



Public Utilities Commission

Mike DeWine, Governor
Jenifer French, Chair

Commissioners

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

November 29, 2022

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 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. 22-0986-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. 22-0986-EL-AIS.

A handwritten signature in black ink, appearing to read "Tamara S. Turkenton", written over a horizontal line.

Tamara Turkenton
Director
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. 22-0986-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 October 24, 2022, 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 twelve (12) months in an aggregate amount not to exceed \$300 million at any one time during calendar year 2023. The Application represents a renewal of AES Ohio’s existing \$300 million of authority that was granted on December 15, 2021.¹

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, 2022, AES Ohio could borrow approximately \$36 million without the Commission’s prior approval. In conjunction with its unsecured, revolving credit agreement, the requested Debt is sized to meet potential liquidity needs. Those

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. 21-1128-EL-AIS, Finding and Order (Dec. 15, 2021).

needs extend to cash disruptions caused by storms, major outages, seasonality, liability management opportunities (debt prepayments and refinancing), and capital expenditures. AES Ohio's forecasted cash needs in 2023 include outlays for property taxes (\$81 million), interest payments (\$35 million), pension funding (\$7.5 million), and preparation for seasonal peaks. AES Ohio does not have any long-term debt maturing during the remainder of 2022 or during 2023.

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 additional \$300 million of Debt sought in the Application gives AES Ohio the needed flexibility to manage its short-term liquidity needs in excess of cash flow from operations or other sources of cash. As of September 30, 2022, AES Ohio had \$55 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 \$241 million in 2022 and \$253 million in 2023.² Planned capital expenditures are determined based on identified company need, including the distribution and transmission system, while giving effect to earnings and liquidity impact. Capital expenditures through nine months of 2022 were \$191 million; \$241 million is anticipated during the full calendar year.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 AES Ohio The Dayton Power and Light Company d/b/a AES Ohio for the quarterly period ended September 30, 2022, Management Discussion and Analysis of Financial Condition and Results of Operations - Capital Requirements (November 4, 2022) (2022 Q3 10-Q).

³ 2022 Q3 10-Q, Condensed Statements of Cash Flows (November 4, 2022).

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on**

11/29/2022 3:36:35 PM

in

Case No(s). 22-0986-EL-AIS

Summary: Staff Review and Recommendation regarding 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