



Public Utilities Commission

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December 2, 2022

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

RE: *In the Matter of the Application of Ohio Valley Electric Corporation for Authority to Issue Evidence of Short-Term Indebtedness in the Form of One or More Revolving Credit, Term Loan or Other Facilities, Case No. 22-0926-EL-AIS*

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the application of Ohio Valley Electric Corporation for authority to issue short-term debt, Case No. 22-0926-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 Ohio)
Valley Electric Corporation for Authority to)
Issue Evidence of Short-Term Indebtedness in) Case No. 22-0926-EL-AIS
the Form of One or More Revolving Credit,)
Term Loan or Other Facilities)

Staff Review and Recommendation

APPLICATION DESCRIPTION

On October 12, 2022, Ohio Valley Electric Corporation (“OVEC”) filed an application and exhibits, (“Application”) with the Public Utilities Commission of Ohio (the “Commission”), pursuant to Ohio Revised Code (“R.C.”) 4905.401. Through its Application, OVEC is seeking authorization to issue evidence of indebtedness in an aggregate principal amount of up to \$185 million and with maturities of twelve months or less during calendar year 2023. The Application represents a renewal of OVEC’s existing \$185 million of authority that was granted on December 15, 2021.¹

OVEC states that its short-term securities will be issued under OVEC’s existing revolving credit facility (“Revolver”), or by entering into new unsecured or secured revolving credit facilities, term loan or other arrangements. OVEC intends to use the proceeds from the short-term debt to finance inventories for its generating stations, refinance other indebtedness, and for other corporate purposes, including environmental compliance.

R.C. 4905.401 provides a statutory exemption permitting Ohio electric utilities to borrow up to five percent of the par value of all outstanding long-term securities without prior approval of the Commission (“Statutory Exemption”). Any Ohio electric utility wishing to incur short-term obligations in excess of the Statutory Exemption must seek Commission authorization.

¹ See *In the Matter of the Application of Ohio Valley Electric Corporation for Authority to Issue Evidence of Short-Term Indebtedness in the form of one or more Revolving Credit, Term Loan or Other Facilities*, Case No. 21-1151-EL-AIS, Finding and Order (December 15, 2021).

REVIEW AND ANALYSIS

As of September 30, 2022, OVEC could have borrowed up to approximately \$55 million in short-term securities without prior authorization from the Commission under the Statutory Exemption. OVEC has been issuing its short-term debt primarily through the Revolver. The Revolver was entered into with a group of seven banks; the agreement expires in February of 2024. The Revolver has a capacity of up to \$185 million of which \$90 million had been drawn as of September 30, 2022. The Application lists parameters that govern the Revolver.

OVEC continues to support capital expenditure programs. OVEC's actual and projected capital construction expenditures for 2022 are approximately \$64 million. OVEC has a planned capital spend of approximately \$52 million during year 2023. Construction is underway of environmental projects to maintain compliance with regulations from the U.S. Environmental Protection Agency relating to coal combustion residuals and effluent limitation guidelines. Potential cash outflows for these projects are included in OVEC's capital construction budget.

OVEC has demonstrated a need for short-term funding over the course of 2023 to support its financing of inventories, the refinance of other indebtedness, and for other corporate purposes that may exceed the amount permitted by the Statutory Exemption.

STAFF RECOMMENDATION

Staff believes OVEC's request appears reasonable and recommends approval of the Application. Staff further recommends that OVEC be directed to file reports on a quarterly basis in this case docket that provides details about the utilization of authority granted in this case.

**This foregoing document was electronically filed with the Public Utilities
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in

Case No(s). 22-0926-EL-AIS

Summary: Staff Review and Recommendation regarding the application of Ohio Valley Electric Corporation for authority to issue short-term debt electronically filed by Zee Molter on behalf of PUCO Staff