

**FILE**

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

Re: **Ohio Power Company**  
**Case No. 10-346-EL-AIS**

RECEIVED-DOCKETING DIV  
2010 MAY 28 PM 12:44  
**PUCO**

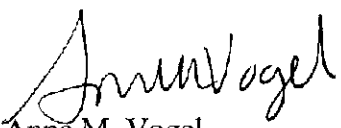
May 27, 2010

To Whom It May Concern:

Enclosed are one executed and five conformed copies of a Report in the captioned matter.

Please time-stamp the enclosed, extra copy of this Report and return it to me in the enclosed, self-addressed, stamped envelope.

Very truly yours,

  
Anne M. Vogel

Enclosures

cc: Shahid Mahmud

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RECEIVED-DOCKETING DIV  
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PUCO

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 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

REPORT

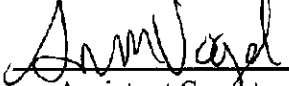
Pursuant to this Honorable Commission's Finding and Order in this proceeding, entered in the Journal on May 5, 2010, authorizing the Applicant, Ohio Power Company, among other things, to borrow from, or enter into other financing arrangements with, the Ohio Air Quality Development Authority, the following information is herewith respectfully submitted:

1. On May 27, 2010, Ohio Power Company caused the Ohio Air Quality Development Authority (the "Authority") to issue its State of Ohio Air Quality Revenue Refunding Bonds (Ohio Power Company Project), Series 2010A, in the aggregate principal amount of \$79,450,000. A copy of the Official Statement dated May 18, 2010 is attached hereto as Exhibit A to this Report.

The transactions described herein were consummated in accordance with the terms and conditions of and for the purposes set forth in said Order.

Respectfully submitted this 27th day of May, 2010

OHIO POWER COMPANY

By   
Assistant Secretary

Dated: May 27, 2010

NEW ISSUE—BOOK ENTRY ONLY

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes, except interest on any Bond for any period during which it is held by a "substantial user" or a "related person" as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (iii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax, and municipal, school district and joint economic development district income taxes in Ohio. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations. See **TAX EXEMPTION**.

**\$79,450,000**  
**Ohio Air Quality Development Authority**  
**State of Ohio**  
**Air Quality Revenue Refunding Bonds**  
**(Ohio Power Company Project),**  
**Series 2010A**  
**(Non-AMT)**

RECEIVED-DOCKETING DIV  
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Due: June 1, 2041

**Interest to accrue from date of issuance**

The Series 2010A Bonds (the "Bonds") are special obligations of the State of Ohio and issued by the Ohio Air Quality Development Authority (the "Issuer"). The Bonds will not constitute a debt, or a pledge of the faith and credit, of the Issuer, the State of Ohio or any political subdivision thereof, and the holders or owners of the Bonds will have no right to have taxes levied by the General Assembly of Ohio or any political subdivision of Ohio for the payment of the principal of, interest on or purchase price of the Bonds. The Bonds are payable solely from, and secured by a pledge of, the loan repayments under a note issued under the terms of a Loan Agreement (the "Agreement") between the Issuer and

**Ohio Power Company**

The Bonds will bear interest for a Long-Term Interest Rate Period at the rate of 3.25% per annum beginning on the date of original issuance until June 2, 2014, the date on which they are subject to mandatory tender for purchase. Interest on the Bonds will be payable semi-annually in arrears on each June 1 and December 1 of each year, commencing on December 1, 2010, and on the date on which the Bonds are subject to mandatory tender for purchase. Prior to June 2, 2014, the Bonds will not be subject to optional redemption but will be subject to extraordinary optional redemption and extraordinary mandatory redemption as described under *THE BONDS—Redemption*.

The failure to pay the Purchase Price (as defined herein) on the mandatory tender date is an event of default under the Indenture (as defined herein).

