

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio )  
Power Company for Authority to Finance )  
Portions of Environmental and Pollution )  
Control Facilities, to Enter into Installment ) Case No. 07-307-EL-AIS  
Agreements of Sale with West Virginia )  
Economic Development Authority and to Enter )  
Into Interest Rate Management Agreements. )

FINDING AND ORDER

The Commission finds:

- (1) Applicant, Ohio Power Company, is a public utility as defined in Section 4905.02, Revised Code, and is subject to the jurisdiction of this Commission.
- (2) This Application, as supplemented (collectively hereinafter called the "Application"), is filed under the provisions of Sections 4905.40 and 4905.41, Revised Code.
- (3) Applicant proposes to enter into one or more loan agreements (the "Loan Agreements") with the West Virginia Economic Development Authority (the "Authority"), pursuant to which the Authority will issue up to \$75 million aggregate principal amount of Solid Waste Disposal Facilities Bonds (the "Bonds"), in one or more series, as set forth in the Application and Exhibits.
- (4) The Loan Agreements between the Applicant and the Authority will provide for the repayment by Applicant to the Authority of amounts sufficient to pay principal, purchase price or premium, if any, and interest on the Bonds.
- (5) The Bonds will be issued for a term or terms not to exceed 40 years and will bear either a fixed or variable interest rate, consistent with the terms and conditions as set forth in the Application and Exhibits.

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- (6) The Bonds may be issued initially with a variable interest rate and may be issued subject to tender by the holders thereof for redemption or purchase. Applicant may enter into one or more Remarketing Agreements with remarketing agents to facilitate the remarketing of the Bonds, as more fully described in the Application.
- (7) Applicant states that any series of the Bonds may be provided with bond insurance, as described in the Application and Exhibits.
- (8) The Bonds will be sold through one or more underwritten public offerings, negotiated sales, or private placement transactions.
- (9) Applicant is also requesting authorization to enter into Interest Rate Management Agreements (the "Interest Agreements"). Applicant states that the Interest Agreements will allow Applicant sufficient alternatives and flexibility when striving to reduce its effective interest cost and manage interest cost on financings, as described in the Application and Exhibits.
- (10) Applicant proposes to use the proceeds of the Loan Agreements to finance portions of environmental and pollution control facilities at its Mitchell Generating Station in Marshall County, West Virginia, all pursuant to Section 4905.40, Revised Code.
- (11) The proposed guidelines or parameters set forth in the Application are intended to facilitate the issuance of the Bonds on the best terms possible and at lowest cost. The authorization of the issuance of the Bonds in no way relieves the Applicant of its responsibility to negotiate and obtain the best terms available.
- (12) The amount of the Loan Agreements, the terms thereof, and the probable cost to Applicant, which are to be no less favorable than the terms as described in the Application and Exhibits, do not appear to be unjust or unreasonable.
- (13) The effect of the issuance of the Loan Agreements and the Interest Agreements (collectively, the "Securities") on Applicant's revenue requirements will be considered in the

determination of required revenue in rate proceedings in which all factors affecting rates will be taken into account according to law.

- (14) Applicant states that the proposed financing will be in compliance with its electric transition plan as approved by the Commission in Case No. 99-1730-EL-ETP and its Rate Stabilization Plan as approved by the Commission in Case No. 04-169-EL-UNC.
- (15) Based on the information contained in the Applications and the Exhibits attached thereto, the purposes to which the proceeds from the Loan Agreements shall be applied appear to be reasonably required by Applicant to meet its present and prospective obligations to provide utility service, and the Commission is satisfied that consent and authority should be granted.

It is, therefore,

ORDERED, That Applicant, Ohio Power Company, is authorized to enter into Loan Agreements, with the West Virginia Ohio Air Quality Development Authority, pursuant to which the Authority will issue through December 31, 2007, up to \$75 million aggregate principal amount of its Solid Waste Disposal Facilities Bonds, in one or more series, and if cost effective, to enter into arrangements wherein the Authority Bonds and any series thereof may be provided some form of credit enhancement, including bond insurance, and to implement interest rate management arrangements, if appropriate, as set forth in the Application and Exhibits. It is, further,

ORDERED, That the net proceeds from the Loan Agreements shall be used by Applicant as set forth in this Order and otherwise pursuant to the provisions of Section 4905.40, Revised Code. It is, further,

ORDERED, That after the Securities authorized by this Order are issued, Applicant shall report to the Commission, as soon as practicable, the terms and full particulars regarding the Securities. It is, further,

ORDERED, That Applicant shall account for the Securities as prescribed in the Federal Energy Regulatory Commission Uniform System of Accounts as currently in effect. It is, further,

ORDERED, That the authorization granted herein shall be in compliance with the Applicant's electric transition plan as approved by the Commission in Case No. 99-1730-EL-ETP and the Applicant's Rate Stabilization Plan as approved by the Commission in Case No. 04-169-EL-UNC. It is, further,

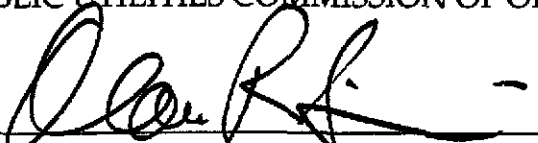
ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by this Commission as to the Loan Agreements or the interest thereon on the part of the State of Ohio. It is, further,

ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by this Commission to assure completion of any specific construction project of the Applicant. It is, further,

ORDERED, That nothing in this Order shall be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule or regulation of the Applicant. It is, further,

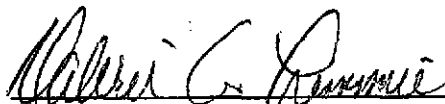
ORDERED, That a copy of this Order be served upon all parties of record.

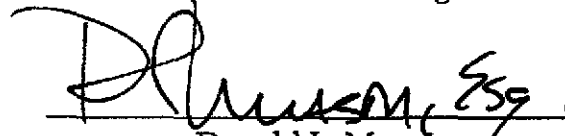
THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Alan R. Schriber, Chairman

  
Paul A. Centolella

  
Ronda Hartman Fergus


  
Valerie A. Lemmie

  
Donald L. Mason

SUM/djb

Entered in the Journal

MAY 02 2007

  
Renee J. Jenkins  
Secretary