

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power )  
Company for Authority to Issue and Sell )  
Promissory Notes, to Issue and Sell One or )  
More New Series of Preferred Shares, for )  
Authority to Finance Portions of Environmental )  
and Pollution Control Facilities, to Enter into ) Case No. 07-683-EL-AIS  
Loan Agreements or Installment Agreements of )  
Sale with the Ohio Air Quality Development )  
Authority, to Enter Into Interest Rate )  
Management Agreements, and To Issue Short- )  
term Notes and other Evidences of )  
Indebtedness. )

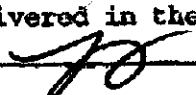
In the Matter of the Application of Columbus )  
Southern Power Company for Authority to )  
Issue and Sell Promissory Notes, to Issue and )  
Sell One or More New Series of Preferred ) Case No. 07-684-EL-AIS  
Shares, to Enter Into Interest Rate Management )  
Agreements, and to Issue Short-term Notes and )  
other Evidences of Indebtedness. )

FINDING AND ORDER

The Commission finds:

- (1) Applicants, Ohio Power Company (Ohio Power) and Columbus Southern Power Company (Columbus Southern), are public utilities as defined in Section 4905.02, Revised Code, and are subject to the jurisdiction of this Commission.
- (2) These Applications, as amended (hereinafter called the "Applications"), are filed under the provisions of Sections 4905.40, 4905.401 (A) and 4905.41, Revised Code.
- (3) Applicants propose to issue and sell through June 30, 2008, unsecured promissory notes (the "Notes"), Cumulative Preferred Shares (the "New Preferred Shares"), and issue one or more unsecured promissory notes (the "AEP Notes") to their parent American Electric Power Company, Inc. ("AEP"), provided that the aggregate amounts of the Notes, the New Preferred Shares and the AEP Notes (collectively, the "New Debt") will not exceed

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\$250 million for Ohio Power and \$350 million for Columbus Southern, as set forth in the Applications and Exhibits.

- (4) The Notes will mature in not more than 60 years and may be sold by (i) competitive bidding, (ii) negotiations with underwriters or agents, or (iii) direct placement with a commercial bank or other institutional investor. The Notes will have either a fixed or variable interest rate and may be provided some form of credit enhancement, as described in the Applications and Exhibits.
- (5) The terms of the AEP Notes will be similar to the terms of the Notes. The interest rate of the AEP Notes will be equal to the cost of capital of AEP, as described in the Applications and Exhibits.
- (6) Applicants propose to place the New Preferred Shares privately with institutional investors or may sell publicly through underwriters. The New Preferred Shares will have dividend rates and other terms, as described in the Applications and Exhibits.
- (7) Ohio Power proposes to enter into one or more loan agreements (the "Loan Agreements") through June 30, 2008, with the Ohio Air Quality Development Authority (the "Authority"), pursuant to which the Authority will issue up to \$90 million aggregate principal amount of its Air Quality Development Revenue Bonds (the "Bonds"), in one or more series, as set forth in the Application and Exhibits.
- (8) Ohio Power proposes that the Bonds will be issued for a term or terms not to exceed 40 years. The Bonds will bear either a fixed or variable interest rate and any series of the Bonds may be provided with bond insurance, as described in the Application and Exhibits.
- (9) The Loan Agreements between Ohio Power and the Authority will provide for the repayment by Ohio Power to the Authority of amounts sufficient to pay principal and interest on the Bonds, as described in the Application and Exhibits.
- (10) The proceeds from the Bonds will be used to fund the construction of portions of the environmental and pollution



control facilities at Unit 1 of Ohio Power's Cardinal Generating Station, as described in the Application and Exhibits.

- (11) The proceeds from the sale of the New Debt will be used to pay at maturity or refund long-term debt and cumulative preferred stock, to repay short-term indebtedness used to repay long-term debt and cumulative preferred stock, to fund Applicants' construction program, for working capital and other corporate purposes, as described in the Applications and Exhibits.
- (12) Applicants are requesting authorization to enter into Interest Rate Management Agreements (the "Interest Agreements"). Applicants state that the Interest Agreements will provide Applicants with sufficient alternatives and flexibility when striving to reduce their effective interest cost and manage interest cost on financings, as described in the Applications and Exhibits.
- (13) The proposed guidelines or parameters set forth in the Applications are intended to facilitate the issuance of the New Debt, the Bonds and the Interest Agreements (collectively, the "Securities") on the best terms possible and at lowest cost. The authorization of the issuance of the Securities in no way relieves Applicants of their responsibilities to negotiate and obtain the best terms available.
- (14) Pursuant to the Public Utility Holding Company Act of 1935, (PUHCA 1935) the Securities Exchange Commission authorized AEP and its utility subsidiaries including the Applicant through March 2007, to participate in the AEP System Utility Money Pool (the "Money Pool") and established borrowing limits for the participants.