The Bonds will be issued as fully registered bonds and will be registered initially in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC acts as a securities depository for the Bonds. The Bonds will be issued in denominations of \$5,000 and integral multiples thereof. Except under the limited circumstances described herein, Beneficial Owners of book-entry interests in the Bonds will not receive certificates representing their interests. Payments of principal or purchase price of and premium, if any, and interest on the Bonds will be made through DTC and disbursements of such payments to Beneficial Owners will be the responsibility of DTC and its Participants (see *THE BONDS—Book-Entry Only System* herein). Barclays Capital Inc. and KeyBanc Capital Markets Inc. (the "Underwriters") will act as underwriters for the Bonds. U.S. Bank National Association will act as Trustee for the Bonds.

**PRICE: 100%**

This cover page contains limited information for quick reference only and is not a summary of this Official Statement. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriters, subject to the approval of their validity by Squire, Sanders & Dempsey L.L.P., Cleveland, Ohio, Bond Counsel, as described herein, and certain other conditions. Certain legal matters, other than the validity of the Bonds and the exclusion from gross income for federal income tax purposes of interest thereon, will be passed on for the Underwriters by their counsel, Dewey & LeBoeuf LLP, New York, New York, and for the Company by its internal counsel. Certain legal matters will be passed on for the Issuer by its counsel, Forbes, Fields & Associates Co., L.P.A. Delivery of the Bonds in book-entry-only form is expected on or about May 27, 2010 through the facilities of DTC in New York, New York, against payment therefor.

**Barclays Capital**

**KeyBanc Capital Markets**

Dated: May 18, 2010

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No person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offer made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Company or the Underwriters. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or the Company since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. The Issuer neither has nor assumes any responsibility as to the accuracy or completeness of the information in this Official Statement, all of which has been furnished by others, other than information under *THE ISSUER*.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE BONDS, INCLUDING BY ENTERING STABILIZING BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE *UNDERWRITING* HEREIN.

**\$79,450,000**  
**Ohio Air Quality Development Authority**  
**State of Ohio**  
**Air Quality Revenue Refunding Bonds**  
**(Ohio Power Company Project),**  
**Series 2010A**  
**(Non-AMT)**

**INTRODUCTORY STATEMENT**

This Official Statement, including the Appendices hereto, is provided to furnish certain information in connection with the issuance by the Ohio Air Quality Development Authority, a body politic and corporate of the State of Ohio ("Issuer") of State of Ohio Air Quality Revenue Refunding Bonds (Ohio Power Company Project), Series 2010A, in the aggregate principal amount of \$79,450,000 (the "Bonds"). The Issuer neither has nor assumes any responsibility as to the accuracy or completeness of the information in this Official Statement, all of which has been furnished by others, other than the information pertaining to the Issuer under *THE ISSUER*.

The Bonds will be issued under and pursuant to a resolution of the Issuer adopted on April 13, 2010 ("Resolution") and an Indenture of Trust, dated as of May 1, 2010 ("Indenture"), between the Issuer and U.S. Bank National Association, as trustee (in such capacity, the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Indenture.

Pursuant to a Loan Agreement, dated as of May 1, 2010 ("Agreement"), between the Issuer and Ohio Power Company (the "Company"), the Issuer will loan to the Company the proceeds of the Bonds to provide funds to refund all of the Issuer's \$79,450,000 State of Ohio Air Quality Revenue Bonds (Ohio Power Company Project), Series 2008A (the "Refunded Bonds"). The Refunded Bonds were issued by the Issuer and the proceeds thereof were loaned to the Company to assist the Company in financing a portion of the costs of acquiring, constructing and installing certain solid waste disposal facilities comprising "air quality facilities", as defined in the Act, for Unit 1 at the Cardinal Generating Station near Brilliant, Ohio located in Jefferson County, Ohio (the "Project"). The term "Plant" as used herein means the Cardinal Generating Station.

In order to evidence the loan from the Issuer (the "Loan") and to provide for its repayment, the Company will issue a nonnegotiable promissory note (the "Note") pursuant to the Agreement. Payments required under the Note will be sufficient, together with any other funds on deposit in the Bond Fund (hereinafter described) under the Indenture, to pay the principal of and premium, if any, and interest on the Bonds and to make or provide for payments to the Trustee equal to 100% of the principal amount of the Bonds plus accrued interest, if any, upon tender thereof ("Purchase Price"). The Bonds will not otherwise be secured by a mortgage on, or security interest in, any of the Project or any other property of the Company.

