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10-0346-EL-A15

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

March 17, 2010

Re: **OHIO POWER COMPANY**

Gentlemen:

Enclosed on behalf of Ohio Power Company are one executed and five conformed copies of an Application for authority to authority for authority to issue and sell promissory notes, to refinance the terms of loan agreements or installment agreements of sale with the Ohio Air Quality Development Authority, Marshall County, West Virginia and the West Virginia Economic Development Authority, to enter into interest rate management agreements, to enter one or more credit facilities and to issue short-term notes and other evidences of indebtedness.

An additional copy of the Application is also enclosed. Please indicate by file-stamp the Commission's receipt and return the extra copy so marked to the undersigned.

Very truly yours,

  
David C. House

DCH/jlh

Enclosures

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Before  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the application of :  
OHIO POWER COMPANY :  
for authority to issue and sell promissory notes, :  
to refinance the terms of loan agreements or :  
installment agreements of sale with the Ohio Air :  
Quality Development Authority, Marshall :  
County, West Virginia and the West Virginia :  
Economic Development Authority, to enter into :  
interest rate management agreements, to enter one :  
or more credit facilities and to issue short-term :  
notes and other evidences of indebtedness :  
.....

Case No. 10- 0346 -EL-AIS

APPLICATION AND STATEMENT

TO THE HONORABLE

THE PUBLIC UTILITIES COMMISSION OF OHIO:

Your Applicant, Ohio Power Company, respectfully shows:

FIRST: Applicant is an Ohio corporation engaged in the business of supplying to consumers within the State of Ohio electricity for light, heat and power purposes and is a public utility as defined by the Ohio Revised Code.

SECOND: Applicant's authorized and outstanding capital stock as of December 31, 2009 was as follows:

(1) 40,000,000 shares of Common Stock without par value authorized, of which there were 27,952,473 shares issued and outstanding;

(2) 3,762,403 Cumulative Preferred Shares (par value \$100) authorized, of which the following were issued and outstanding: a 4-1/2% Series consisting of 97,373 shares; a 4.40% Series consisting of 31,482 shares; a 4.08% Series consisting of 14,595 shares; and a 4.20% Series consisting of 22,824 shares; and

(3) 4,000,000 Cumulative Preferred Shares (par value \$25) authorized, of which there were none issued and outstanding.

THIRD: The outstanding funded debt of Applicant as of December 31, 2009 consisted of \$3,248,580,000 of unsecured long-term notes and other long-term debt (including capital leases), all of which notes were issued pursuant to former orders of your Honorable Commission. Applicant had no short-term debt outstanding at December 31, 2009.

FOURTH: Attached hereto as Exhibit A are financial statements, including a balance sheet and statements of income and retained earnings of the Applicant as of December 31, 2009.

FIFTH: To provide Applicant with necessary capital for the purposes set forth herein, Applicant proposes, with the consent and approval of your Honorable Commission, to issue and sell, through May 31, 2011, unsecured promissory notes ("Notes") in the aggregate principal amount of up to \$300,000,000. The Notes may be issued in the form of either Senior or Subordinated Debentures (including Junior Subordinated Debentures) or other promissory notes. In addition, Applicant may issue one or more unsecured promissory notes ("AEP Notes") to its parent American Electric Power Company, Inc. ("AEP"), provided that the aggregate amount of Notes and AEP Notes issued will not exceed \$300,000,000. The Notes and the AEP Notes will be issued in accordance with the transition plans for Applicant approved by this Commission in Case No. 99-1730-EL-ETP and the rate stabilization plan for Applicant approved by this Commission in Case No. 04-169-EL-UNC.

The Notes will mature in not less than 9 months and not more than 60 years. The interest rate of the Notes may be fixed or variable and will be sold by (i) competitive bidding; (ii) through negotiation with underwriters or agents; or (iii) by direct placement with a commercial bank or other institutional investor. Any fixed rate Note will be sold by the Applicant at a yield to maturity which shall not exceed by more than 6.0% the yield to maturity on United States

Treasury obligations of comparable maturity at the time of pricing. Any variable rate Note will be sold by the Applicant at a yield to maturity which shall not exceed by more than 6.0% the yield to maturity on United States Treasury obligations of comparable maturity at the time of pricing, and the initial interest rate on any variable rate Note will not exceed 8% per annum. If it is deemed advisable, the Notes may be provided some form of credit enhancement, including but not limited to a letter of credit, bond insurance, standby purchase agreement or surety bond. The commission payable to agents or underwriters will not exceed 3.5% of the principal amount of the Notes sold. Applicant will agree to specific redemption provisions, if any, including redemption premiums, at the time of the pricing. The interest rates and maturity dates of any AEP Notes would be designed to parallel the cost of the capital of AEP to comply with any applicable law or regulation. In addition, the interest rate and maturity parameters governing the Notes would apply to the AEP Notes.

In connection with the sale of unsecured Notes, Applicant may agree to restrictive covenants which would prohibit it from, among other things: (i) creating or permitting to exist any liens on its property, with certain stated exceptions; (ii) creating indebtedness except as specified therein; (iii) failing to maintain a specified financial condition; (iv) entering into certain mergers, consolidations and dispositions of assets; and (v) permitting certain events to occur in connection with pension plans. Applicant may permit the holder of the Notes to require Applicant to prepay them after certain specified events, including an ownership change.

Applicant may have the right to defer payment of interest on the Junior Subordinated Debentures for up to five years. However, Applicant may not declare and pay dividends on its outstanding stock if payments under the Junior Subordinated Debentures are deferred. The payment of principal, premium and interest on Junior Subordinated Debentures will be subordinated in right of payment to the prior payment in full of senior indebtedness.

SIXTH: The unsecured Notes (other than Junior Subordinated Debentures) will be issued under an Indenture dated as of September 1, 1997, as supplemented and amended, or an Indenture dated as of February 1, 2003, as supplemented and amended, each as to be further supplemented and amended by one or more Supplemental Indentures, Company Orders or equivalent documentation. Applicant also may enter into a new Indenture. A copy of the most recent Company Order utilized by the Applicant is attached hereto as Exhibit B. It is proposed that a similar form of Company Order, Supplemental Indenture or equivalent documentation be used for one or more series of the unsecured Notes other than Junior Subordinated Debentures (except for provisions such as interest rate, maturity, redemption terms and certain administrative matters).

The Junior Subordinated Debentures will be issued under an Indenture, dated as of September 1, 1995, as supplemented and amended, and as to be further supplemented and amended by one or more Supplemental Indentures or under a new indenture and one or more Company Orders or Supplemental Indentures having the same basic provisions as those previously approved by this Commission. A copy of the most recent Supplemental Indenture for Junior Subordinated Debentures utilized by the Applicant is attached as Exhibit C. It is proposed that a similar form of Supplemental Indenture be used for one or more series of the Junior Subordinated Debentures (except for provisions such as interest rate, maturity, redemption terms and certain administrative matters).

\* \* \*

SEVENTH: Applicant proposes, with the consent and approval of your Honorable Commission, to utilize interest rate management techniques and enter into Interest Rate Management Agreements. Such authority will allow Applicant sufficient alternatives and

flexibility when striving to reduce its effective interest cost and manage interest cost on financings.

*A. Interest Rate Management Agreements*

The Interest Rate Management Agreements will be products commonly used in today's capital markets, consisting of "interest rate swaps", "caps", "collars", "floors", "options", or hedging products such as "forwards" or "futures", or similar products, the purpose of which is to manage and minimize interest costs. Applicant expects to enter into these agreements with counterparties that are highly rated financial institutions. The transactions will be for a fixed period and a stated principal amount, and may be for underlying fixed or variable obligations of Applicant.

*B. Pricing Parameters*

Applicant proposes that the pricing parameters for Interest Rate Management Agreements be governed by the parameters contained herein. Fees and commissions in connection with any Interest Rate Management Agreement will be in addition to the above parameters and will not exceed 1.00% of the amount of the underlying obligation involved.

*C. Accounting*

Applicant proposes to account for these transactions in accordance with generally accepted accounting principles.

*D. Commission Authorization*

Since market opportunities for these interest rate management alternatives are transitory, Applicant must be able to execute interest rate management transactions when the opportunity arises to obtain the most competitive pricing. Thus, Applicant seeks approval to enter into any or all of the described transactions within the parameters discussed above prior to the time Applicant reaches agreement with respect to the terms of such transactions.

If Applicant utilizes Interest Rate Management Agreements, Applicant's annual long-term interest charges could change. The authorization of the Interest Rate Management Agreements consistent with the parameters herein in no way relieves Applicant of its responsibility to obtain the best terms available for the product selected and, therefore, it is appropriate and reasonable for this Commission to authorize Applicant to agree to such terms and prices consistent with said parameters.

The authorization which Applicant requests herein to enter into Interest Rate Management Agreements is consistent with the authority granted by your Honorable Commission to Applicant in Case No. 02-2629-EL-AIS.

EIGHTH: The issuance of the Notes and the AEP Notes will be effected in compliance with all applicable indenture, charter and other standards relating to debt and equity securities and capitalization ratios of the Applicant.

NINTH: All proceeds realized from the sale of the Notes and the AEP Notes by the Applicant, together with any other funds which may become available to Applicant, will be used to pay at maturity or refund long-term debt and cumulative preferred stock, to repay short-term indebtedness used to pay at maturity or refund long-term debt and cumulative preferred stock, to fund its construction program and for working capital and other corporate purposes.

Applicant proposes to treat any premiums on reacquisition of these or any other series of long-term indebtedness as an issuance expense of the Notes and all unamortized costs associated with the series of long-term indebtedness reacquired (e.g., premium, discount, expense or loss on reacquisition of a prior issue or series), if any, as an issuance expense of the Notes to be amortized over the life of the Notes. Applicant intends to utilize deferred tax accounting for the premium expense, in order to properly match the amortization of the expense and the related tax effect. The authorization which Applicant requests herein regarding its

treatment of premium expenses is consistent with the authority granted by Your Honorable Commission to Applicant in Case No. 02-2629-EL-AIS.

TENTH: The actual cost of the Notes and the AEP Notes will be determined at the time of the sale or sales thereof. The net effect on revenue requirements resulting from their issuance will be reflected in the determination of required revenue in rate proceedings in which all factors affecting rates are taken into account according to law.

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ELEVENTH: There are currently outstanding State of Ohio Air Quality Revenue Bonds (Ohio Power Company Project), Series 2008A, due June 1, 2041 in the aggregate principal amount of \$79,450,000 [CUSIP No. 677525TB3] (the "Cardinal Bonds") issued by the Ohio Air Quality Development Authority and authorized in a previous order by this Commission under an order for the benefit of Applicant (the "Cardinal Bonds") dated June 18, 2008. The Cardinal Bonds currently bear interest at a fixed rate and are subject to mandatory tender on June 1, 2010, at which time Applicant may remarket or refund the Cardinal Bonds.

TWELFTH: The terms of the Cardinal Bonds provide that they may be converted from one interest rate mode to another interest rate mode (daily, weekly, commercial paper, long-term fixed rate, auction rate). While such conversions result in a change in interest rate modes, they are merely remarketing of the Cardinal Bonds pursuant to the existing terms of the Cardinal Bonds and are not refundings or reissuances of new securities and do not require Commission approval.

THIRTEENTH: Applicant requests the authority through May 31, 2011, to refund any or all of the Cardinal Bonds with refunding bonds ("Cardinal Refunding Bonds"). The Cardinal Refunding Bonds would bear interest at a long-term fixed interest rate, or a variable rate mode such as a daily, weekly or commercial paper mode. The Cardinal Refunding Bonds would be reissued pursuant to the indentures under which the current Cardinal Bonds were issued and under the



agreements of sale or loan agreements previously approved by the Commission or under new indentures, agreements of sale or loan agreements having the same basic provisions as those previously approved by this Commission.

FOURTEENTH: The price, maturity date(s), interest rate(s) and the redemption provisions and other terms of each series of Cardinal Refunding Bonds (including the method of determining a variable rate of interest) would be determined by the Applicant, the issuer and the purchasers of such Cardinal Refunding Bonds. The Cardinal Refunding Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis or on a fixed rate basis. Applicant reserves the right, from time to time, to convert the Cardinal Refunding Bonds to other interest rate modes.

FIFTEENTH: It is contemplated that each series of the Cardinal Refunding Bonds will be sold pursuant to arrangements with an underwriter or a group of underwriters. Applicant will not agree, without further Order of this Commission, to the issuance of any series of Cardinal Refunding Bonds if (i) the stated maturity of any such Cardinal Refunding Bonds shall be more than 40 years; (ii) the initial fixed rate of interest to be borne by any such Refunding Bonds shall exceed 8% or the initial rate of interest to be born by any such Cardinal Refunding Bonds bearing a variable rate of interest shall exceed 8%; (iii) the discount on the proceeds of the issuance of the Cardinal Refunding Bonds will exceed 5% of the principal amount thereof; and (iv) the initial public offering price of any such Cardinal Refunding Bond is less than 95% of the principal amount thereof.

