

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power)
Company for Authority to Issue and Sell)
Promissory Notes, to Refinance the Terms of)
Loan Agreements or Installment Agreements of)
Sale with the Ohio Air Quality Development) Case No. 10-346-EL-AIS
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.)

FINDING AND ORDER

The Commission finds:

- (1) Ohio Power Company (Applicant or Company) is a public utility as defined in Section 4905.02, Revised Code, and is subject to the jurisdiction of this Commission.
- (2) On March 18, 2010, Applicant filed an application and exhibits, as supplemented and amended on April 21, 2010 (Application), pursuant to the provisions of Sections 4905.40, 4905.401(A) and 4905.41, Revised Code.
- (3) Applicant is proposing, through May 31, 2011, to: (a) issue promissory notes (the Notes) and/or AEP Notes; (b) refinance certain pollution control bonds; (c) enter into interest rate management Agreements (Interest Agreements); and (d) issue short-term debt and to participate in a money pool, within the terms and conditions, as set forth in the Application.
- (4) The Notes and the AEP Notes will be unsecured. The Notes may be issued in the form of Debentures or other promissory notes. The AEP Notes may be issued to its parent, American Electric Power Company, Inc. The aggregate amounts of the Notes, and the AEP Notes (collectively, the New Debt) will not exceed \$300 million, as set forth in the Application.

- (5) The Notes will mature in not more than 60 years and will have either a fixed or variable interest rate and may be provided with some form of credit enhancement, as described in the Application.
- (6) The terms of the AEP Notes will be similar to the terms of the Notes. The interest rate of the AEP Notes will be equal to the cost of capital of AEP, as described in the Application.
- (7) The proceeds from the sale of the New Debt will be used to pay at maturity or refund long-term debt and cumulative preferred stock, to repay short-term indebtedness used to pay at maturity or refund long-term debt and cumulative preferred stock, to fund Applicant's construction program, or for working capital and other corporate purposes, all pursuant to Section 4905.40, Revised Code, as described in the Application.
- (8) Applicant proposes to issue: (a) the Cardinal Refunding Bonds (the Cardinal Refunding Bonds) to the Ohio Air Quality Development Authority (OAQDA); (b) the OAQDA Refunding Bonds (the OAQDA Refunding Bonds) to OAQDA; and (c) the West Virginia Refunding Bonds (West Virginia Refunding Bonds) to West Virginia Economic Developments Authority, Marshall County, West Virginia, as described in the Application.
- (9) The Cardinal Refunding Bonds, the OAQDA Refunding Bonds and the West Virginia Refunding Bonds (Collectively, the "Refunding Bonds") will have either a fixed or a variable interest rates and other terms, as described in the Application.
- (10) The proceeds from the Refunding Bonds will be used to refund the previously issued and outstanding Cardinal Bonds, the OAQDA Bonds and the West Virginia Bonds, as described in the Application.
- (11) Applicant is requesting authorization to enter into Interest Agreements. Applicant states that the Interest Agreements will provide Applicant with sufficient alternatives and flexibility when striving to reduce its effective interest cost and manage interest cost on financings, as described in the Application.

In general, there will be no proceeds associated with the Interest Agreements since no new obligations are created in this connection.

- (12) The proposed guidelines or parameters set forth in the Application are intended to facilitate the issuance of the New Debt, the Refunding Bonds and the Interest Agreements (collectively, the Securities) on the best terms possible and at lowest cost. The authorization of the issuance of the Securities in no way relieves Applicant of its responsibility to negotiate and obtain the best terms available.
- (13) On June 17, 2009, the Commission authorized the Applicant to borrow up to \$600 million from the AEP System Utility Money Pool (the Money Pool) through May 31, 2010, in Case No. 09-313-EL-AIS

Pursuant to Section 4905.401, Revised Code, electric utilities are permitted to borrow up to 5 percent of the par value of all outstanding long-term securities without specific approval of the Commission (Statutory Limitation). By the Statutory Limitation, Applicant could borrow up to up to \$325 million, as of December 31, 2009.

Applicant now requests Commission authority to continue to participate in the Money Pool and borrow up to \$600 million from the Money Pool from time to time through May 31, 2011, as set forth in the Application

- (14) Applicant proposes to use the proceeds from the short-term borrowing under the Money Pool for interim financing of capital expenditure programs, working capital needs and repay previous borrowings incurred for such purposes, as described in the Application.
- (15) In order to insulate Applicant from the financial risks associated with the companies participating in the Money Pool (Participating Companies), the Commission finds that the following conditions be imposed on Applicant for its participation in the Money Pool and the issuance of short-term debt:
- (a) Funds provided by Applicant to the Money Pool and borrowed therefrom by the Participating Companies should not exceed \$600 million at any one time through May 31, 2011, and should only be loaned to those

Money Pool Participants who are regulated public utilities or such utilities' subsidiaries.