The Bonds will mature and become due and payable, together with any accrued and unpaid interest, on June 1, 2041. The Bonds will bear interest for a Long-Term Interest Rate Period at the rate of 3.25% per year, from the date of issuance until June 2, 2014. Interest on the

Bonds will be payable semi-annually in arrears on each June 1 and December 1 of each year, commencing on December 1, 2010, and on the date on which the Bonds are subject to mandatory tender for purchase. The Bonds are subject to mandatory tender for purchase on June 2, 2014.

The failure to pay the Purchase Price on the mandatory tender date is an event of default under the Indenture.

The Bonds are special obligations of the Issuer, and are to be paid solely from, and will be secured by a pledge of, payments to be made to the Issuer under the terms of the Agreement. See *THE BONDS – Security*.

Brief descriptions of the Issuer, the Project, the Bonds, the Agreement and the Indenture are included in this Official Statement. Information regarding the business, properties and financial condition of the Company is included or incorporated by reference in Appendix A attached hereto. The form of opinion that Bond Counsel proposes to deliver relating to the Bonds is set forth in Appendix B hereto. The descriptions herein of the Agreement and the Indenture are qualified in their entirety by reference to such documents, and the description herein of the Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of such documents may be obtained from the Company.

### **THE ISSUER**

The Issuer was organized pursuant to Chapter 3706 of the Ohio Revised Code, as amended (the "Act"). Under the Act, the Issuer is a body corporate and politic, with full power and authority to issue the Bonds and to enter into and perform its obligations under the Agreement and the Indenture. The Issuer has no taxing power.

**THE BONDS ARE SPECIAL OBLIGATIONS OF THE STATE OF OHIO AND SHALL NOT REPRESENT OR CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION OF OHIO, AND THE HOLDERS AND OWNERS THEREOF SHALL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE GENERAL ASSEMBLY OF OHIO OR THE TAXING AUTHORITY OF ANY POLITICAL SUBDIVISION OF OHIO FOR THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR PURCHASE PRICE OF THE BONDS, BUT THE BONDS SHALL BE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT AS AUTHORIZED BY THE ACT.**

### **THE PROJECT**

The Project consists of various systems which are designed for the disposal of solid wastes resulting from the operation of Unit 1 at the Plant. The solid waste disposal facilities, which comprise "air quality facilities" as defined in Section 3706.01 of the Act, are comprised of the portion of the flue gas desulfurization system ("FGD System") constructed with respect to

Unit 1 at the Plant, rated at 600 megawatts, that relates to the disposal of solid waste generated as part of the FGD System.

## **USE OF PROCEEDS**

The Issuer will cause the proceeds received upon the sale of the Bonds to be deposited in the Refunding Fund created under the Indenture to be used, together with any other funds supplied by the Company, and applied to the payment of all of the principal of and any accrued interest on the Refunded Bonds within 90 days of the issuance of the Bonds.

## **THE BONDS**

### **General**

The Bonds are being issued in fully registered form only in the aggregate amount set forth on the cover page hereof. The Bonds initially will be dated as of their date of issuance and will bear interest from such date. The Bonds will mature and become due and payable, together with any accrued and unpaid interest, on June 1, 2041. For the period beginning on the date of issuance to June 2, 2014, the Bonds will bear interest at a Long-Term Interest Rate of 3.25% per annum. Interest on the Bonds will be payable semi-annually in arrears on each June 1 and December 1 of each year, commencing on December 1, 2010, and on the date on which the Bonds are subject to mandatory tender for purchase. The Bonds are subject to mandatory tender for purchase on June 2, 2014.

The Bonds may subsequently be converted to bear interest at a Daily Rate, Two-Day Rate, Weekly Rate, Commercial Paper Rate, SIFMA-Based Term Rate, Auction Mode Rate or another Long-Term Interest Rate. THIS OFFICIAL STATEMENT DESCRIBES THE TERMS AND CONDITIONS OF THE BONDS, THE AGREEMENT AND THE INDENTURE ONLY WHILE IN A LONG-TERM INTEREST RATE WITHOUT A LETTER OF CREDIT.

