

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
THE CLEVELAND ELECTRIC ILLUMINATING
COMPANY FOR AUTHORITY TO ISSUE, SELL,
OR ENTER INTO DEBT TRANSACTIONS.

CASE NO. 23-438-EL-AIS

IN THE MATTER OF THE APPLICATION OF
THE CLEVELAND ELECTRIC ILLUMINATING
COMPANY, AND THE TOLEDO EDISON
COMPANY.

CASE NO. 23-439-EL-AIS

FINDING AND ORDER

Entered in the Journal on August 9, 2023

I. SUMMARY

{¶ 1} The Commission authorizes Ohio Edison Company and The Cleveland Electric Illuminating Company to each issue long-term debt, within 12 months after the date of this Finding and Order, in an aggregate amount not to exceed \$125 million, pursuant to the terms and conditions as described in the applications and in this Finding and Order.

II. DISCUSSION

A. Procedural History

{¶ 2} Ohio Edison Company (Ohio Edison) and The Cleveland Electric Illuminating Company (CEI) (collectively, Applicants or the Companies) are electric distribution utilities as defined in R.C. 4928.01(A)(6) and public utilities as defined in R.C. 4905.02, and, as such, are 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 12 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 May 20, 2020, pursuant to its authority under R.C. 4905.40, the Commission authorized CEI to issue long-term debt in an aggregate amount not to exceed \$250 million. *In re the Application of The Cleveland Elec. Illum. Co.*, Case No. 20-563-EL-AIS, Finding and Order (May 20, 2020).

{¶ 5} On January 26, 2022, pursuant to its authority under R.C. 4905.40, the Commission authorized Ohio Edison to issue long-term debt in an aggregate amount not to exceed \$300 million. *In re the Application of Ohio Edison Co.*, Case No. 21-1013-EL-AIS, Finding and Order (Jan. 26, 2022).

{¶ 6} On December 14, 2022, the Commission authorized both Companies to have short-term notes outstanding in aggregate principal amounts of not more than \$500 million and to continue to participate in the utility money pool arrangement (Money Pool) through December 31, 2023. 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. *In re the Application of Ohio Edison Co. et al.*, Case No. 22-936-EL-AIS, Finding and Order (Dec. 14, 2022).

{¶ 7} On May 2, 2023, CEI and Ohio Edison filed their applications and exhibits (Applications) under the provisions of R.C. 4905.40 in the above-captioned cases. Both CEI and Ohio Edison are requesting consent and authority to borrow up to \$125 million of long-term debt (New Debt) within 12 months of Commission approval of the Applications. The New Debt would be issued in one or more issuances and each issuance is expected to be

issued in one or more series of the Companies' unsecured note or debentures. Additionally, the Companies propose that the long-term debt will be issued to repay existing indebtedness, including amounts outstanding under the Money Pool, to meet short-term working capital requirements, to finance capital expenditures, and for other corporate purposes. The Applications to issue New Debt are in addition to the Companies' existing authorization to issue short-term debt approved by the Commission. *In re the Application of Ohio Edison Co. et al.*, Case No. 22-936-EL-AIS, Finding and Order (Dec. 14, 2022).

{¶ 8} On July 26, 2023, and July 27, 2023, Staff filed its review and recommendations regarding the Applications. The filings provide that, upon Staff's review, Staff believes the Applications are reasonable and should be approved by the Commission, subject to certain conditions, including, but not limited to: the Companies maintaining the responsibility to facilitate the issuance of the long-term debt within the parameters set forth in the Applications on the best competitive market terms available; and the Applicants being required to file a summary report, in their respective docket, within 30 days of issuing any New Debt under the authority granted, which should include, at the very least, a summary of the principal amount, interest rate, type of securities issued, issuance costs, premiums or discounts, redemption provisions, other pertinent terms and the use of proceeds from the New Debt in broad categories.

{¶ 9} Upon review of the Applications, the Commission finds that the amount of the long-term borrowings, the terms thereof, and the probable cost to CEI and Ohio Edison, 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 shall be applied appear reasonably to be required by the Applicants to meet their present and prospective obligations to provide utility service. Therefore, the Commission finds that the Applications should be approved, subject to all of the conditions recommended by Staff.

III. ORDER

{¶ 10} It is, therefore,

{¶ 11} ORDERED, That, subject to the conditions recommended by Staff, CEI and Ohio Edison each be authorized for 12 months from the date of this Finding and Order, to issue long-term promissory notes or debentures, in the aggregate principal amount of not more than \$125 million, pursuant to the terms and conditions as described in the Applications and in this Finding and Order. It is, further,

{¶ 12} ORDERED, That CEI and Ohio Edison shall apply the proceeds from the long-term debt for the purposes set forth in this Finding and Order and otherwise in accordance with the provisions of R.C. 4905.40. 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 CEI or Ohio Edison's 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,

{¶ 14} 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,

{¶ 15} 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 CEI or Ohio Edison. It is, further,

{¶ 16} 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 CEI or Ohio Edison. It is, further,

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

COMMISSIONERS:

Approving:

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

MJA/mef

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Case No(s). 23-0438-EL-AIS, 23-0439-EL-AIS

Summary: Finding & Order authorizing Ohio Edison Company and The Cleveland Electric Illuminating Company to each issue long-term debt, within 12 months after the date of this Finding and Order, in an aggregate amount not to exceed \$125 million, pursuant to the terms and conditions as described in the applications and in this Finding and Order electronically filed by Debbie S. Ryan on behalf of Public Utilities Commission of Ohio.