- (b) If any regulatory agency having jurisdiction over one or more Participating Companies imposes any condition limiting the amount of short-term debt that may be loaned to any Participating Company in the Money Pool, Applicant should inform the Director of the Utilities Department of this Commission within 10 days, so that this Commission may consider whether to impose a similar condition on Applicant's loans to the Money Pool.
 - (c) Loans to Participating Companies made through the Money Pool should be made only to those Participating Companies that have, or whose direct parent company has, investment grade or higher credit ratings from at least one nationally recognized rating agency, or in the absence of such rating, investment grade or higher credit ratings on their corporate credit rating from at least one nationally recognized rating agency. In the event the credit rating of any Participating Company, or its parent company in the case of an unrated company, falls below investment grade, Applicant should inform the Director of the Utilities Department of this Commission in a timely manner.
 - (d) Applicant should also provide information to the Director of the Utilities Department of the Commission relating to its participation in the Money Pool on a quarterly basis.
- (16) The amount of the Securities and the short-term borrowings under the Money Pool, the terms thereof, and the probable cost to Applicant, which are to be no less favorable than the terms as described in the Application, do not appear to be unjust or unreasonable.
- (17) The effect of the issuance of the Securities on Applicant's revenue requirements will be considered in the determination of required revenue in rate proceedings in which all factors affecting rates will be taken into account according to law.

- (18) Applicant states that the proposed issuance of the Securities and the short-term debt will be in accordance with the electric transition plan and the electric security plan, as approved by the Commission in Case Nos. 99-1730-EL-ETP and 08-918-EL-SSO, respectively.
- (19) Based on the information contained in the Application, the purposes to which the proceeds from the Securities and the borrowings from the short-term debt and the participation in the Money Pool (subject to the conditions mentioned in Finding 15 above) shall be applied appear to be reasonably required by Applicant to meet its present and prospective obligations to provide utility service, and the Commission is satisfied that consent and authority should be granted.

It is, therefore,

ORDERED, That Applicant, Ohio Power Company, is authorized to issue and sell through May 31, 2011, unsecured promissory notes, and issue one or more unsecured promissory notes to its parent American Electric Power Company, Inc., provided the aggregate principal amounts of Notes and AEP Notes do not exceed \$300 million, within the terms and conditions, as set forth in the Application. It is, further,

ORDERED, That Applicant is authorized, through May 31, 2011, to issue: (a) the Cardinal Refunding Bonds; (b) the OAQDA Refunding Bonds; and (c) the West Virginia Refunding Bonds, within the terms and conditions, as set forth in the Application. It is, further,

ORDERED, That Applicant is authorized through May 31, 2011, to enter into interest rate management agreements, within the terms and conditions, as set forth in the Application. It is, further,

ORDERED, That Applicant is authorized through May 31, 2011, to participate in the AEP System Money Pool and borrow up to \$600 million from the Money Pool, as described in the Application. It is, further,

ORDERED, That the funds provided by Applicant to the Money Pool and borrowed therefrom by the Participating Companies shall not exceed \$600 million for Applicant, at any one time through May 31, 2011, and shall only be loaned to those Money Pool Participants who are regulated public utilities or such utilities subsidiaries. It is, further,

ORDERED, That if any regulatory agency having jurisdiction over one or more Participating Companies imposes any condition limiting the amount of short-term debt that may be loaned to any Participating Company in the Money Pool, Applicant shall inform the Director of the Utilities Department of this Commission within 10 days. It is, further,

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

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

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

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

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

ORDERED, That the authorization granted herein for the issuance of the Securities and Applicant's participation in the Money Pool shall be in accordance with the electric transition plan and the electric security plan, as approved by the Commission, in Case Nos. 99-1730-EL-ETP and 08-918-EL-SSO, respectively. It is, further,

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

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

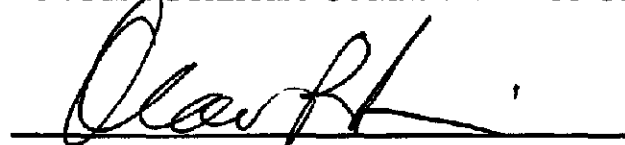
ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by the Commission as to the Securities or the interest thereon on the part of the State of Ohio. It is, further,

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

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

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

THE PUBLIC UTILITIES COMMISSION OF OHIO



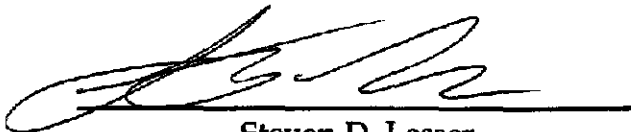
Alan R. Schriber, Chairman



Paul A. Centolella



Valerie A. Lemmie



Steven D. Lesser

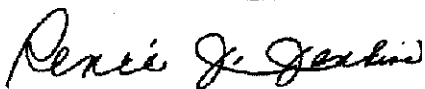


Cheryl L. Roberto

SUM:djb

Entered in the Journal

MAY 05 2010



Renee J. Jenkins
Secretary