Beneficial interests in the Bonds will initially be issued pursuant to a Book-Entry Only System ("Book-Entry Only System") maintained by The Depository Trust Company, New York, New York ("DTC"), as described below under the caption *Book-Entry Only System*. Under the Indenture, the Trustee and the Issuer may appoint a successor securities depository to DTC. (DTC, together with any such successor securities depository, is hereinafter referred to as the "Securities Depository"). The following information is subject in its entirety to the provisions described below under the caption *Book-Entry Only System* while the Bonds are in the Book-Entry Only System.

### **Form and Denomination of Bonds; Payments on the Bonds**

#### General

The Bonds will be issued only as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof (an "Authorized Denomination"). The Bonds will be registered in the name of Cede & Co., as registered owner and nominee of DTC.



DTC acts as securities depository for the Bonds and individual purchases of Bonds may be made in book-entry form only. So long as the Bonds are in book-entry only form, purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners or holder shall mean Cede & Co., and shall not mean the Beneficial Owners (as defined below) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of, premium, if any, and interest on the Bonds are payable to Cede & Co., as nominee for DTC, which will, in turn, remit such amounts to the DTC Participants (as defined below) for subsequent disbursement to the Beneficial Owners. See – *Book-Entry Only System* below.

U.S. Bank National Association has been appointed as Trustee under the Indenture. The designated office of the Trustee is located, initially, in Columbus, Ohio. The Company and its affiliates maintain banking relationships with U.S. Bank National Association and its affiliates. U.S. Bank National Association and its affiliates serve as trustee under various indentures with, or for the benefit of, the Company and its affiliates.

The Trustee will not be required to make any transfer or exchange of any Bond during the ten days prior to the mailing of a notice of Bonds selected for redemption or, with respect to a Bond, after such Bond or any portion thereof has been selected for redemption. Registration of transfers and exchanges shall be made without charge to the Bondholders, except that any required taxes or other governmental charges shall be paid by the Bondholder requesting registration of transfer or exchange.

#### Interest

Each payment of interest shall include interest accrued through the day before such interest payment date. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. All payments of interest on the Bonds will be paid to the registered owner thereof whose name appears in the bond register kept by the Trustee as of the close of business on the Record Date (as defined below). If any payment on the Bonds is due on a non-Business Day, it will be made on the next Business Day and no interest will accrue as a result.

“Business Day” means any day other than a Saturday or Sunday or other than a day on which commercial banks in New York, New York or the city in which the designated corporate trust office of the Trustee is located are required or authorized by law to close or other than a day on which the New York Stock Exchange is closed.

“Record Date” means the fifteenth day of the calendar month preceding the relevant interest payment date.

## Security

The Bonds will be special obligations of the Issuer, the principal of and premium, if any, and interest on which will be payable solely from, and secured by a pledge of, the Loan Payments to be made by the Company under the Agreement. In addition, the Company is obligated to pay the Purchase Price with respect to the Bonds. The pledge does not extend to funds to which the Trustee is entitled in its own right as fees, reimbursement, indemnity or otherwise. The Bonds will not be secured by a mortgage or security interest in the Project or any other property of the Company.

## Mandatory Tender

Principal and accrued interest will be payable upon mandatory tender of the Bonds on June 2, 2014. The Company is obligated to pay the Purchase Price of Bonds tendered to the extent that remarketing proceeds are not available to pay such purchase price. No other source of payment of such Purchase Price is being provided. The failure to pay the Purchase Price on the mandatory tender date is an event of default under the Indenture.

## Redemption

The Bonds are subject to redemption as described below:

Optional Redemption. Except as described under the caption *Extraordinary Optional Redemption*, the Bonds are not redeemable at the option of the Issuer or the Company prior to June 2, 2014.