SIXTEENTH: If it is deemed advisable, Applicant may provide some form of credit enhancement for any of the Cardinal Refunding Bonds, such as a letter of credit or surety bond, or other insurance and Applicant may pay a fee in connection therewith.

SEVENTEENTH: Applicant presently proposes, if market conditions warrant, in accordance with the terms of the applicable agreements of sale and loan agreements, to formally

request the Authority to issue and sell Cardinal Refunding Bonds to refund the outstanding Cardinal Bonds.

EIGHTEENTH: All proceeds realized from the sale of the Cardinal Refunding Bonds, together with any other funds which may become available to Applicant, will be used to refund the Cardinal Bonds.

NINETEENTH: The actual cost of the Cardinal Refunding Bonds will be determined at the time of the sale or sales thereof. The net effect on revenue requirements resulting from their issuance will be reflected in the determination of required revenue in rate proceedings in which all factors affecting rates are taken into account according to law.

TWENTIETH: Applicant understands that the Cardinal Refunding Bonds can be issued under circumstances that the interest on such Cardinal Refunding Bonds will be excludable from gross income under the provisions of Section 103 of the Internal Revenue Code of 1986, as amended (except for interest on any such Cardinal Refunding Bonds during a period in which it is held by a person who is a substantial user of the Project or a related person), and that while it is not possible to predict precisely the interest rate which may be obtained by the Authority in connection with the issuance of bonds having such characteristics, the annual interest rate on tax exempt obligations historically has been, and can be expected under current circumstances to be, .75% to 1.75% or more lower than the rates of obligations of like tenor and comparable quality, interest on which is fully subject to Federal income tax.

TWENTY FIRST: All proceeds realized from the sale of the Cardinal Refunding Bonds, together with any other funds which may become available to Applicant, will be used to refund the Cardinal Bonds.

TWENTY SECOND: The actual cost of the Cardinal Refunding Bonds will be determined at the time of the sale or sales thereof. The net effect on revenue requirements resulting from their

issuance will be reflected in the determination of required revenue in rate proceedings in which all factors affecting rates are taken into account according to law. The proposed financing will be made in compliance with the Applicant's electric transition plan approved by the Commission in Case No. 99-1730-EL-ETP and the rate stabilization plan for Applicant approved by this Commission in Case No. 04-169-EL-UNC. Applicant believes that the proposed issuance of the Cardinal Refunding Bonds will be in the best interests of Applicant's consumers and investors and consistent with sound and prudent financial policy.

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TWENTY THIRD: There are currently outstanding the following series of pollution control revenue refunding bonds issued by Marshall County, West Virginia or the West Virginia Economic Development Authority (individually and collectively, the "Authority") and authorized in previous orders by this Commission under an order for the benefit of Applicant (the "West Virginia Bonds"):

- (i) \$35,000,000 Marshall County, West Virginia Revenue Refunding Bonds (Ohio Power Company Kammer Plant Project) Series F due April 1, 2022 [CUSIP No. 572287AU4]
- (ii) \$50,000,000 Marshall County, West Virginia Revenue Refunding Bonds (Ohio Power Company Project) Series E due June 1, 2022 [CUSIP No. 572287AV2]
- (iii) \$65,000,000 West Virginia Economic Development Authority Revenue Refunding Bonds (Ohio Power Company-Mitchell Project) Series 2008A due April 1, 2036 [CUSIP No. 95648VAJ8]
- (iv) \$50,000,000 West Virginia Economic Development Authority Revenue Refunding Bonds (Ohio Power Company-Kammer Project) Series 2008B due July 1, 2014 [CUSIP No. 95648N005]
- (v) \$50,000,000 West Virginia Economic Development Authority Revenue Refunding Bonds (Ohio Power Company-Sporn Project) Series 2008C due July 1, 2014 [CUSIP No. 95648VAM1]

The West Virginia Bonds currently pay interest at a weekly rate.

TWENTY FOURTH: The terms of the West Virginia Bonds provide that they may be converted from one interest rate mode to another interest rate mode (daily, weekly, commercial paper, long-term fixed rate, auction rate). While such conversions result in a change in interest rate

modes, they are merely remarketing of the West Virginia Bonds pursuant to the existing terms of the West Virginia Bonds and are not refundings or reissuances of new securities and do not require Commission approval.

TWENTY FIFTH: Applicant requests the authority through May 31, 2011, to refund any or all of the West Virginia Bonds with refunding bonds ("West Virginia Refunding Bonds"). The West Virginia Refunding Bonds would bear interest at a long-term fixed interest rate, or a variable rate mode such as a daily, weekly or commercial paper mode. The West Virginia Refunding Bonds would be reissued pursuant to the indentures under which the current West Virginia Bonds were issued and under the agreements of sale or loan agreements previously approved by the Commission or under new indentures, agreements of sale or loan agreements having the same basic provisions as those previously approved by this Commission.

TWENTY SIXTH: The price, maturity date(s), interest rate(s) and the redemption provisions and other terms of each series of West Virginia Refunding Bonds (including the method of determining a variable rate of interest) would be determined by the Applicant, the issuer and the purchasers of such West Virginia Refunding Bonds. The West Virginia Refunding Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis or on a fixed rate basis. Applicant reserves the right, from time to time, to convert the West Virginia Refunding Bonds to other interest rate modes.

TWENTY SEVENTH: It is contemplated that each series of the West Virginia Refunding Bonds will be sold pursuant to arrangements with an underwriter or a group of underwriters. Applicant will not agree, without further Order of this Commission, to the issuance of any series of West Virginia Refunding Bonds if (i) the stated maturity of any such West Virginia Refunding Bonds shall be more than 40 years; (ii) the initial fixed rate of interest to be borne by any such West Virginia Refunding Bonds shall exceed 8% or the initial rate of interest to be born by any such West

Virginia Refunding Bonds bearing a variable rate of interest shall exceed 8%; (iii) the discount on the proceeds of the issuance of the West Virginia Refunding Bonds will exceed 5% of the principal amount thereof; and (iv) the initial public offering price of any such West Virginia Refunding Bond is less than 95% of the principal amount thereof.

TWENTY EIGHTH: If it is deemed advisable, Applicant may provide some form of credit enhancement for any of the West Virginia Refunding Bonds, such as a letter of credit or surety bond, or other insurance and Applicant may pay a fee in connection therewith.

TWENTY NINTH: Applicant presently proposes, if market conditions warrant, in accordance with the terms of the applicable agreements of sale and loan agreements, to formally request the Authority to issue and sell West Virginia Refunding Bonds to refund the outstanding West Virginia Bonds.

THIRTIETH: All proceeds realized from the sale of the West Virginia Refunding Bonds, together with any other funds which may become available to Applicant, will be used to refund the West Virginia Bonds.

THIRTY FIRST: The actual cost of the West Virginia Refunding Bonds will be determined at the time of the sale or sales thereof. The net effect on revenue requirements resulting from their issuance will be reflected in the determination of required revenue in rate proceedings in which all factors affecting rates are taken into account according to law. The proposed financing will be made in compliance with the Applicant's electric transition plan approved by the Commission in Case No. 99-1730-EL-ETP and the rate stabilization plan for Applicant approved by this Commission in Case No. 04-169-EL-UNC. Applicant believes that the proposed issuance of the Cardinal Refunding Bonds will be in the best interests of Applicant's consumers and investors and consistent with sound and prudent financial policy.

\* \* \*

THIRTY SECOND: By Finding and Order dated June 17, 2009 in Case No. 09-394-EL-AIS this Commission authorized Applicant through April 30, 2010 (i) to terminate the Project Lease ("Project Lease") between JMG Funding, Limited Partnership ("JMG") and the Applicant, (ii) to assume JMG's obligations under loan agreements with the Ohio Air Quality Development Authority (the "Authority"), (iii) to incur obligations in connection with the refunding of any of the Fixed Rate Bonds (as defined below) or Floating Rate Bonds (as defined below, and collectively with the Fixed Rate Bonds, the "OAQDA Bonds") or other debt of JMG, (iv) to enter into guarantees of JMG's obligations for, or reimbursement obligations under any credit support for, the refunded bonds, including any obligations under any new loan agreements and credit agreements; and (v) to enter into Interest Rate Management Agreements.

The currently outstanding debt of JMG consists of:

(i) Two series of pollution control revenue bonds issued by the Authority for the benefit of JMG designated as the Authority's 5-5/8% Air Quality Development Revenue Bonds (JMG Funding, Limited Project) Series 1997 (collectively, the "Fixed Rate Bonds") as follows:

- (1) \$19,565,000 Bonds due October 1, 2022
- (2) \$19,565,000 Bonds due January 1, 2023; and

(ii) Four series of pollution control revenue bonds in an aggregate amount of \$218,000,000 issued by the Authority for the benefit of JMG that currently pay interest at a floating interest rate (collectively, the "Floating Rate Bonds") and issued as follows:

- (1) \$54,500,000 State of Ohio Air Quality Development Revenue Refunding Bonds (JMG Funding, Limited Partnership Project) Series 2005 A due January 1, 2029 [CUSIP No. 677525QL4].
- (2) \$54,500,000 State of Ohio Air Quality Development Revenue Refunding Bonds (JMG Funding, Limited Partnership Project) Series 2005 B due July 1, 2028 [CUSIP No. 677525QM2].

- (3) \$54,500,000 State of Ohio Air Quality Development Revenue Refunding Bonds (JMG Funding, Limited Partnership Project) Series 2005 C due April 1, 2028 [CUSIP No. 677525QJ9].
- (4) \$54,500,000 State of Ohio Air Development Revenue Refunding Bonds (JMG Funding, Limited Partnership Project) Series 2005 D due October 1, 2028 [CUSIP No. 677525QK6].

Effective December 14, 2009, Applicant purchased all of the equity interests in JMG, assumed all of the obligations of JMG, including those related to the outstanding OAQDA Bonds, and effective December 15, 2009, has terminated the Project Lease.

THIRTY THIRD: The terms of the OAQDA Bonds provide that they may be converted from one interest rate mode to another interest rate mode (daily, weekly, commercial paper, long-term fixed rate, auction rate). While such conversions result in a change in interest rate modes, they are merely remarketing of the OAQDA Bonds pursuant to the existing terms of the OAQDA Bonds and are not refundings or reissuances of new securities and do not require Commission approval.

THIRTY FOURTH: Applicant requests the authority through May 31, 2011, to refund any or all of the OAQDA Bonds with refunding bonds ("OAQDA Refunding Bonds"). The OAQDA Refunding Bonds would bear interest at a long-term fixed interest rate, or a variable rate mode such as a daily, weekly or commercial paper mode. The OAQDA Refunding Bonds would be reissued pursuant to the indentures under which the current OAQDA Bonds were issued and under the agreements of sale or loan agreements previously approved by the Commission or under new indentures, agreements of sale or loan agreements having similar provisions as those previously approved by this Commission.

THIRTY FIFTH: The price, maturity date(s), interest rate(s) and the redemption provisions and other terms of each series of OAQDA Refunding Bonds (including the method of determining a variable rate of interest) would be determined by the Applicant, the issuer and the purchasers of such OAQDA Refunding Bonds. The OAQDA Refunding Bonds may be issued initially with an

interest rate that fluctuates on a weekly, monthly or other basis or on a fixed rate basis. Applicant reserves the right, from time to time, to convert the OAQDA Refunding Bonds to other interest rate modes.

THIRTY SIXTH: It is contemplated that each series of the OAQDA Refunding Bonds will be sold pursuant to arrangements with an underwriter or a group of underwriters. Applicant will not agree, without further Order of this Commission, to the issuance of any series of OAQDA Refunding Bonds if (i) the stated maturity of any such OAQDA Refunding Bonds shall be more than 40 years; (ii) the initial fixed rate of interest to be borne by any such OAQDA Refunding Bonds shall exceed 8% or the initial rate of interest to be born by any such OAQDA Refunding Bonds bearing a variable rate of interest shall exceed 8%; (iii) the discount on the proceeds of the issuance of the OAQDA Refunding Bonds will exceed 5% of the principal amount thereof; and (iv) the initial public offering price of any such OAQDA Refunding Bond is less than 95% of the principal amount thereof.

THIRTY SEVENTH: If it is deemed advisable, Applicant may provide some form of credit enhancement for any of the OAQDA Refunding Bonds, such as a letter of credit or surety bond, or other insurance and Applicant may pay a fee in connection therewith.

THIRTY EIGHTH: Applicant presently proposes, if market conditions warrant, in accordance with the terms of the applicable agreements of sale and loan agreements, to formally request the Authority to issue and sell OAQDA Refunding Bonds to refund the outstanding OAQDA Bonds.

THIRTY NINTH: All proceeds realized from the sale of the OAQDA Refunding Bonds, together with any other funds which may become available to Applicant, will be used to refund the OAQDA Bonds.



