

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 CERTAIN LONG-
TERM DEBT.

CASE NO. 23-151-EL-AIS

FINDING AND ORDER

Entered in the Journal on April 5, 2023

I. SUMMARY

{¶ 1} The Commission approves the application filed by The Dayton Power and Light Company d/b/a AES Ohio for authority to issue long-term debt in an amount not to exceed \$300 million, subject to Staff's recommendations.

II. DISCUSSION

{¶ 2} The Dayton Power and Light Company d/b/a AES Ohio (AES Ohio or the Company) is a public utility and an electric light company as defined in R.C. 4905.02 and R.C. 4905.03, respectively. As such, AES Ohio is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4905.40 permits public utilities to "issue stocks, bonds, notes, or other evidences of indebtedness, payable at periods of more than twelve months after their date of issuance, when necessary (1) [f]or the acquisition of property, the construction, completion, extension, renewal, or improvement of its facilities, or the improvement of its service; or (2) [f]or reorganization or readjustment of its indebtedness and capitalization, for the discharge or lawful refunding of its obligation, or for the reimbursement of moneys actually expended for such purposes from income or from any other moneys in the treasury of the public utility * * * not secured or obtained from the issue of stocks, bonds, notes, or other evidences of indebtedness of such public utility * * *" when authorized by the Commission.

{¶ 4} On February 22, 2023, AES Ohio initiated this proceeding by filing an application (Application) seeking authority to issue stocks, bonds, notes, and other evidences of indebtedness, in amount not to exceed \$300 million in one or more issuance to occur no later than 12 months after the issuance of an order approving the Application. AES Ohio asserts that the proposed transaction will benefit customers by enabling AES Ohio to finance distribution and transmission capital investments and grid modernization, which are necessary for AES Ohio to provide safe and reliable service and for customers to receive the benefits of the Company's Smart Grid Plan, as approved by the Commission. *In re AES Ohio*, Case Nos. 18-1875-EL-GRD, et al., Opinion and Order (Jun. 16, 2021) (approving settlement of AES Ohio's Smart Grid Plan Phase I). Additionally, AES Ohio contends that the issuance of debt will enable the Company to maintain both liquidity and its long-term targeted capital structure.

{¶ 5} The Application represents that the applicable interest rate for the new debt will depend, in part, on the Company's current credit ratings and market conditions at the time of issuance and will not exceed the respective fixed and variable benchmark rates plus a spread of 400 basis points. Any initial public offering price with respect to the new debt will not exceed 102 percent nor be less than 96 percent of their principal amount, and placement fees to be negotiated between the Company and agents to be named will not exceed 1.50 percent. Additionally, the new debt will have no provisions for the potential calling of bonds in the event of a change of control of the Company, and there will be no provision for the calling of bonds in the event of a cross-default, except for cross-default under AES Ohio debt.

{¶ 6} The Company's Application includes a request for expedited treatment. AES Ohio submits that such expedited treatment will allow the Company to maximize the timeframe within the year to complete the issuance of debt and raise the capital necessary to finance its distribution and transmission investments.

{¶ 7} On March 29, 2023, Staff filed its review and recommendation regarding the Application. In its review and analysis, Staff notes that AES Ohio finances its capital expenditure program with a combination of debt (both short- and long-term) and equity. Staff represents that, as of December 31, 2022, AES Ohio had an outstanding short-term debt balance of \$120 million on its revolving credit facility that has accumulated due to the Company's capital expenditure program associated with its distribution, transmission, and grid modernization investments. AES Ohio proposes to use the proceeds from the new debt to repay short-term debt amounts on the Company's revolving credit facility to maintain adequate liquidity. In its most recent financial release, AES Ohio disclosed that planned capital expenditures were forecasted to be approximately \$397 million during 2023 and \$456 million during 2024.

{¶ 8} Staff further notes that the credit spread is influenced by AES Ohio's credit ratings and the type of debt being issued and that the new debt may be issued as secured debt or as unsecured debt. Staff also includes in its report a table providing information regarding the Company's senior secured debt credit ratings and a table reflecting the Company's current capitalization as well as the pro-forma capitalization structure assuming the full utilization of the new debt.

{¶ 9} Staff concludes that the Application appears reasonable and recommends its approval. Staff does recommend, however, that the Commission direct AES Ohio to file summary reports, in this case docket, within 30 days of issuing debt, which reports should summarize the principal amounts, interest rates, issuance costs, premiums or discounts, redemption provisions, and other terms and full particulars of the debt issued.

{¶ 10} Upon review, the Commission finds that the Company's Application, as modified by Staff's recommendation, is reasonable and should be approved. Accordingly, AES Ohio is authorized to issue and/or reissue stocks, bonds, notes, and other evidences of indebtedness, not to exceed \$300 million. In line with Staff's recommendation, AES Ohio is directed to file a summary report in this case docket within 30 days of completing any

transactions under this authorization. The report should summarize the principal amount, interest rate, type of securities issued, issuance costs, premiums or discounts, redemption provisions, terms and covenants, and use of proceeds. Finally, the Commission finds that no hearing is necessary in this matter.

III. ORDER

{¶ 11} It is, therefore,

{¶ 12} ORDERED, That AES Ohio's Application be approved, subject to Staff's recommendation. It is, further,

{¶ 13} ORDERED, That AES Ohio file a summary report in this case docket within 30 days of completing the proposed refinancing as directed in Paragraph 10. It is, further,

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

{¶ 15} 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,

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

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

COMMISSIONERS:

Approving:

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

GAP/dr

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Case No(s). 23-0151-EL-AIS

Summary: Finding & Order approving the application filed by The Dayton Power and Light Company d/b/a AES Ohio for authority to issue long-term debt in an amount not to exceed \$300 million, subject to Staff's recommendations. electronically filed by Ms. Mary E. Fischer on behalf of Public Utilities Commission of Ohio.