Extraordinary Optional Redemption. The Bonds are subject to redemption in whole or in part on any date at a redemption price equal to the aggregate principal amount of the outstanding Bonds plus accrued interest thereon to the redemption date, without premium, upon receipt by the Trustee of a direction from the Company stating that any of the following events has occurred:

- (a) The Project or the Plant shall have been damaged or destroyed to such an extent that the Company deems it not practical or desirable to rebuild, repair or restore the Project or the Plant, as the case may be.
- (b) Title to, or the temporary use of, all or a significant part of the Project or the Plant shall have been taken under the exercise of the power of eminent domain so as to render the Project unsatisfactory to the Company for its intended purpose.
- (c) As a result of any changes in the Constitution of the State, the Constitution of the United States of America or any state or federal laws or as a result of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after any contest thereof by the Issuer or the Company in good faith, the Agreement shall have become void or unenforceable or impossible of performance in

accordance with the intent and purpose of the parties as expressed in the Agreement.

- (d) Unreasonable burdens or excessive liabilities shall have been imposed upon the Issuer or the Company with respect to the Project or the Plant or the operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement.
- (e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of the Project or the Plant occur or technological or other changes occur which in the Company's reasonable judgment render the Project or the Plant uneconomic or obsolete.
- (f) Any court or administrative body shall enter a judgment, order or decree, or shall take administrative action, requiring the Company to cease all or any substantial part of its operations served by the Project or the Plant to such extent that the Company is or will be prevented from carrying on its normal operations at the Project or the Plant for a period of six consecutive months.
- (g) The termination by the Company of operations at the Plant.

**Extraordinary Mandatory Redemption.** The Bonds are subject to mandatory redemption at any time in whole, or in part if such partial redemption will preserve the exemption from federal income taxation of interest on the remaining outstanding Bonds, at a redemption price equal to the principal amount thereof together with unpaid interest accrued to the date fixed for redemption, and without premium, if (a) a final decree or judgment of any federal court, in which the Company participates to the extent it deems sufficient, or (b) a final action by the Internal Revenue Service, in proceedings in which the Company participates to the extent it deems sufficient, determines that the interest paid or payable on Bonds to a person, other than, as provided in Section 147(a) of the Code, a "substantial user" of the Project or a "related person", is or was includable in the gross income of the owner thereof for federal income tax purposes under the Code, as a result of the failure by the Company to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Agreement or the inaccuracy of any representation by the Company under the Agreement or receipt by the Company of an Opinion of Tax Counsel to such effect obtained by the Company and rendered at the request of the Company; provided, however, that no decree or judgment by any court or action by the Internal Revenue Service shall be considered final unless the Bondholder or Beneficial Owner involved in such proceeding or action (i) gives the Company and the Trustee prompt written notice of the commencement thereof and (ii) if the Company agrees to pay all expenses in connection therewith and to indemnify such Bondholder or Beneficial Owner against all liabilities in connection therewith, offers the Company the opportunity to control the defense thereof. Any such redemption shall be made on a date determined by the Trustee not more than 180 days after the date of such final decree, judgment or action. The Trustee shall give the Issuer and the Company not less than 45 days written notice of such date.

**Notice of Redemption.** At least 30 days before each redemption, the Trustee will mail a notice of redemption by first-class mail to each Bondholder with Bonds to be redeemed at such holder's registered address. Failure to give any required notice of redemption as to any particular Bonds, or any defect therein, will not affect the validity of the call for redemption of any Bonds in respect of which no failure or defect occurs. Any notice mailed as provided in this paragraph shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by the addressee.

The notice shall identify the Bonds to be redeemed and shall state (1) the redemption date (and, if the Bonds provide that accrued interest will not be paid on the redemption date, the date it will be paid), (2) the redemption price, (3) that the Bonds called for redemption must be surrendered to collect the redemption price, (4) the address at which the Bonds must be surrendered and (5) that interest on the Bonds called for redemption ceases to accrue on the redemption date.

With respect to an optional redemption of any Bonds, unless moneys sufficient to pay the principal of, premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Bonds, the redemption price shall not be due and payable and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

When notice is required and given, Bonds called for redemption become due and payable on the redemption date; in such case when funds are deposited with the Trustee sufficient for redemption, interest on the Bonds to be redeemed ceases to accrue as of the date of redemption.