FORTIETH: The actual cost of the OAQDA Refunding Bonds will be determined at the time of the sale or sales thereof. The net effect on revenue requirements resulting from their issuance will be reflected in the determination of required revenue in rate proceedings in which all factors affecting rates are taken into account according to law. The proposed financing will be made in compliance with the Applicant's electric transition plan approved by the Commission in Case No. 99-1730-EL-ETP and the rate stabilization plan for Applicant approved by this Commission in Case No. 04-169-EL-UNC. Applicant believes that the proposed issuance of the OAQDA Refunding Bonds will be in the best interests of Applicant's consumers and investors and consistent with sound and prudent financial policy.

FORTY FIRST: Certain of Applicant's pollution control bonds currently are supported by letters of credit issued under a Credit Agreement, dated as of April 4, 2008, as amended, among Applicant, AEP Texas Central Company ("TCC"), AEP Texas North Company ("TNC"), AEP, Appalachian Power Company ("APCo"), Columbus Southern Power Company ("CSPCo"), Indiana Michigan Power Company ("I&M"), Kentucky Power Company ("KPCo"), Public Service Company of Oklahoma ("PSO"), and Southwestern Electric Power Company ("SWEPCo"), the banks, financial institutions and other institutional lenders listed on the signatures pages hereof as lenders, and JPMorgan Chase Bank, N.A., as administrative agent for the lenders and the LC issuing banks ("Existing Credit Agreement"). The Existing Credit Agreement matures on April 4, 2011.

Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Cardinal Refunding Bonds, the West Virginia Refunding Bonds, the OAQDA Refunding Bonds and Applicant's other pollution control bonds (collectively, the "Bonds") may be issued initially with or converted to an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by Applicant.

Applicant would reserve the option to convert any variable rate Bonds at a later date to other interest rate modes, including a fixed rate of interest. Bonds that bear interest at a variable rate (the "Variable Rate Bonds") also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Bonds, Applicant would enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Bonds, which will be 100% of the par amount of such Variable Rate Bonds. Thus, to the extent Variable Rate Bonds are issued, the documentation will be similar to previous Bonds that were issued with a variable interest rate and it is expected that the fees of the remarketing agent will be approximately 25 basis points.

Also, in the event that Variable Rate Bonds are issued, Applicant may enter into one or more liquidity or credit facilities (the "Bank Facility") with a bank or banks (the "Bank") to be selected by Applicant. The Bank Facility would be a credit agreement designed to provide Applicant with immediately available funds for general corporate purposes, including making payments with respect to any Variable Rate Bonds that have been tendered for purchase and not remarketed or allow Applicant to obtain letters of credit. Pursuant to the Bank Facility, Applicant may be required to execute and deliver to the Bank a note (the "Bank Facility Note") evidencing Applicant's obligation to the Bank under the Bank Facility.

In order to obtain terms and conditions more favorable to Applicant than those provided in the Bank Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Bonds, Applicant may desire to be able to replace the Bank Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instrument providing the liquidity support and/or credit support and any

subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, is hereinafter referred to as a "Facility") with one or more banks, insurance companies or other financial institutions to be selected by Applicant from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Bonds. It is contemplated that, in the event the Variable Rate Bonds are converted to bear interest at a fixed rate to maturity, the Bank Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) may be terminated, in whole or in part, following the date of conversion of such series of Variable Rate Bonds. The estimated cost of the financing does not include expenses incurred for entering into any Facility; however the impact on the overall cost of the financing is expected to be up to 300 basis points.

In connection with any Facility, Applicant may enter into one or more credit or similar agreements ("Credit Agreements") with the Facility Provider or providers of such Facility, which would contain the terms of reimbursement or payment to be made by Applicant to the Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, Applicant may be required to execute and deliver to the Facility Provider a promissory note (each such note hereinafter referred to as a "Facility Note") evidencing Applicant's repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Bonds may be authorized, upon the terms set forth in such Indenture and any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are

not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

The terms of each Facility, each Credit Agreement and each Facility Note would be negotiated by Applicant with the respective Bank or Facility Provider and would be the most favorable terms that can be negotiated by Applicant. The aggregate outstanding principal amount of the obligations of Applicant at any time under the Facility and the Credit Agreements and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Bonds plus accrued but unpaid interest and premium, if any, on such Bonds.

\* \* \*

FORTY SECOND: Applicant hereby requests authorization to continue to participate in the AEP System Utility Money Pool ("Money Pool")<sup>1</sup> as set forth in this Application and to make short-term borrowings up to \$600,000,000 from the Money Pool from time to time through May 31, 2011.

A. Background and Request.

In Case No. 09-313-EL-AIS, this Commission authorized Applicant to participate in the Money Pool and to make short-term borrowing up to \$600,000,000 from the Money Pool from time to time through May 31, 2010. Each Participant, other than AEP and AEP Utilities, makes unsecured short-term borrowings from the Money Pool and contributes surplus funds to the Money Pool. AEP and AEP Utilities may only contribute funds to the Money Pool and are

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<sup>1</sup> In addition to Applicant, the following companies participate in the Money Pool: Applicant, AEP, AEP Generating Company, TCC, TNC, AEP Utilities, Inc. ("AEP Utilities"), APC, CSPCo, I&M, KPCo, Kingsport Power Company, PSO, SWEPCo, Wheeling Power Company, American Electric Power Service Corporation ("AEPSC"), Cedar Coal Company, Central Appalachian Coal Company, Central Coal Company, Colomet, Inc., Simco, Inc., Southern Appalachian Coal Company, Blackhawk Coal Company, Conesville Coal Preparation Company, Dolet Hills Lignite Company LLC, Franklin Real Estate Company,

not authorized to borrow funds from the Money Pool. A copy of the AEP System Utility Money Pool Agreement is attached hereto as Exhibit E.

*B. Current Operations.*

All short-term borrowing needs of the Participants are met by funds in the Money Pool to the extent such funds are available. Applicant has the right to borrow from the Money Pool from time to time, subject to the availability of funds; provided, however, that the aggregate amount of all loans requested by Applicant shall not exceed its short-term borrowing limit of \$600,000,000. Applicant is not obligated to borrow from the Money Pool if lower cost funds can be obtained from its own external borrowing. While AEP does not borrow funds from the Money Pool or any Participant, AEP does contribute funds to the Money Pool.

AEPSC acts as administrative agent of the Money Pool. Each Participant and AEP determine the amount of funds it has available for contribution to the Money Pool. The determination of whether a Participant at any time has surplus funds, or should lend such funds to the Money Pool, is made by such Participant's treasurer, any assistant treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Participant's sole discretion. Each Participant may withdraw any of its funds at any time upon notice to AEPSC.

*C. Sources of Funds.*

The Money Pool is composed from time to time of funds from the following sources: (i) surplus funds of any of the Participants; (ii) surplus funds of AEP; (iii) short-term borrowings by AEP. All debt issued in connection with the Money Pool is unsecured.

AEPSC administers the Money Pool by matching up, to the extent possible, short-term cash surpluses and loan requirements of the various Participants. Participants' requests for short-term loans are met first from surplus funds of other Participants which are available to the

Money Pool. To the extent that Participant contributions of surplus funds to the Money Pool are insufficient to meet Participant requests for short-term loans, AEP may contribute surplus corporate funds to the extent available or borrowings may be made from external sources. Funds which are loaned from Participants into the Money Pool which are not required to satisfy borrowing needs of other Participants are invested on the behalf of the Money Pool in one or more short-term instruments.

*D.     Use of Proceeds.*

The Money Pool makes funds available to Participants for the interim financing of their capital expenditure programs and their other working capital needs and to repay previous borrowings incurred for such purposes. External borrowings will not be made unless there are no surplus funds in the treasuries of the Participants sufficient to meet borrowing needs. Each Participant borrows pro rata from each funding source in the same proportion that the amount of funds provided by that funding source bears to the total amount of short-term funds available to the Money Pool.

*E.     Interest Rate.*

The interest rate applicable on any day to then outstanding loans through the Money Pool is the composite weighted average daily effective cost incurred by AEP for short-term borrowings from external sources for the Money Pool. If there are no borrowings outstanding then the rate is the certificate of deposit yield equivalent of the 30-day Federal Reserve "A2/P2" Non Financial Commercial Paper Composite Rate ("Composite"), or if no composite is established for that day then the applicable rate is the Composite for the next preceding day for which the Composite is established.

Each Participant receiving a loan must repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event not later than the then-

effective expiration date of the authorization for the operation of the Money Pool. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty. If the Money Pool is in an invested position, interest income related to external investments is calculated daily and allocated back to Participants on the basis of their relative contribution to the investment pool funds on that date.

\* \* \*

WHEREFORE: Applicant prays for authority from your Honorable Commission (i) to issue unsecured promissory notes (including AEP Notes) in the manner set forth herein in one or more new series, with a maturity of not less than 9 months and not more than 60 years in principal amounts of up to \$300,000,000, in one or more series, and to apply the proceeds of the sale thereof, all as proposed and described in this Application; (ii) to enter into Interest Rate Management Agreements within the parameters proposed and described in this Application; (iii) to consummate and carry out the transactions proposed herein with respect to the refinancing of the terms of Applicant's installment agreements of sale and loan agreements with the Ohio Air Quality Development Authority for the Cardinal Refunding Bonds, all as proposed and described in this Application; (iv) to consummate and carry out the transactions proposed herein with respect to the refinancing of the terms of Applicant's installment agreements of sale and loan agreements with Marshal County, West Virginia and the West Virginia Economic Development Authority, all as proposed and described in this Application; (v) to consummate and carry out the transactions proposed herein with respect to the refinancing of the terms of Applicant's installment agreements of sale and loan agreements with the Ohio Air Quality Development Authority for the OAQDA Refunding Bonds, all as proposed and described in this Application; (vi) to enter into one or more Bank Facilities, Facilities or Credit Agreements; and (vii) to continue to participate in the AEP System Utility Money Pool as set forth in this Application and to make short-term borrowings up to \$600,000,000 from the Money Pool from time to time.

Applicant prays for all other and further relief necessary and appropriate in the premises.

Respectfully submitted this 17<sup>th</sup> day of March, 2010.

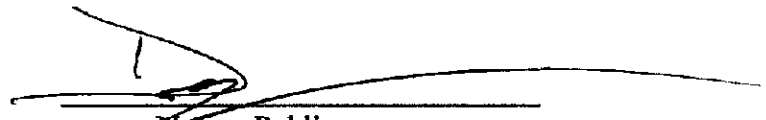
OHIO POWER COMPANY

By   
Renee V. Hawkins  
Assistant Treasurer



STATE OF OHIO                    )  
  ) SS:  
COUNTY OF FRANKLIN        )

Before me, a Notary Public in and for Franklin County in the State of Ohio, personally appeared Renee V. Hawkins, Assistant Treasurer of Ohio Power Company, the Applicant in the foregoing application, and she being duly sworn says that the facts and allegations herein contained are true to the best of her knowledge and belief.

  
\_\_\_\_\_  
Notary Public  
My Commission expires

Dated: March 17, 2010



David C. House, Attorney At Law  
NOTARY PUBLIC - STATE OF OHIO  
My commission has no expiration date  
Sec. 147.03 R.C.

