtedness of the company.”

{¶ 4} Pursuant to R.C. 4905.401, as of September 30, 2021, Applicants were permitted to have outstanding notes and other evidences of short-term indebtedness, issuable without prior authorization of the Commission, in the amount of approximately \$100.6 million for Ohio Edison, \$143.7 million for CEI, \$32.3 million for Toledo Edison, and \$132.2 million for ATSI, because such amounts were less than five percent of the par value of the other stocks, bonds, notes, and other evidences of indebtedness of Applicants.

{¶ 5} On December 18, 2019, in Case Nos. 19-1874-EL-AIS, et al., the Commission authorized Applicants to participate in the utility money pool arrangement (the Money Pool) through December 31, 2020. The Money Pool was created via an agreement between Applicants and Jersey Central Power & Light Company, Metropolitan Edison Company, Monongahela Power Company, Pennsylvania Power Company, Pennsylvania Electric Company, The Potomac Edison Company, Trans-Allegheny Interstate Line Company, Waverly Electric Power & Light Company, and West Penn Power Company (collectively, the Non-Ohio Participating Companies), and a separate non-utility money pool comprised

of FirstEnergy Corp. and its unregulated subsidiary companies. The Money Pool allows utilities to lend short-term funds to the Money Pool and receive interest income or borrow short-term funds from the Money Pool at rates generally more attractive than those obtained through outside financing.

{¶ 6} On December 16, 2020, in Case Nos. 20-1489-EL-AIS, et al., the Commission authorized the Applicants to have short-term notes outstanding through December 31, 2021, and to continue to participate in the Money Pool.

{¶ 7} On September 17, 2021, Applicants filed their respective applications and exhibits (Applications) in the above-captioned proceedings under the provisions of R.C. 4905.401(A).

{¶ 8} Ohio Edison, CEL, and ATSI are requesting consent and authority to issue up to \$500 million of short-term notes and continue to participate in the Money Pool through December 31, 2022. Additionally, Toledo Edison is requesting consent and authority to issue up to \$300 million of short-term notes and continue to participate in the Money Pool through December 31, 2022. The requested authority is similar to the Applicants' existing authority granted in Case Nos. 20-1489-EL-AIS, et al.

{¶ 9} Applicants propose that the proceeds from the notes would be used to provide funds for current maturities of existing obligations, retirement and redemption of securities, redemption of securities, loans to the Money Pool, working capital, and other general corporate purposes.

{¶ 10} On December 8, 2021, Staff filed its review and recommendations regarding the Applications in each corresponding docket, providing that, upon Staff's review, Staff believes the Applications are reasonable and should be approved by the Commission, subject to the following conditions that are intended to insulate Applicants from financial risks associated with other companies participating in the Money Pool:

- (a) Ohio Edison, CEL, and ATSI may borrow funds from the Money Pool combined with any borrowings from short-term notes in an aggregate amount not to exceed \$500 million each at any one time. Toledo Edison may borrow funds from the Money Pool combined with any borrowings from short-term notes in an aggregate amount not to exceed \$300 million at any one time. Additionally, funds provided by Ohio Edison, CEL, or ATSI to the Money Pool may not exceed \$500 million each at any one time. Funds provided by Toledo Edison to the Money Pool may not exceed \$300 million at any one time. Finally, the aggregate amount loaned by the Ohio Utility Companies through the Money Pool to Non-Ohio Participating Companies may not exceed \$750 million at any one time, wherein none of the Ohio Utility Companies are contributing more than their maximum authorization at any one time;
- (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, the Ohio Utility Companies shall report to the Commission, in each of their respective above-captioned dockets, the full particulars of such condition(s) within 10 days of the imposition of the condition(s), so that the Commission may consider whether to impose similar condition(s) on the Ohio Utility Companies;
- (c) Money Pool loans made to Participating Companies may be effectuated only with 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, investment grade credit ratings on their corporate credit rating from at least one nationally recognized rating agency. In the event the applicable credit rating of any participating company, or its parent company, falls below investment grade, Applicants shall file, within their respective case dockets, the full details of such event(s) within 10 days of their occurrence; and

- (d) The Ohio Utility Companies are required to report details of the Ohio Utility Companies' participation in the Money Pool on a quarterly basis and file those quarterly reports in each respective case docket.

{¶ 11} Upon review of the Applications, the Commission finds that the amount of the short-term borrowings under the Money Pool, the terms thereof, and the probable cost to Applicants, which are to be no less favorable than the terms described in the Applications, do not appear to be unjust or unreasonable. In addition, based on the information contained in the Applications, and the exhibits thereto, the purposes to which the proceeds from the borrowings through the participation in the Money Pool shall be applied, appear reasonably to be required by Applicants to meet their present and prospective obligations to provide utility service. As such, the Commission finds it unnecessary to hold a hearing in this matter. Accordingly, the Commission finds that the Applications should be approved, subject to the conditions recommended by Staff.

III. ORDER

{¶ 12} It is, therefore,

{¶ 13} ORDERED, That Ohio Edison, CEI, and ATSI be authorized through December 31, 2022, to have short-term notes outstanding, including those issued pursuant to R.C. 4905.401(A), in aggregate principal amounts of not more than \$500 million each at

any one time and to continue to participate in the Money Pool, pursuant to the terms and conditions as described in the Applications and in this Finding and Order. It is, further,

{¶ 14} ORDERED, That Toledo Edison be authorized through December 31, 2022, to have short-term notes outstanding, including those issued pursuant to R.C. 4905.401(A), in aggregate principal amounts of not more than \$300 million at any one time and to continue to participate in the Money Pool, pursuant to the terms and conditions as described in the Applications and in this Finding and Order. It is, further,

{¶ 15} ORDERED, That the authorization granted by this Finding and Order shall not be construed as limiting the Commission's determination of the appropriateness of Applicants' future long-term security offerings issued wholly or in part for the purpose of retiring their outstanding short-term evidences of indebtedness. It is, further,

{¶ 16} 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,

{¶ 17} 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 Applicants. It is, further,

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

{¶ 19} 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

JWS/mef

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Case No(s). 21-0930-EL-AIS, 21-0931-EL-AIS, 21-0932-EL-AIS, 21-0933-EL-AIS

Summary: Finding & Order authorizing the Applicants, through December 31, 2022, to have short-term notes outstanding, including those issued pursuant to R.C. 4905.401(A), in aggregate principal amounts of not more than \$500 million each for Ohio Edison Company, The Cleveland Electric Illuminating Company, and American Transmission Systems Incorporated, and not more than \$300 million for The Toledo Edison Company, at any one time and to continue to participate in the Money Pool, pursuant to the terms and conditions as described in the Applications and in this Finding and Order electronically filed by Ms. Mary E. Fischer on behalf of Public Utilities Commission of Ohio