With the repeal of PUHCA 1935 and the passage of the Energy Policy Act of 2005, among other things, the money pool transactions by regulated utility companies have come under the jurisdiction of the Federal Energy Regulatory Commission (the "FERC"). In accordance with FERC Order No 667 and FERC rule 366.6(b) (18 C.F.R. SS 366.6(b)), AEP and its public utility subsidiaries are entitled to continue to rely on this financing authorization through December 31, 2007. Applicants are currently authorized to borrow up to \$600 million for Ohio Power and \$350 million for Columbus Southern from the Money Pool.



Under Section 4905.401, Revised Code, Ohio electric utilities are permitted to borrow up to 5% of the par value of all outstanding long-term securities without specific approval of the Commission (Statutory Limitation). By the Statutory Limitation, Applicants could borrow up to \$151 million for Ohio Power and up to \$75 million for Columbus Southern.

Applicants now request Commission authority to continue to participate in the Money Pool and borrow up to \$600 million for Ohio Power and \$350 million for Columbus Southern from the Money Pool from time to time through June 30, 2008, as set forth in the Applications and Exhibits.

- (15) Applicants propose to use the proceeds from the short-term borrowing under the Money Pool for interim financing of capital expenditure programs, working capital needs and repay previous borrowings incurred for such purposes, as described in the Applications and Exhibits.
- (16) In order to provide insulation to Applicants from the financial risks associated with the non-regulated affiliated companies, the Commission Staff recommends that the following conditions be imposed on Applicants for their participation in the Money Pool and the issuance of short-term debt:
  - (a) The aggregate amount to be loaned to the Money Pool by Applicants should not exceed \$600 for Ohio Power and \$350 million for Columbus Southern at any one time and shall only be loaned to those Money Pool participants who are regulated public utilities or such utilities subsidiaries.
  - (b) Loans to Participating Companies made through the Money Pool should be made only to those Participating Companies that have, or whose direct parent company has, investment grade or higher credit ratings on their senior secured or unsecured debt from at least one nationally recognized rating agency, or in the absence of such rating, investment grade or higher credit ratings on their corporate credit rating. In the event the credit rating of any Participating Company, or its parent company in the case of an unrated company, falls below investment grade, Applicants shall inform the Director



of the Utilities Department of this Commission in a timely manner.

- (c) Applicants should provide information to the Director of the Utilities Department of the Commission relating to their participation in the Money Pool on a quarterly basis.
- (17) The Commission concurs with the Staff's recommendations above and will adopt them in these proceedings.
- (18) The amount of the Securities and the short-term borrowings under the Money Pool, the terms thereof, and the probable cost to Applicants, which are to be no less favorable than the terms as described in the Applications and Exhibits, do not appear to be unjust or unreasonable.
- (19) The effect of the issuance of the Securities on Applicants' 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.
- (20) Applicants state that the proposed issuance of the Securities and the short-term debt under the Money Pool will be in compliance with Applicants' electric transition plans as approved by the Commission in Case No. 99-1729-EL-ETP for Columbus Southern and in Case No. 99-1730-EL-ETP for Ohio Power and their rate stabilization plan as approved by the Commission in Case No. 04-169-EL-UNC.
- (21) Based on the information contained in the Applications and the Exhibits attached thereto, the purposes to which the proceeds from the Securities and the borrowings from the short-term debt and the participation in the Money Pool (subject to the conditions mentioned in Finding 16 above) shall be applied appear to be reasonably required by Applicants to meet their 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 Applicants, Ohio Power Company and Columbus Southern Power Company are authorized to issue and sell through June 30, 2008, unsecured promissory notes, cumulative preferred shares and to issue one or more unsecured promissory notes to their parent American Electric Power Company, Inc., provided the aggregate principal amounts of Notes, New Preferred Shares and AEP Notes do not exceed \$250 million for Ohio Power and \$350 million for Columbus Southern, within the terms and conditions as set forth in the Applications and Exhibits. It is, further,