**EXHIBIT A**

**Financial Statements of Applicant as of December 31, 2009**

**EXHIBIT B**

**Form of Company Order relating to issuance of unsecured Notes other than Junior Subordinated Debentures**

**EXHIBIT C**

**Form of Supplemental Indenture relating to issuance of Junior Subordinated Debentures**

**EXHIBIT D**

**AEP System Utility Money Pool Agreement**

Exhibit A

**OHIO POWER COMPANY CONSOLIDATED  
CONSOLIDATED STATEMENTS OF INCOME**  
For the Years Ended December 31, 2009, 2008 and 2007  
(in thousands)

	2009	2008	2007
<b>REVENUES</b>			
Electric Generation, Transmission and Distribution	\$ 1,941,257	\$ 2,116,797	\$ 2,019,632
Sales to AEP Affiliates	1,034,290	940,468	757,052
Other Revenues – Affiliated	23,457	20,732	22,705
Other Revenues – Nonaffiliated	12,570	18,937	14,823
<b>TOTAL REVENUES</b>	<b>3,011,574</b>	<b>3,096,934</b>	<b>2,814,212</b>
<b>EXPENSES</b>			
Fuel and Other Consumables Used for Electric Generation	988,520	1,190,939	908,317
Purchased Electricity for Resale	178,123	175,429	123,849
Purchased Electricity from AEP Affiliates	74,598	140,686	125,108
Other Operation	386,323	414,945	388,745
Maintenance	224,439	213,431	208,675
Depreciation and Amortization	352,068	273,720	339,817
Taxes Other Than Income Taxes	194,310	192,734	193,349
<b>TOTAL EXPENSES</b>	<b>2,398,381</b>	<b>2,601,884</b>	<b>2,287,860</b>
<b>OPERATING INCOME</b>	<b>613,193</b>	<b>495,050</b>	<b>526,352</b>
<b>Other Income (Expense):</b>			
Interest Income	1,436	6,515	1,366
Carrying Costs Income	10,698	16,309	14,472
Allowance for Equity Funds Used During Construction	2,712	3,073	2,311
Interest Expense	(152,950)	(173,870)	(124,730)
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>475,089</b>	<b>347,077</b>	<b>419,771</b>
Income Tax Expense	166,474	114,622	148,585
<b>NET INCOME</b>	<b>308,615</b>	<b>232,455</b>	<b>271,186</b>
Less: Net Income Attributable to Noncontrolling Interest	2,042	1,332	2,622
<b>NET INCOME ATTRIBUTABLE TO OPCo SHAREHOLDERS</b>	<b>306,573</b>	<b>231,123</b>	<b>268,564</b>
Less: Preferred Stock Dividend Requirements	732	732	732
<b>EARNINGS ATTRIBUTABLE TO OPCo COMMON SHAREHOLDER</b>	<b>\$ 305,841</b>	<b>\$ 230,391</b>	<b>\$ 267,832</b>

*The common stock of OPCo is wholly-owned by AEP.*

*See Notes to Financial Statements of Registrant Subsidiaries beginning on page H-1.*

**OHIO POWER COMPANY CONSOLIDATED  
CONSOLIDATED STATEMENTS OF CHANGES IN  
EQUITY AND COMPREHENSIVE INCOME (LOSS)  
For the Years Ended December 31, 2009, 2008 and 2007  
(in thousands)**

	OPCo Common Shareholder					
	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
<b>TOTAL EQUITY – DECEMBER 31, 2006</b>	\$ 321,201	\$ 536,639	\$ 1,207,265	\$ (56,763)	\$ 15,825	\$ 2,024,167
Adoption of Guidance for Uncertainty in Income Taxes, Net of Tax			(5,380)			(5,380)
Common Stock Dividends – Nonaffiliated					(2,622)	(2,622)
Preferred Stock Dividends			(732)			(732)
Gain on Reacquired Preferred Stock		1				1
Other Changes in Equity					98	98
<b>SUBTOTAL – EQUITY</b>						<u>2,015,532</u>
<b>COMPREHENSIVE INCOME</b>						
<b>Other Comprehensive Income (Loss), Net of Taxes:</b>						
Cash Flow Hedges, Net of Tax of \$3,287				(6,105)		(6,105)
Pension and OPEB Funded Status, Net of Tax of \$14,176				26,327		26,327
<b>NET INCOME</b>			268,564		2,622	<u>271,186</u>
<b>TOTAL COMPREHENSIVE INCOME</b>						<u>291,408</u>
<b>TOTAL EQUITY – DECEMBER 31, 2007</b>	321,201	536,640	1,469,717	(36,541)	15,923	2,306,940
Adoption of Guidance for Split-Dollar Life Insurance Accounting, Net of Tax of \$1,004			(1,864)			(1,864)
Adoption of Guidance for Fair Value Accounting, Net of Tax of \$152			(282)			(282)
Common Stock Dividends – Nonaffiliated					(1,332)	(1,332)
Preferred Stock Dividends			(732)			(732)
Other Changes in Equity					876	876
<b>SUBTOTAL – EQUITY</b>						<u>2,303,606</u>
<b>COMPREHENSIVE INCOME</b>						
<b>Other Comprehensive Income (Loss), Net of Taxes:</b>						
Cash Flow Hedges, Net of Tax of \$1,343				2,493		2,493
Amortization of Pension and OPEB Deferred Costs, Net of Tax of \$1,515				2,813		2,813
Pension and OPEB Funded Status, Net of Tax of \$55,259				(102,623)		(102,623)
<b>NET INCOME</b>			231,123		1,332	<u>232,455</u>
<b>TOTAL COMPREHENSIVE INCOME</b>						<u>135,138</u>
<b>TOTAL EQUITY – DECEMBER 31, 2008</b>	321,201	536,640	1,697,962	(133,858)	16,799	2,438,744
Capital Contribution from Parent		550,000				550,000
Common Stock Dividends – Affiliated			(95,000)			(95,000)
Common Stock Dividends – Nonaffiliated					(2,042)	(2,042)
Preferred Stock Dividends			(732)			(732)
Purchase of JMG		36,509			(17,910)	18,599
Other Changes in Equity					1,111	1,111
<b>SUBTOTAL – EQUITY</b>						<u>2,910,680</u>
<b>COMPREHENSIVE INCOME</b>						
<b>Other Comprehensive Income, Net of Taxes:</b>						
Cash Flow Hedges, Net of Tax of \$4,392				8,156		8,156
Amortization of Pension and OPEB Deferred Costs, Net of Tax of \$3,421				6,353		6,353
Pension and OPEB Funded Status, Net of Tax of \$480				891		891
<b>NET INCOME</b>			306,573		2,042	<u>308,615</u>
<b>TOTAL COMPREHENSIVE INCOME</b>						<u>324,015</u>
<b>TOTAL EQUITY – DECEMBER 31, 2009</b>	\$ 321,201	\$ 1,123,149	\$ 1,908,803	\$ (118,458)	\$ -	\$ 3,234,695

See Notes to Financial Statements of Registrant Subsidiaries beginning on page H-1.

**OHIO POWER COMPANY CONSOLIDATED  
CONSOLIDATED BALANCE SHEETS  
ASSETS  
December 31, 2009 and 2008  
(in thousands)**

	<b>2009</b>	<b>2008</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,984	\$ 12,679
Advances to Affiliates	438,352	-
Accounts Receivable:		
Customers	60,711	91,235
Affiliated Companies	200,579	118,721
Accrued Unbilled Revenues	15,021	18,239
Miscellaneous	2,701	23,393
Allowance for Uncollectible Accounts	(2,665)	(3,586)
Total Accounts Receivable	<u>276,347</u>	<u>248,002</u>
Fuel	336,866	186,904
Materials and Supplies	115,486	107,419
Risk Management Assets	50,048	53,292
Accrued Tax Benefits	143,473	13,568
Prepayments and Other Current Assets	26,301	42,999
<b>TOTAL CURRENT ASSETS</b>	<u>1,388,857</u>	<u>664,863</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Electric:		
Production	6,731,469	6,025,277
Transmission	1,166,557	1,111,637
Distribution	1,567,871	1,472,906
Other Property, Plant and Equipment	348,718	391,862
Construction Work in Progress	198,843	787,180
<b>Total Property, Plant and Equipment</b>	<u>10,013,458</u>	<u>9,788,862</u>
Accumulated Depreciation and Amortization	3,318,896	3,122,989
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT - NET</b>	<u>6,694,562</u>	<u>6,665,873</u>
<b>OTHER NONCURRENT ASSETS</b>		
Regulatory Assets	742,905	449,216
Long-term Risk Management Assets	28,003	39,097
Deferred Charges and Other Noncurrent Assets	184,812	184,777
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<u>955,720</u>	<u>673,090</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,039,139</u>	<u>\$ 8,003,826</u>

*See Notes to Financial Statements of Registrant Subsidiaries beginning on page H-1.*

**OHIO POWER COMPANY CONSOLIDATED  
CONSOLIDATED BALANCE SHEETS  
LIABILITIES AND EQUITY  
December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
	<b>(in thousands)</b>	
<b>CURRENT LIABILITIES</b>		
Advances from Affiliates	\$ -	\$ 133,887
Accounts Payable:		
General	182,848	193,675
Affiliated Companies	92,766	206,984
Long-term Debt Due Within One Year – Nonaffiliated	679,450	77,500
Risk Management Liabilities	24,391	29,218
Customer Deposits	22,409	24,333
Accrued Taxes	203,335	187,256
Accrued Interest	46,431	44,245
Other Current Liabilities	104,889	163,702
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,356,519</b>	<b>1,060,800</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term Debt – Nonaffiliated	2,363,055	2,761,876
Long-term Debt – Affiliated	200,000	200,000
Long-term Risk Management Liabilities	12,510	23,817
Deferred Income Taxes	1,302,939	927,072
Regulatory Liabilities and Deferred Investment Tax Credits	128,187	127,788
Employee Benefits and Pension Obligations	269,485	288,106
Deferred Credits and Other Noncurrent Liabilities	155,122	158,996
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>4,431,298</b>	<b>4,487,655</b>
<b>TOTAL LIABILITIES</b>	<b>5,787,817</b>	<b>5,548,455</b>
Cumulative Preferred Stock Not Subject to Mandatory Redemption	16,627	16,627
Rate Matters (Note 4)		
Commitments and Contingencies (Note 6)		
<b>EQUITY</b>		
Common Stock – No Par Value:		
Authorized – 40,000,000 Shares		
Outstanding – 27,952,473 Shares	321,201	321,201
Paid-in Capital	1,123,149	536,640
Retained Earnings	1,908,803	1,697,962
Accumulated Other Comprehensive Income (Loss)	(118,458)	(133,858)
<b>TOTAL COMMON SHAREHOLDER'S EQUITY</b>	<b>3,234,695</b>	<b>2,421,945</b>
Noncontrolling Interest	-	16,799
<b>TOTAL EQUITY</b>	<b>3,234,695</b>	<b>2,438,744</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 9,039,139</b>	<b>\$ 8,003,826</b>

See Notes to Financial Statements of Registrant Subsidiaries beginning on page H-1.

**OHIO POWER COMPANY CONSOLIDATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2009, 2008 and 2007  
(in thousands)

	2009	2008	2007
<b>OPERATING ACTIVITIES</b>			
Net Income	\$ 308,615	\$ 232,455	\$ 271,186
Adjustments to Reconcile Net Income to Net Cash Flows from			
Operating Activities:			
Depreciation and Amortization	352,068	273,720	339,817
Deferred Income Taxes	382,794	42,717	16,238
Carrying Costs Income	(10,698)	(16,309)	(14,472)
Allowance for Equity Funds Used During Construction	(2,712)	(3,073)	(2,311)
Mark-to-Market of Risk Management Contracts	(5,486)	(13,839)	(7,006)
Fuel Over/Under-Recovery, Net	(297,570)	-	-
Change in Other Noncurrent Assets	(2,196)	(54,160)	(39,513)
Change in Other Noncurrent Liabilities	35,130	(10,445)	685
Changes in Certain Components of Working Capital:			
Accounts Receivable, Net	(29,927)	5,104	(54,730)
Fuel, Materials and Supplies	(155,557)	(89,058)	17,845
Accounts Payable	(121,117)	126,716	(19,536)
Customer Deposits	(1,924)	(6,280)	8,970
Accrued Taxes, Net	(119,428)	(11,210)	41,623
Other Current Assets	2,877	(10,730)	(948)
Other Current Liabilities	(13,835)	20,269	17,671
<b>Net Cash Flows from Operating Activities</b>	<b>321,034</b>	<b>485,877</b>	<b>575,519</b>
<b>INVESTING ACTIVITIES</b>			
Construction Expenditures	(417,601)	(706,315)	(933,162)
Change in Advances to Affiliates, Net	(438,352)	-	-
Acquisition of Assets	(1,197)	(2,033)	-
Proceeds from Sales of Assets	38,640	8,293	9,023
Other Investing Activities	5,529	(1,734)	158
<b>Net Cash Flows Used for Investing Activities</b>	<b>(812,981)</b>	<b>(701,789)</b>	<b>(923,981)</b>
<b>FINANCING ACTIVITIES</b>			
Capital Contribution from Parent	550,000	-	-
Issuance of Long-term Debt - Nonaffiliated	493,775	491,204	461,912
Change in Short-term Debt, Net - Nonaffiliated	-	(701)	(502)
Change in Advances from Affiliates, Net	(133,887)	32,339	(79,733)
Retirement of Long-term Debt - Nonaffiliated	(295,500)	(305,188)	(17,854)
Retirement of Cumulative Preferred Stock	(1)	-	(2)
Principal Payments for Capital Lease Obligations	(4,271)	(5,736)	(7,062)
Dividends Paid on Common Stock - Nonaffiliated	(2,042)	(1,332)	(2,622)
Dividends Paid on Common Stock - Affiliated	(95,000)	-	-
Dividends Paid on Cumulative Preferred Stock	(732)	(732)	(732)
Acquisition of JMG Noncontrolling Interest	(28,221)	-	-
Other Financing Activities	(2,869)	12,071	98
<b>Net Cash Flows from Financing Activities</b>	<b>481,252</b>	<b>221,925</b>	<b>353,503</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(10,695)</b>	<b>6,013</b>	<b>5,041</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>12,679</b>	<b>6,666</b>	<b>1,625</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 1,984</b>	<b>\$ 12,679</b>	<b>\$ 6,666</b>
<b>SUPPLEMENTARY INFORMATION</b>			
Cash Paid for Interest, Net of Capitalized Amounts	\$ 147,573	\$ 144,790	\$ 122,591
Net Cash Paid (Received) for Income Taxes	(62,704)	100,430	110,197
Noncash Acquisitions Under Capital Leases	2,383	3,910	2,058
Noncash Acquisition of Coal Land Rights	-	41,600	-
Construction Expenditures Included in Accounts Payable at December 31,	29,929	33,177	39,678
SIA Refund Included in Accounts Payable at December 31,	-	62,045	-

See Notes to Financial Statements of Registrant Subsidiaries beginning on page H-1.

November 16, 2005

Company Order and Officers' Certificate  
5.30% Senior Notes, Series J, due 2010

Deutsche Bank Trust Company Americas  
60 Wall Street  
New York, NY 10005

Ladies and Gentlemen:

Pursuant to Article Two of the Indenture, dated as of September 1, 1997 (as it may be amended or supplemented, the "Indenture"), from Ohio Power Company (the "Company") to Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), and the Board Resolutions dated June 23, 2005, a copy of which certified by the Secretary or an Assistant Secretary of the Company is being delivered herewith under Section 2.01 of the Indenture, and unless otherwise provided in a subsequent Company Order pursuant to Section 2.04 of the Indenture,

1. The Company's 5.30% Senior Notes, Series J, due 2010 (the "Notes") are hereby established. The Notes shall be in substantially the form attached hereto as Exhibit 1.

2. The terms and characteristics of the Notes shall be as follows (the numbered clauses set forth below corresponding to the numbered subsections of Section 2.01 of the Indenture, with terms used and not defined herein having the meanings specified in the Indenture):

(i) the aggregate principal amount of Notes which may be authenticated and delivered under the Indenture shall be limited to \$200,000,000, except as contemplated in Section 2.01 of the Indenture;

(ii) the date on which the principal of the Notes shall be payable shall be November 1, 2010;

(iii) interest shall accrue from the date of authentication of the Notes; the Interest Payment Dates on which such interest will be payable shall be May 1 and November 1, and the Regular Record Date for the determination of holders to whom interest is payable on any such Interest Payment Date shall be April 15 and October 15, respectively; provided that the first Interest Payment Date shall be May 1, 2006 and interest payable on the Stated Maturity Date or any Redemption Date shall be paid to the Person to whom principal shall be paid;

(iv) the interest rate at which the Notes shall bear interest shall be 5.30% per annum;



(v) the Notes shall be redeemable at the option of the Company, in whole at any time or in part from time to time, upon not less than thirty but not more than sixty days' previous notice given by mail to the registered owners of the Notes at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed (excluding the portion of any such interest accrued to the date of redemption) discounted (for purposes of determining present value) to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points, plus, in each case, accrued interest thereon to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotation for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company and reasonably acceptable to the Trustee.

"Reference Treasury Dealer" means a primary U.S. government securities dealer in New York City selected by the Company and reasonably acceptable to the Trustee.

"Reference Treasury Dealer Quotation" means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at or before 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

(vi) (a) the Notes shall be issued in the form of a Global Note; (b) the Depository for such Global Note shall be The Depository Trust Company; and (c) the procedures with respect to transfer and exchange of Global Notes shall be as set forth in the form of Note attached hereto;

(vii) the title of the Notes shall be "5.30% Senior Notes, Series J, due 2010";

(viii) the form of the Notes shall be as set forth in Paragraph 1, above;

(ix) not applicable;

(x) the Notes may be subject to a Periodic Offering;

(xi) not applicable;

(xii) not applicable;

(xiii) not applicable;

(xiv) the Notes shall be issuable in denominations of \$1,000 and any integral multiple thereof;

(xv) not applicable;

(xvi) the Notes shall not be issued as Discount Securities;

(xvii) not applicable;

(xviii) not applicable; and

(xix) Limitations on Liens:

So long as any of the Notes are outstanding, the Company will not create or suffer to be created or to exist any additional mortgage, pledge, security interest, or other lien (collectively "Liens") on any of the Company's utility properties or tangible assets now owned or hereafter acquired to secure any indebtedness for borrowed money ("Secured Debt"), without providing that such Notes will be similarly secured. This restriction does not apply to the Company's subsidiaries, nor will it prevent any of them from creating or permitting to exist Liens on their property or assets to secure any Secured Debt. In addition, this restriction does not prevent the creation or existence of:

- Liens on property existing at the time of acquisition or construction of such property (or created within one year after completion of such acquisition or construction), whether by purchase, merger, construction or otherwise, or to secure the payment of all or any part of the purchase price or construction cost thereof, including the extension of any Liens to repairs, renewals, replacements substitutions, betterments, additions, extensions and improvements then or thereafter made on the property subject thereto;
- Financing of the Company's accounts receivable for electric service;
- Any extensions, renewals or replacements (or successive extensions, renewals or replacements), in whole or in part, of liens permitted by the foregoing clauses; and
- The pledge of any bonds or other securities at any time issued under any of the Secured Debt permitted by the above clauses.

In addition to the permitted issuances above, Secured Debt not otherwise so permitted may be issued in an amount that does not exceed 15% of Net Tangible Assets as defined below.

"Net Tangible Assets" means the total of all assets (including revaluations thereof as a result of commercial appraisals, price level restatement or otherwise) appearing on the Company's balance sheet, net of applicable reserves and deductions, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount and all other like intangible assets (which term shall not be construed to include such revaluations), less the aggregate of the Company's current liabilities appearing on such balance sheet. For purposes of this definition, the Company's balance sheet does not include assets and liabilities of its subsidiaries.

This restriction also will not apply to or prevent the creation or existence of leases made, or existing on property acquired, in the ordinary course of business.

3. You are hereby requested to authenticate \$200,000,000 aggregate principal amount of 5.30% Senior Notes, Series J, due 2010, executed by the Company and delivered to you concurrently with this Company Order and Officers' Certificate, in the manner provided by the Indenture.

4. You are hereby requested to hold the Notes as custodian for DTC in accordance with the Blanket Issuer Letter of Representations dated July 9, 2003, from the Company to DTC.

5. Concurrently with this Company Order and Officers' Certificate, an Opinion of Counsel under Sections 2.04 and 13.06 of the Indenture is being delivered to you.

6. The undersigned Stephan T. Haynes and Thomas G. Berkemeyer, the Assistant Treasurer and Assistant Secretary, respectively, of the Company do hereby certify that:

(i) we have read the relevant portions of the Indenture, including without limitation the conditions precedent provided for therein relating to the action proposed to be taken by the Trustee as requested in this Company Order and Officers' Certificate, and the definitions in the Indenture relating thereto;

(ii) we have read the Board Resolutions of the Company and the Opinion of Counsel referred to above;

(iii) we have conferred with other officers of the Company, have examined such records of the Company and have made such other investigation as we deemed relevant for purposes of this certificate;

(iv) in our opinion, we have made such examination or investigation as is necessary to enable us to express an informed opinion as to whether or not such conditions have been complied with; and

(v) on the basis of the foregoing, we are of the opinion that all conditions precedent provided for in the Indenture relating to the action proposed to be taken by the Trustee as requested herein have been complied with.

Kindly acknowledge receipt of this Company Order and Officers' Certificate, including the documents listed herein, and confirm the arrangements set forth herein by signing and returning the copy of this document attached hereto.

Very truly yours,

OHIO POWER COMPANY

By: \_\_\_\_\_  
Assistant Treasurer

And: \_\_\_\_\_  
Assistant Secretary

Acknowledged by Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: \_\_\_\_\_  
Authorized Signatory

Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the issuer or its agent for registration of transfer, exchange or payment, and any certificate to be issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein. Except as otherwise provided in Section 2.11 of the Indenture, this Security may be transferred, in whole but not in part, only to another nominee of the Depository or to a successor Depository or to a nominee of such successor Depository.

No. R1

OHIO POWER COMPANY  
5.30% Senior Notes, Series J, due 2010

CUSIP: 677415 CK 5

Original Issue Date: November 16, 2005

Stated Maturity: November 1, 2010

Interest Rate: 5.30%

Principal Amount: \$200,000,000

Redeemable:	Yes X	No
In Whole:	Yes X	No
In Part:	Yes X	No

OHIO POWER COMPANY, a corporation duly organized and existing under the laws of the State of Ohio (herein referred to as the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO. or registered assigns, the Principal Amount specified above on the Stated Maturity specified above, and to pay interest on said Principal Amount from the Original Issue Date specified above or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, semi-annually in arrears on May 1 and November 1 in each year, commencing on May 1, 2006, at the Interest Rate per annum specified above, until the Principal Amount shall have been paid or duly provided for. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date, as provided in the Indenture, as hereinafter defined, shall be paid to the Person in whose name this Note (or one or more Predecessor Securities) shall have been registered at the close of business on the Regular Record Date with respect to such Interest Payment Date, which shall be the April 15 or October 15 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date, provided that interest payable on the Stated Maturity or any redemption date

shall be paid to the Person to whom principal is paid. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and shall be paid as provided in said Indenture.

If any Interest Payment Date, any redemption date or Stated Maturity is not a Business Day, then payment of the amounts due on this Note on such date will be made on the next succeeding Business Day, and no interest shall accrue on such amounts for the period from and after such Interest Payment Date, redemption date or Stated Maturity, as the case may be, with the same force and effect as if made on such date. The principal of (and premium, if any) and the interest on this Note shall be payable at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, the City of New York, New York, in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest (other than interest payable on the Stated Maturity or any redemption date) may be made at the option of the Company by check mailed to the registered holder at such address as shall appear in the Security Register.

This Note is one of a duly authorized series of Notes of the Company (herein sometimes referred to as the "Notes"), specified in the Indenture, all issued or to be issued in one or more series under and pursuant to an Indenture dated as of September 1, 1997 duly executed and delivered between the Company and Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), a corporation organized and existing under the laws of the State of New York, as Trustee (herein referred to as the "Trustee") (such Indenture, as originally executed and delivered and as thereafter supplemented and amended being hereinafter referred to as the "Indenture"), to which Indenture and all indentures supplemental thereto or Company Orders reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Notes. By the terms of the Indenture, the Notes are issuable in series which may vary as to amount, date of maturity, rate of interest and in other respects as in the Indenture provided. This Note is one of the series of Notes designated on the face hereof.

This Note may be redeemed by the Company at its option, in whole at any time or in part from time to time, upon not less than thirty but not more than sixty days' prior notice given by mail to the registered owners of the Notes at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Note being redeemed (excluding the portion of any such interest accrued to the date of redemption) discounted (for purposes of determining present value) to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points, plus, in each case, accrued interest thereon to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if we obtain fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company and reasonably acceptable to the Trustee.

"Reference Treasury Dealer" means a primary U. S. government securities dealer in New York City selected by the Company and reasonably acceptable to the Trustee.

"Reference Treasury Dealer Quotation" means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at or before 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

The Company shall not be required to (i) issue, exchange or register the transfer of any Notes during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of less than all the outstanding Notes of the same series and ending at the close of business on the day of such mailing, nor (ii) register the transfer of or exchange of any Notes of any series or portions thereof called for redemption. This Global Note is exchangeable for Notes in definitive registered form only under certain limited circumstances set forth in the Indenture.

In the event of redemption of this Note in part only, a new Note or Notes of this series, of like tenor, for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender of this Note.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Notes may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.



The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Note upon compliance by the Company with certain conditions set forth therein.

As described in the Company Order and Officers' Certificate, so long as this Note is outstanding, the Company is subject to a limitation on Liens as described therein.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes of each series affected at the time outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Notes; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Notes of any series, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of a Discount Security that would be due and payable upon a declaration of acceleration of the maturity thereof pursuant to the Indenture, without the consent of the holder of each Note then outstanding and affected; (ii) reduce the aforesaid percentage of Notes, the holders of which are required to consent to any such supplemental indenture, or reduce the percentage of Notes, the holders of which are required to waive any default and its consequences, without the consent of the holder of each Note then outstanding and affected thereby; or (iii) modify any provision of Section 6.01(c) of the Indenture (except to increase the percentage of principal amount of securities required to rescind and annul any declaration of amounts due and payable under the Notes), without the consent of the holder of each Note then outstanding and affected thereby. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Notes of all series at the time outstanding affected thereby, on behalf of the Holders of the Notes of such series, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture with respect to such series, and its consequences, except a default in the payment of the principal of or premium, if any, or interest on any of the Notes of such series. Any such consent or waiver by the registered Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and of any Note issued in exchange herefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Note at the time and place and at the rate and in the money herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, this Note is transferable by the registered holder hereof on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company as may be designated by the Company accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered Holder hereof or his or her attorney duly authorized in writing, and thereupon one or more new Notes of authorized

denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Note, the Company, the Trustee, any paying agent and any Security Registrar may deem and treat the registered Holder hereof as the absolute owner hereof (whether or not this Note shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Security Registrar) for the purpose of receiving payment of or on account of the principal hereof and premium, if any, and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Security Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

The Notes of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations, Notes of this series are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

This Note shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this Instrument to be executed.

OHIO POWER COMPANY

By: \_\_\_\_\_  
Assistant Treasurer

Attest:

By: \_\_\_\_\_  
Assistant Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Notes of the series of Notes designated in accordance with, and referred to in, the within-mentioned Indenture.