ORDERED, That Ohio Power Company is authorized to enter into one or more Loan Agreements with the Ohio Air Quality Development Authority, pursuant to which the Authority will issue up to \$90 million aggregate principal amount of its Air Quality Development Revenue Bonds, in one or more series, within the terms and conditions as set forth in the Applications and Exhibits. It is, further,

ORDERED, That Applicants are authorized to enter into interest rate management agreements, within the terms and conditions, as set forth in the Applications and Exhibits. It is, further,

ORDERED, That Applicants are authorized to participate in the AEP System Money Pool and borrow up to \$600 million for Ohio Power and \$350 million for Columbus Southern Company from the Money Pool, as described in the Applications and Exhibits. It is, further,

ORDERED, That the funds provided by Applicants to the Money Pool and borrowed therefrom by the Participating Companies shall not exceed \$600 million for Ohio Power and \$350 million for Columbus Southern, at any one time through June 30, 2008 and shall only be loaned to those Money Pool Participants who are regulated public utilities or such utilities subsidiaries. It is, further,

ORDERED, That Applicants' Loans to Participating Companies made through the Money Pool shall be made only to those Participating Companies that have, or whose direct parent company has, investment grade or higher credit ratings on their senior secured or unsecured debt from at least one nationally recognized rating agency, or in the absence of such rating, investment grade or higher credit ratings on their corporate credit rating. It is, further,

ORDERED, That in the event the credit rating of any Participating Company, or its parent company in the case of an unrated company, falls below investment grade, Applicants shall inform the Director of the Utilities Department of this Commission in a timely manner. It is, further,



ORDERED, That Applicants shall provide information to the Director of the Utilities Department of the Commission relating to their participation in the Money Pool, on a quarterly basis. It is, further,

ORDERED, That the net proceeds from the Securities and the short-term borrowings under the Money Pool shall be applied by Applicants for the purposes as set forth in this Order and otherwise pursuant to the provisions of Sections 4905.40, and 4905.401, Revised Code. It is, further,

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

ORDERED, That the authorization granted herein for the issuance of the Securities and Applicants' participation in the Money Pool shall be in compliance with the Applicants' electric transition plans as approved by the Commission in Case No. 99-1729-EL-ETP for Columbus Southern and in Case No. 99-1730-EL-ETP for Ohio Power and their rate stabilization plan as approved by the Commission in Case No. 04-169-EL-UNC. It is, further,

ORDERED, That the authorization granted by this Order shall not be construed as limiting the Commission's determination of the appropriateness of the Securities for future rate making treatment. It is, further,

ORDERED, That the Applicants 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 nothing in this Order shall be construed to imply any guaranty or obligation by the Commission as to the Securities or the interest/dividends thereon on the part of the state of Ohio. It is, further,

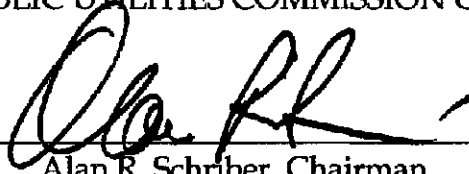
ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by this Commission to assure completion of any specific construction project of Applicants. It is, further,

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 Applicants. It is, further,

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



THE PUBLIC UTILITIES COMMISSION OF OHIO



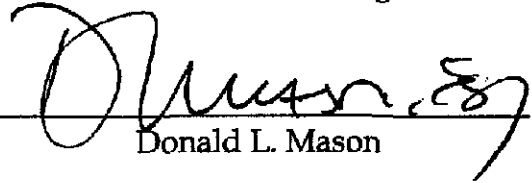
Alan R. Schriber, Chairman



Paul A. Centolella



Ronda Hartman Fergus



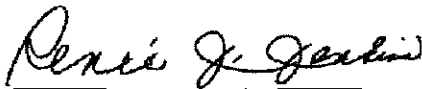
Donald L. Mason

Valerie A. Lemmie

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Entered in the Journal

**AUG 15 2007**



Renee J. Jenkins  
Secretary