Dated: November 16, 2005

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: \_\_\_\_\_  
Authorized Signatory

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

(PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE)

\_\_\_\_\_  
\_\_\_\_\_  
(PLEASE PRINT OR TYPE NAME AND ADDRESS, INCLUDING ZIP CODE, OF

ASSIGNEE) the within Note and all rights thereunder, hereby

irrevocably constituting and appointing such person attorney to

transfer such Note on the books of the Issuer, with full

power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Note in every particular, without alteration or enlargement or any change whatever and NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Signature Program ("MSP").

OHIO POWER COMPANY

AND

THE FIRST NATIONAL BANK OF CHICAGO,  
as Trustee

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SECOND SUPPLEMENTAL INDENTURE

Dated as of March 1, 1997

TO

INDENTURE

Dated as of October 1, 1995

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7.92% Junior Subordinated  
Deferrable Interest Debentures,  
Series B, Due 2027

SECOND SUPPLEMENTAL INDENTURE, dated as of the 1st day of March, 1997 (the "Second Supplemental Indenture"), between OHIO POWER COMPANY, a corporation duly organized and existing under the laws of the State of Ohio (hereinafter sometimes referred to as the "Company"), and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association organized and existing under the laws of the United States, as trustee (hereinafter sometimes referred to as the "Trustee") under the Indenture dated as of October 1, 1995 between the Company and the Trustee, as supplemented by a First Supplemental Indenture dated October 1, 1995 (the "Indenture"); all terms used and not defined herein are used as defined in the Indenture.

WHEREAS, the Company executed and delivered the Indenture to the Trustee to provide for the future issuance of its junior subordinated debentures (the "Debentures"), said Debentures to be issued from time to time in series as might be determined by the Company under the Indenture, in an unlimited aggregate principal amount which may be authenticated and delivered thereunder as in the Indenture provided; and

WHEREAS, pursuant to the terms of the Indenture, the Company desires to provide for the establishment of a new series of its Debentures to be known as its 7.92% Junior Subordinated Deferrable Interest Debentures, Series B, Due 2027 (said series being hereinafter referred to as the "Series B Debentures"), the form and substance of such Series B Debentures and the terms, provisions and conditions thereof to be set forth as provided in the Indenture and this Second Supplemental Indenture; and

WHEREAS, the Company desires and has requested the Trustee to join with it in the execution and delivery of this Second Supplemental Indenture, and all requirements necessary to make this Second Supplemental Indenture a valid instrument, in accordance with its terms, and to make the Series B Debentures, when executed by the Company and authenticated and delivered by the Trustee, the valid obligations of the Company, have been performed and fulfilled, and the execution and delivery hereof have been in all respects duly authorized;

NOW THEREFORE, in consideration of the purchase and acceptance of the Series B Debentures by the holders thereof, and for the purpose of setting forth, as provided in the Indenture, the form and substance of the Series B Debentures and the terms, provisions and conditions thereof, the Company covenants and agrees with the Trustee as follows:

## ARTICLE ONE

### General Terms and Conditions of the Series B Debentures

SECTION 1.01. There shall be and is hereby authorized a series of Debentures designated the "7.92% Junior Subordinated Deferrable Interest Debentures, Series B, Due 2027", limited in aggregate principal amount to \$50,000,000, which amount shall be as set forth in any written order of the Company for the authentication and delivery of Series B Debentures pursuant to Section 2.01 of the Indenture. The Series B Debentures shall mature and the principal shall be due and payable together with all accrued and unpaid interest thereon on March 31, 2027, and shall be issued in the form of registered Series B Debentures without coupons.

SECTION 1.02. Except as provided in Section 2.11(c) of the Indenture, the Series B Debentures shall be issued initially in the form of a Global Debenture in an aggregate principal amount equal to all outstanding Series B Debentures, to be registered in the name of the Depository, or its nominee, and delivered by the Trustee to the Depository for crediting to the accounts of its participants pursuant to the instructions of the Company. The Company shall execute a Global Debenture in such aggregate principal amount and deliver the same to the Trustee for authentication and delivery as hereinabove and in the Indenture provided. Payments on the Series B Debentures issued as a Global Debenture will be made to the Depository. The Depository for the Series B Debentures shall be The Depository Trust Company, New York, New York.

SECTION 1.03. If, pursuant to the provisions of Section 2.11(c) of the Indenture, the Series B Debentures are issued in certificated form, principal, premium, if any, and interest on the Series B Debentures will be payable, the transfer of such Series B Debentures will be registrable and such Series B Debentures will be exchangeable for Series B Debentures bearing identical terms and provisions at the office or agency of the Company only upon surrender of such certificated Series B Debenture and such other documents as required by the Indenture; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered holder at such address as shall appear in the Debenture Register.

SECTION 1.04. Each Series B Debenture shall bear interest at the rate of 7.92% per annum from the original date of issuance until the principal thereof becomes due and payable, and on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum, payable (subject to the provisions of Article Three hereof) quarterly in arrears on each



March 31, June 30, September 30 and December 31 (each, an "Interest Payment Date"), commencing on March 31, 1997. Interest (other than interest payable on redemption or maturity) shall be payable to the person in whose name such Series B Debenture or any predecessor Series B Debenture is registered at the close of business on the regular record date for such interest installment. The regular record date for such interest installment shall be the close of business on the business day next preceding that Interest Payment Date; except that if, pursuant to the provisions of Section 2.11(c) of the Indenture, the Series B Debentures are no longer represented by a Global Debenture, the regular record date for such interest installment shall be the close of business on the March 15, June 15, September 15 or December 15 (whether or not a business day) next preceding the Interest Payment Date. Interest payable on redemption or maturity shall be payable to the person to whom the principal is paid. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders on such regular record date, and may be paid to the person in whose name the Series B Debenture (or one or more Predecessor Debentures) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered holders of the Series B Debentures not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Series B Debentures may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series B Debentures is not a business day, then payment of interest payable on such date will be made on the next succeeding day which is a business day (and without any interest or other payment in respect of any such delay), except that, if such business day is in the next succeeding calendar year, such payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on such date.

## ARTICLE TWO

### Redemption of the Series B Debentures

SECTION 2.01. Subject to the terms of Article Three of the Indenture, the Company shall have the right to redeem the Series B Debentures, in whole or in part, from time to time, at the time and redemption price set forth in the form of Debenture contained in Exhibit A hereto. Any redemption pursuant to this Section will be made upon not less than 30 nor more than 60 days' notice. If the Series B Debentures are only partially redeemed pursuant to this

Section, the Debentures will be redeemed pro rata or by lot or by any other method utilized by the Trustee; provided, that if at the time of redemption, the Series B Debentures are registered as a Global Debenture, the Depository shall determine by lot the principal amount of such Series B Debentures held by each Series B Debentureholder to be redeemed.

### ARTICLE THREE

#### Extension of Interest Payment Period

SECTION 3.01. The Company shall have the right, at any time during the term of the Series B Debentures, from time to time to extend the interest payment period of such Series B Debentures for up to 20 consecutive quarters (the "Extended Interest Payment Period"), at the end of which period the Company shall pay all interest accrued and unpaid thereon (together with interest thereon compounded quarterly at the rate specified for the Series B Debentures to the extent permitted by applicable law); provided that, during such Extended Interest Payment Period, the Company shall not declare or pay any dividend on, or purchase, acquire or make a liquidation payment with respect to, any of its capital stock or make any guarantee payments with respect to the foregoing. Prior to the termination of any such Extended Interest Payment Period, the Company may further extend such period, provided that such period together with all such previous and further extensions thereof shall not exceed 20 consecutive quarters or extend beyond the maturity of the Series B Debentures. Upon the termination of any Extended Interest Payment Period and upon the payment of all accrued and unpaid interest then due, the Company may select a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period, except at the end thereof.

SECTION 3.02. (a) The Company shall give the holders of the Series B Debentures and the Trustee written notice of its selection of such Extended Interest Payment Period at least 10 business days prior to the earlier of (i) the next succeeding Interest Payment Date or (ii) the date the Company is required to give notice to holders of the Series B Debentures (or, if applicable, to the New York Stock Exchange or other applicable self-regulatory organization), of the record or payment date of such interest payment, but in any event not less than two business days prior to such record date.

(b) The quarter in which any notice is given pursuant to paragraph (a) of this Section shall constitute one of the 20 quarters which comprise the maximum Extended Interest Payment Period.

## ARTICLE FOUR

### Form of Series B Debenture

SECTION 4.01. The Series B Debentures and the Trustee's Certificate of Authentication to be endorsed thereon are to be substantially in the form of Exhibit A hereto.

## ARTICLE FIVE

### Original Issue of Series B Debentures

SECTION 5.01. Series B Debentures in the aggregate principal amount of \$50,000,000 may, upon execution of this Second Supplemental Indenture, or from time to time thereafter, be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Debentures to or upon the written order of the Company, signed by its Chairman of the Board, its President, or any Vice President and its Treasurer or an Assistant Treasurer, without any further action by the Company.

## ARTICLE SIX

### Covenant of the Company

SECTION 6.01. The Company will not declare or pay any dividend on, or purchase, acquire or make a distribution or liquidation payment with respect to, any of its capital stock, or make any guarantee payments with respect thereto, if at such time (i) there shall have occurred and be continuing any Event of Default under the Indenture or (ii) the Company shall have given notice of its selection of an Extended Interest Payment Period and such period, or any extension thereof, shall be continuing.

## ARTICLE SEVEN

### Miscellaneous Provisions

SECTION 7.01. Except as otherwise expressly provided in this Second Supplemental Indenture or in the form of Series B Debenture or otherwise clearly required by the context hereof or thereof, all terms used herein or in said form of Series B Debenture that are defined in the Indenture shall have the several meanings respectively assigned to them thereby.

SECTION 7.02. The Indenture, as supplemented by this Second Supplemental Indenture, is in all respects ratified and confirmed, and this Second Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

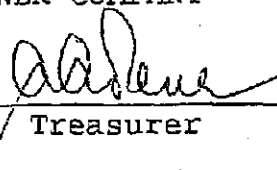
SECTION 7.03. The recitals herein contained are made by the Company and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture.

SECTION 7.04. This Second Supplemental Indenture may be executed in any number of counterparts each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, on the date or dates indicated in the acknowledgments and as of the day and year first above written.

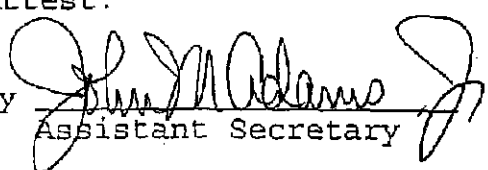
OHIO POWER COMPANY

By

  
Treasurer

Attest:

By

  
Assistant Secretary

THE FIRST NATIONAL BANK OF CHICAGO  
as Trustee

By

  
Vice President

Attest:

By

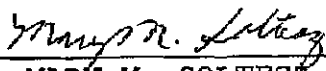
  
Authorized Officer

State of Ohio  
County of Franklin, } ss:

On this 14th day of March, 1997, personally appeared before me, a Notary Public within and for said County in the State aforesaid, A. A. Pena and John M. Adams, Jr., to me known and known to me to be respectively Treasurer and Assistant Secretary of OHIO POWER COMPANY, one of the corporations named in and which executed the foregoing instrument, who severally acknowledged that they did sign and seal said instrument as such Treasurer and Assistant Secretary for and on behalf of said corporation and that the same is their free act and deed as such Treasurer and Assistant Secretary, respectively, and the free and corporate act and deed of said corporation.

In Witness Whereof, I have hereunto set my hand and notarial seal this 14th day of March, 1997.

[Notarial Seal]

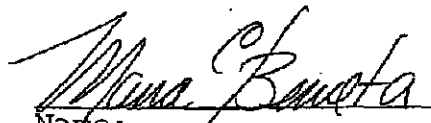
  
Name: MARY M. SOLTESZ  
Notary Public, State of Ohio  
My Commission Expires 7-12-99

State of ILLINOIS }  
County of COOK } ss:

Be it remembered, that on this 13<sup>TH</sup> day of March, 1997, personally appeared before me the undersigned, a Notary Public within and for said County and State, THE FIRST NATIONAL BANK OF CHICAGO, one of the corporations named in and which executed the foregoing instrument, by Richard D. Manella, one of its Vice Presidents, and by Grace A. Gorika, one of its Authorized Officers, to me known and known by me to be such Vice President and Authorized Officer, respectively, who severally duly acknowledged the signing and sealing of the foregoing instrument to be their free act and voluntary deed, and the free act and voluntary deed of each of them as such Vice President and Authorized Officer, respectively, and the free act and voluntary deed of said corporation, for the uses and purposes therein expressed and mentioned.

In Witness Whereof, I have hereunto set my hand and notarial seal this 13<sup>TH</sup> day of March, 1997.

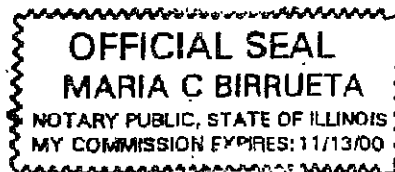
[Notarial Seal]



Name: \_\_\_\_\_

Notary Public, State of \_\_\_\_\_

My Commission Expires \_\_\_\_\_



## (FORM OF FACE OF DEBENTURE)

[IF THE SERIES B DEBENTURE IS TO BE A GLOBAL DEBENTURE, INSERT  
 - This Debenture is a Global Debenture within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. This Debenture is exchangeable for Debentures registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture, and no transfer of this Debenture (other than a transfer of this Debenture as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Debenture is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any Debenture issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC and any payment hereon is made to Cede & Co., or to such other entity as is requested by an authorized representative of DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

No. \_\_\_\_\_ \$50,000,000

CUSIP No. \_\_\_\_\_

## OHIO POWER COMPANY

7.92% JUNIOR SUBORDINATED  
 DEFERRABLE INTEREST DEBENTURE,  
 SERIES B, DUE 2027

OHIO POWER COMPANY, a corporation duly organized and existing under the laws of the State of Ohio (herein referred to as the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns, the principal sum of \_\_\_\_\_ Dollars on March 31, 2027, and to pay interest on said principal sum from March 18, 1997 or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on each March 31, June 30, September 30 and December 31 commencing

March 31, 1997 at the rate of 7.92% per annum until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any, and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum during such overdue period. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Debenture is not a business day, then payment of interest payable on such date will be made on the next succeeding day which is a business day (and without any interest or other payment in respect of any such delay), except that, if such business day is in the next succeeding calendar year, such payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on such date. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than interest payable on redemption or maturity) will, as provided in the Indenture, be paid to the person in whose name this Debenture (or one or more Predecessor Debentures, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, [which shall be the close of business on the business day next preceding such Interest Payment Date.] [IF PURSUANT TO THE PROVISIONS OF SECTION 2.11(C) OF THE INDENTURE THE SERIES B DEBENTURES ARE NO LONGER REPRESENTED BY A GLOBAL DEBENTURE -- which shall be the close of business on the March 15, June 15, September 15 or December 15 (whether or not a business day) next preceding such Interest Payment Date.] Interest payable on redemption or maturity shall be payable to the person to whom the principal is paid. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders on such regular record date, and may be paid to the person in whose name this Debenture (or one or more Predecessor Debentures) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered holders of this series of Debentures not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Debentures may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The principal of (and premium, if any) and the interest on this Debenture shall be payable at the office or agency of the Company maintained for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered holder at such address as shall appear in the Debenture Register.



Payment of the principal of, premium, if any, and interest on this Debenture is, to the extent provided in the Indenture, subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness, as defined in the Indenture, and this Debenture is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Debenture, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee his or her attorney-in-fact for any and all such purposes. Each Holder hereof, by his or her acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

This Debenture shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

Unless the Certificate of Authentication hereon has been executed by the Trustee or a duly appointed Authentication Agent referred to on the reverse side hereof, this Debenture shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

The provisions of this Debenture are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Instrument to be executed.

Dated: March 18, 1997

OHIO POWER COMPANY

By \_\_\_\_\_

Attest:

By \_\_\_\_\_

(FORM OF CERTIFICATE OF AUTHENTICATION)

CERTIFICATE OF AUTHENTICATION

This is one of the Debentures of the series of Debentures described in the within-mentioned Indenture.

THE FIRST NATIONAL BANK OF CHICAGO  
as Trustee or as Authentication Agent

By \_\_\_\_\_  
Authorized Signatory

(FORM OF REVERSE OF DEBENTURE)

This Debenture is one of a duly authorized series of Debentures of the Company (herein sometimes referred to as the "Debentures"), specified in the Indenture, all issued or to be issued in one or more series under and pursuant to an Indenture dated as of October 1, 1995 duly executed and delivered between the Company and The First National Bank of Chicago, a national banking association organized and existing under the laws of the United States, as Trustee (herein referred to as the "Trustee"), as supplemented by the First Supplemental Indenture dated as of October 1, 1995 and the Second Supplemental Indenture dated as of March 1, 1997 between the Company and the Trustee (said Indenture as so supplemented being hereinafter referred to as the "Indenture"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debentures. By the terms of the Indenture, the Debentures are issuable in series which may vary as to amount, date of maturity, rate of interest and in other respects as in the Indenture provided. This series of Debentures is limited in aggregate principal amount as specified in said Second Supplemental Indenture.

Subject to the terms of Article Three of the Indenture, the Company shall have the right to redeem this Debenture at the option of the Company, without premium or penalty, in whole or in part at any time on or after March 18, 2002 (an "Optional Redemption"), at a redemption price equal to 100% of the principal amount plus any accrued but unpaid interest to the date of such redemption (the "Optional Redemption Price"). Any redemption pursuant to this paragraph will be made upon not less than 30 nor more than 60 days' notice, at the Optional Redemption Price. If the Debentures are only partially redeemed by the Company pursuant to an Optional Redemption, the Debentures will be redeemed pro rata or by lot or

by any other method utilized by the Trustee; provided that if at the time of redemption, the Debentures are registered as a Global Debenture, the Depository shall determine by lot the principal amount of such Debentures held by each Debentureholder to be redeemed.

In the event of redemption of this Debenture in part only, a new Debenture or Debentures of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Debentures may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Debenture upon compliance by the Company with certain conditions set forth therein.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Debentures of each series affected at the time outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Debentures; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Debentures of any series, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the holder of each Debenture so affected or (ii) reduce the aforesaid percentage of Debentures, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of each Debenture then outstanding and affected thereby. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Debentures of all series at the time outstanding affected thereby, on behalf of the Holders of the Debentures of such series, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture with respect to such series, and its consequences, except a default in the payment of the principal of or premium, if any, or interest on any of the Debentures of such series. Any such consent or waiver by the registered Holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Debenture and of any Debenture issued in exchange herefor or in place hereof (whether by registration of transfer or

otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Debenture.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Debenture at the time and place and at the rate and in the money herein prescribed.

The Company shall have the right at any time during the term of the Debentures, from time to time to extend the interest payment period of such Debentures for up to 20 consecutive quarters (the "Extended Interest Payment Period"), at the end of which period the Company shall pay all interest then accrued and unpaid (together with interest thereon compounded quarterly at the rate specified for the Debentures to the extent that payment of such interest is enforceable under applicable law); provided that, during such Extended Interest Payment Period the Company shall not declare or pay any dividend on, or purchase, acquire or make a liquidation payment with respect to, any of its capital stock, or make any guarantee payments with respect thereto. Prior to the termination of any such Extended Interest Payment Period, the Company may further extend such Extended Interest Payment Period, provided that such Period together with all such previous and further extensions thereof shall not exceed 20 consecutive quarters or extend beyond the maturity of the Debentures. At the termination of any such Extended Interest Payment Period and upon the payment of all accrued and unpaid interest and any additional amounts then due, the Company may select a new Extended Interest Payment Period.

As provided in the Indenture and subject to certain limitations therein set forth, this Debenture is transferable by the registered holder hereof on the Debenture Register of the Company, upon surrender of this Debenture for registration of transfer at the office or agency of the Company accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered Holder hereof or his or her attorney duly authorized in writing, and thereupon one or more new Debentures of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Debenture, the Company, the Trustee, any paying agent and any Debenture Registrar may deem and treat the registered Holder hereof as the absolute owner hereof (whether or not this Debenture shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Debenture Registrar) for the

purpose of receiving payment of or on account of the principal hereof and premium, if any, and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Debenture Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Debenture, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

[The Debentures of this series are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereof.] [This Global Debenture is exchangeable for Debentures in definitive form only under certain limited circumstances set forth in the Indenture. Debentures of this series so issued are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereof.] As provided in the Indenture and subject to certain limitations [herein and] therein set forth, Debentures of this series [so issued] are exchangeable for a like aggregate principal amount of Debentures of this series of a different authorized denomination, as requested by the Holder surrendering the same.

All terms used in this Debenture which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

(PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE)

\_\_\_\_\_  
\_\_\_\_\_  
(PLEASE PRINT OR TYPE NAME AND ADDRESS, INCLUDING ZIP CODE, OF  
ASSIGNEE) the within Debenture and all rights thereunder, hereby  
irrevocably constituting and appointing such person attorney to  
transfer such Debenture on the books of the Issuer, with full  
power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Debenture in every particular, without alteration or enlargement or any change whatever and NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Signature Program ("MSP").

Exhibit D

**AEP SYSTEM AMENDED AND RESTATED  
UTILITY MONEY POOL AGREEMENT**

This AMENDED AND RESTATED UTILITY MONEY POOL AGREEMENT ("Agreement") is made and entered into this 9<sup>th</sup> day of December, 2004 by and among American Electric Power Company, Inc., a New York corporation ("AEP"), AEP Utilities Inc., a Delaware corporation ("AEP Utilities"), both registered holding companies under the Public Utility Holding Company Act of 1935, as amended (the "Act"), American Electric Power Service Corporation ("AEPSC"), a New York corporation and a nonutility subsidiary of AEP (in its role as administrative agent and as a participant in the Utility Money Pool), AEP Utility Funding LLC, a Delaware limited liability company ("AEPUF"), and certain of the direct or indirect subsidiaries of AEP, each of which are signatories hereto and participants in the AEP Utility Money Pool ("Participants"), or which subsequently become signatories hereto and agree to abide by the terms herein. (All of the above are referred to as a Party or Parties to this Agreement).

WHEREAS, the following entities are each a direct or indirect subsidiary of AEP, and a Participant in the AEP Utility Money Pool (collectively referred to herein as "Operating Companies"):

AEP Generating Company  
AEP Texas Central Company  
AEP Texas North Company  
Appalachian Power Company  
Columbus Southern Power Company  
Indiana Michigan Power Company  
Kentucky Power Company  
Kingsport Power Company  
Ohio Power Company  
Public Service Company Of Oklahoma  
Southwestern Electric Power Company  
Wheeling Power Company

And

WHEREAS, in addition to the Operating Companies, the following are Participants in the AEP Utility Money Pool:

American Electric Power Service Corporation  
Blackhawk Coal Company  
Cedar Coal Company  
Central Appalachian Coal Company  
Central Coal Company  
Colomet, Inc.  
Conesville Coal Preparation Company  
Dolet Hills Lignite Company, LLC

Franklin Real Estate Company  
Indiana Franklin Reality, Inc.  
Simco, Inc.  
Southern Appalachian Coal Company

WHEREAS, the Participants from time to time have need to borrow funds on a short-term basis; and

WHEREAS, some of the Parties from time to time are expected to have funds available to loan on a short-term basis; and

WHEREAS, AEP and the Parties have established a pool (the "Utility Money Pool") to coordinate and provide for certain of the Participants' short-term cash requirements;

WHEREAS, AEPUF has been formed to fund the Utility Money Pool; and

NOW THEREFORE, in consideration of the premises, and the mutual promises set forth herein, the Parties hereto agree as follows:

## ARTICLE I CONTRIBUTIONS AND BORROWINGS

### Section 1.1. Contributions to the Utility Money Pool.

American Electric Power Service Corporation ("AEPSC") shall act as administrative agent of the Utility Money Pool. Each Participant, AEP, AEP Utilities, and AEPUF will determine on a daily basis, the amount of funds it has available for contribution to the Utility Money Pool. The determination of whether a Party at any time has surplus funds, or shall lend such funds to the Utility Money Pool, will be made by such Party's treasurer, any assistant treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion. Each Party may withdraw any of its funds at any time upon notice to AEPSC.

### Section 1.2 Rights to Borrow.

(a) Subject to the provisions of Section 1.4(b) of this Agreement, all short-term borrowing needs of the Participants may be met by funds in the Utility Money Pool to the extent such funds are available. Each Participant shall have the right to borrow from the Utility Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein and in the applicable orders of the Securities and Exchange Commission ("SEC") and other regulatory authorities. Each Participant may request loans from the Utility Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the Parties; provided, however, that the aggregate amount of all loans requested by any Participant hereunder shall not exceed the applicable borrowing limits set forth in applicable orders of the SEC and other regulatory authorities, resolutions of such Board of



Directors, such Party's governing corporate documents, and agreements binding upon such Party. No Participant shall be obligated to borrow from the Utility Money Pool if lower cost funds can be obtained from its own external borrowing.

(b) Neither AEP, AEP Utilities nor AEPUF will borrow funds from the Utility Money Pool or any Participant. Participants in the Utility Money Pool will not engage in lending and borrowing transactions with participants in the Nonutility Money Pool. The Utility Money Pool will not borrow from the Nonutility Money Pool.

### Section 1.3 Source of Funds.

- (a) AEPSC administers the Utility Money Pool by matching up, to the extent possible, short-term cash surpluses and loan requirements of the various Participants. Participants' requests for short-term loans are met first from surplus funds of other Participants which are available to the Utility Money Pool. To the extent the Participant contributions of surplus funds to the Utility Money Pool are insufficient to meet Participant requests for short-term loans, AEP or AEP Utilities may contribute corporate funds to the extent available or borrowings may be made from external sources. Funds will be made available from such sources in such other order as AEPSC, as administrator of the Utility Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Utility Money Pool, consistent with the individual borrowing needs and financial standing of the Parties providing funds to the Utility Money Pool.
- (b) External borrowings may be made by AEP, AEP Utilities, Inc., or AEPUF, each individually, a Lending Party, collectively Lending Parties, from the sale of commercial paper notes and/or other instruments authorized by the SEC, and/or bank borrowings ("External Funds"), the proceeds of which would be added to the Utility Money Pool, in each case to the extent permitted by applicable laws and regulatory orders. All debt issued in connection with the Utility Money Pool will be unsecured. External borrowings by AEP, AEP Utilities, or AEPUF will not be made unless there are no surplus funds in the treasuries of the Participants sufficient to meet borrowing needs. If it is determined that AEP can borrow money at a cheaper rate than AEPUF can, then AEP will fund the Utility Money Pool directly.
- (c) Each borrowing Participant will borrow pro rata from each fund source in the same proportion that the amount of funds provided from that fund source bears to the total amount of short-term funds available to the Utility Money Pool. On any day, when more than one fund source (e.g., surplus treasury funds of AEP, AEP Utilities or other Utility Money Pool participants ("Internal Funds") and External Funds), with different rates of interest, is used to fund loans through the Utility Money Pool, each borrowing party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Utility Money Pool.

#### Section 1.4 Authorization.

(a) The determination of whether a Participant or a Lending Party has at any time surplus funds to lend to the Utility Money Pool will be made by its treasurer, any assistant treasurer, or by a designee thereof.

(b) Any loan from the Utility Money Pool to a Participant shall be authorized by the borrowing Participant's treasurer, any assistant treasurer, or by a designee thereof. No Party shall be required to effect a borrowing through the Utility Money Pool if such Participant determines that it can (and is authorized to) effect such borrowing at lower cost through the sale of its own commercial paper or other instruments, or borrowing directly from banks.

#### Section 1.5 Investment of Investment Pool Funds.

Funds which are loaned from Participants into the Utility Money Pool which are not required to satisfy borrowing needs of other Participants ("Investment Pool") will be invested on the behalf of the Lending Parties in one or more short-term instruments ("External Investments"), including (i) interest-bearing accounts with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (iii) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than "A" by a nationally recognized rating agency; (iv) commercial paper rated not less than "A-1" or "P-1" or their equivalent by a nationally recognized rating agency; (v) money market funds; (vi) bank certificates of deposit, (vii) Eurodollar funds; (viii) short-term debt securities rated AA or above by Standard & Poor's, Aa or above by Moody's Investors Service, or AA or above by Fitch Ratings; (ix) short-term debt securities issued or guaranteed by an entity rated AA or above by Standard & Poor's, Aa or above by Moody's Investors Service, or AA or above by Fitch Ratings; and (x) such other investments as are permitted by Section 9(c) of the Act and Rule 40 thereunder.

No funds from the Utility Money Pool will be invested in EWG's or FUCO's.

#### Section 1.6 Utility Money Pool Interest.

The interest rate applicable on any day to then outstanding loans through the Utility Money Pool, whether or not evidenced by a promissory demand note, will be the composite weighted average daily effective cost incurred by the Lending Parties for External Funds outstanding on that date. If there are no External Funds outstanding on that date, then the rate would be the certificate of deposit yield equivalent of the 30-day Federal Reserve "A2/P2" Non-Financial Commercial Paper Composite Rate (the "Composite"), or if no Composite is established for that day, then the applicable rate will be the Composite for the next preceding day for which a composite is established.

If the Composite shall cease to exist, then the rate would be the composite which then most closely resembles the Composite and/or most closely mirrors the pricing the Lending Parties would expect if it had External Funds.

#### Section 1.7 Investment Pool Interest.

Interest income related to External Investments will be calculated daily and allocated back to Participants on the basis of their relative contribution to the Investment Pool funds on that date.

#### Section 1.8 Repayment.

Each Participant receiving a loan hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event not later than the expiration date of SEC authorization for the operation of the Utility Money Pool. All loans made through the Utility Money Pool may be prepaid by the borrower without premium or penalty.

#### Section 1.9 Form of Loans to Participants.

Loans to the Participants through the Utility Money Pool will be made pursuant to open-account advances, although any AEPUF or Participant would at all times be entitled to receive upon request a promissory note evidencing the transaction. Any such note shall: (a) be substantially in the form attached herewith as Exhibit A; (b) be dated as of the date of the initial borrowing; (c) mature on demand or on a date mutually agreed to by the Parties to the transaction, but in any event not later than the expiration date of the SEC authorization for the operation of the Utility Money Pool; and (d) be repayable in whole at any time or in part from time to time, without premium or penalty.

### **ARTICLE II OPERATION OF THE UTILITY MONEY POOL**

#### Section 2.1 Operation.

Operation of the Utility Money Pool, including record keeping and coordination of loans, will be handled by AEPSC under the authority of the treasurer or any assistant treasurer of AEP and/or AEPSC. AEPSC shall be responsible for the determination of all applicable interest rates and charges to be applied to any loans from the Utility Money Pool and earnings to be applied to any loans to the Utility Money Pool and/or Investment Pool outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties. Services rendered by AEPSC will be "at cost" in accordance with rules of the SEC.

#### Section 2.2 Certain Costs.

The cost of fees and/or compensating balances paid to banks to maintain credit lines will be allocated to the Participants on the basis of relative maximum non-coincidental borrowings of the Participants.

### Section 2.3 Event of Default.

If any Participant shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Participant seeking to adjudicate it a bankrupt or insolvent, then AEPSC, on behalf of the Utility Money Pool, may, by notice to the Participant, terminate the Utility Money Pool's commitment to the Participant and/or declare the unpaid principal amount of any loans to such Participant, and all interest thereon, to be forthwith due and payable and all such amounts shall forthwith become due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Participant.

## ARTICLE III AEP UTILITIES FUNDING LLC

### Section 3.1 AEPUF.

AEPUF is a special purpose financing conduit, formed to fund the Utility Money Pool. AEPUF may obtain funds from external sources or from AEP or AEP Utilities. AEP, AEP Utilities and the Operating Companies are also authorized to fund the Utility Money Pool through the issuance of short-term debt. AEPUF will have a separate bank account for all Utility Money Pool funds. AEPUF may issue commercial paper or other short-term debt for the benefit of the Utility Money Pool participants and will lend cash proceeds of the issuance of commercial paper to each Participant as said Participant's needs are identified. When AEPUF directly issues commercial paper to dealers to fund the Utility Money Pool, each Operating Company that borrows from AEPUF must maintain comparable debt ratings equal to or greater than AEPUF and maintain requisite backup facilities with one or more financial institutions.

### Section 3.2 Loans.

AEPUF shall provide the cash proceeds of each issuance of commercial paper or other short-term debt to the Utility Money Pool. The proceeds of borrowings by AEPUF will not be loaned to AEP or AEP Utilities. The proceeds of the borrowings of AEPUF will be used to repay AEPUF's borrowings or be invested to continue funding the Utility Money Pool.

### Section 3.3 Several Liability.

It is expressly agreed that the obligations of each Participant to AEPUF are several and not joint and, subject to paragraph 3.4 below, that each Participant shall not be responsible to AEPUF or any assignee or creditor of AEPUF for any payment in excess of payments due under any Participant's outstanding note and its pro rata share of other expenses and administrative costs of AEPUF in connection with its funding of the Utility Money Pool. No Participant will be liable for the borrowings of any other affiliate under the Utility Money Pool.

### Section 3.4 Placement Agents.

(a) As a condition precedent to each commercial paper dealer and placement agent (each, a "Placement Agent") entering into a dealer or placement agreement with AEPUF (each such agreement, a "Placement Agreement"), each Participant agrees: (i) to pay all costs, expenses, liabilities, losses and damages, including liabilities in respect of the AEPUF's indemnification obligations under the Placement Agreements (collectively, the "Liabilities") which it may incur relating to the offer and sale of AEPUF's commercial paper, the proceeds of which were used to make any loan to such Participant under this agreement, and (ii) to pay its Pro Rata Share of all other Liabilities which AEPUF may incur other than any such Liability which relates to the offer and sale of AEPUF's commercial paper the proceeds of which were used to make any loan to any other participant in the Utility Money Pool in respect of which such other affiliate is obligated to pay the full amount of such Liability. As used herein the term "Pro Rata Share" of any Liability shall mean an amount equal to the product of such Liability and a fraction expressed as a percentage (x) the numerator of which is the average outstanding loans made to the Participant during the period from the date which is three years prior to the date such Liability is due and payable to the date such Liability is due and payable (the "Determination Period"), and (y) the denominator of which is the average aggregate outstanding loans made during the Determination Period to the Participant and all other Participants which received loans from AEPUF and which are obligated to pay such Liability in accordance with this provision.

(b) Each Participant and AEPUF hereby acknowledge and agree that each Placement Agent is a third-party beneficiary of this Article III and is entitled to the benefits of the obligations of each separate Participant contained in this Article III and is entitled to bring any action to enforce such obligations directly against the separate Participant. In the case of any specific Liability arising out of or in connection with the Placement Agreement, each Participant shall pay the amount of such Participant's Liability directly to such Placement Agent or as the Placement Agent directs.

(c) This Article III shall not be amended or modified without the prior written consent of each Placement Agent. The agreements and obligations of each of the Participants set forth in this Article III shall survive the termination of this Agreement.

## ARTICLE IV MISCELLANEOUS

### Section 4.1 Amendments.

No amendment to this Agreement shall be effective unless the same be in writing and signed by all Parties thereto.

Section 4.2 Legal Responsibility.

Nothing herein contained shall render AEP or any Party liable for the obligations of any other Party(ies) hereunder and the rights, obligations and liabilities of AEP and the Parties are several in accordance with their respective obligations, and not joint.

Section 4.3 Governing Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned Parties have duly caused this document to be signed on their behalf on the date first written above by the undersigned thereunto duly authorized.

AMERICAN ELECTRIC POWER COMPANY, INC.

and

AEP UTILITIES, INC.

AEP UTILITY FUNDING LLC

AMERICAN ELECTRIC POWER SERVICE CORPORATION, as

Agent and Participant

**Participants:**

AEP GENERATING COMPANY

AEP TEXAS CENTRAL COMPANY

AEP TEXAS NORTH COMPANY

APPALACHIAN POWER COMPANY

COLUMBUS SOUTHERN POWER COMPANY

INDIANA MICHIGAN POWER COMPANY

KENTUCKY POWER COMPANY

KINGSPORT POWER COMPANY

OHIO POWER COMPANY

PUBLIC SERVICE COMPANY OF OKLAHOMA

SOUTHWESTERN ELECTRIC POWER COMPANY

WHEELING POWER COMPANY

BLACKHAWK COAL COMPANY

CEDAR COAL COMPANY

CENTRAL APPALACHIAN COAL COMPANY

CENTRAL COAL COMPANY

COLOMET, INC.

CONESVILLE COAL PREPARATION COMPANY

DOLET HILLS LIGNITE COMPANY, LLC

FRANKLIN REAL ESTATE COMPANY

INDIANA FRANKLIN REALTY, INC.

SIMCO, INC.

SOUTHERN APPALACHIAN COAL COMPANY

By: Wendy A. Hargus  
Assistant Treasurer of each  
of the above-listed companies.

EXHIBIT A

FORM OF UTILITY MONEY POOL NOTE  
TO BE EXECUTED BY BORROWING PARTIES  
TO AEP OR OTHER PARTIES

\_\_\_\_\_, 20\_\_

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_ (the "Borrower"), hereby promises to pay to the order of \_\_\_\_\_ (the "Lender") at its principal office in \_\_\_\_\_, on demand or on \_\_\_\_\_, 20\_\_, or at the option of the Borrower, whichever first occurs, but in any event not later than the expiration date of the SEC authorization for the operation of the Utility Money Pool, the principal sum set forth on the attachment hereto as "Principal Amount Outstanding." This note may be paid in full at any time or in part from time to time without premium or penalty. The Principal Amount Outstanding shall bear interest at the composite weighted average daily effective cost incurred by the Lending Parties for External Funds outstanding on that date. If there are no External Funds outstanding on that date, then the rate would be the CD yield equivalent of the 30-day Federal Reserve "A2/P2" Non-Financial Commercial Paper Composite Rate (the "Composite"), or if no Composite is established for that day, then the applicable rate will be the Composite for the next preceding day for which a Composite is established.

This Note shall be governed by, and construed and interpreted in accordance with, the Laws of the State of New York.

IN WITNESS WHEREOF, the undersigned, pursuant to due authorization, has caused this Note to be executed in its name and on its behalf by its duly authorized officer.

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