### **Book-Entry Only System**

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended ("1934 Act"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by

the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants", and together with Direct Participants, "Participants"). The DTC Rules applicable to DTC and its Participants are on file with the SEC. More information can be found at [www.dtcc.org](http://www.dtcc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. So long as Cede & Co., as nominee for DTC, is the sole bondholder, the Trustee shall treat Cede & Co. as the only bondholder for all purposes under the Indenture, including receipt of all principal of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. nor any other DTC nominee will consent or vote with respect to the Bonds, unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.'s consenting

or voting rights to those Direct Participants to whose accounts the Bonds are credited on such record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal, premium, if any, and interest payments to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificated bonds will be required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). Upon receipt of a withdrawal request from an issuer, DTC will take the following actions: (1) DTC will issue an important notice notifying its Participants of the receipt of a withdrawal request from the issuer reminding Participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC, and (2) DTC will process withdrawal requests submitted by Participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from an issuer. In that event, security certificates will be printed and delivered to DTC.

In the event that the book-entry system is discontinued, the principal or redemption price of and interest on the Bonds will be payable in the manner described above, and the Bonds may be transferred or exchanged for one or more Bonds in different Authorized Denominations upon surrender thereof at the principal corporate trust office of the Trustee by the registered owners or their duly authorized attorneys or legal representatives. Upon surrender of any Bonds to be transferred or exchanged, the Trustee shall record the transfer or exchange in the registration books and shall authenticate and deliver the Bonds appropriately registered and in appropriate Authorized Denominations.

Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and the Company's obligations under the Agreement to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, owners of Bonds under the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Underwriters, the Company and the Trustee believe to be reliable, but the Underwriters, the Company and the Trustee take no responsibility for the accuracy thereof.

**None of the Issuer, the Underwriters, the Company, the Trustee or any agent for payment on or registration of transfer or exchange of any Bond will have any responsibility or obligation to Direct Participants, Indirect Participants or the persons for whom they act as nominees with respect to the accuracy of the records of DTC, its nominee or any Direct Participant with respect to any ownership interest in the Bonds, or payments to, or the providing of notice for, Direct Participants, Indirect Participants, or beneficial owners or other action taken by DTC, or its nominee, Cede & Co., as the sole owners of the Bonds.**

## **THE AGREEMENT**

*In addition to the description of certain provisions of the Agreement contained elsewhere herein, the following is a brief summary of certain provisions of the Agreement and does not purport to be comprehensive or definitive. All references herein to the Agreement are qualified in their entirety by reference to the Agreement for the detailed provisions thereof.*

### **Use of Bond Proceeds**

The Issuer will issue the Bonds and loan the proceeds of the sale thereof to the Company, which proceeds will be applied as described under *USE OF PROCEEDS* herein. The Company has caused the Project to be acquired, constructed, installed and improved substantially in accordance with the plans and specifications as provided in the Agreement.

### **Repayment of Loan**

In order to evidence the Loan and the Company's obligation to repay the same, the Company will issue the Note in the same principal amount as the Bonds and having the same stated maturity and interest rate or rates. Pursuant to the Note, the Company will pay to the Trustee, as assignee of the Issuer, amounts to fund payments on the Bonds in such amounts which, together with other moneys available therefor in the Bond Fund or the Purchase Fund created under the Indenture, will be sufficient to pay when due the principal of, premium, if any, and interest on and Purchase Price for the outstanding Bonds as they shall mature, be redeemed, be purchased or deemed purchased or otherwise become due as provided in the Indenture.

The payment obligations of the Company under the Note will be absolute and unconditional, and the Company will make such payments free of any deductions and without abatement, diminution or setoff. In the event that the Company fails to make any such payments, the payment so in default will continue as an obligation of the Company until the amount in default has been fully paid.

## **Other Payments Under The Agreement**

In addition to the payments under the Note, the Company agrees to pay certain costs and expenses of the Issuer and the Trustee in connection with the Bonds and to indemnify such parties against certain liabilities arising in connection with the sale of the Bonds and the execution and delivery of the related bond documents.

## **Pledge**

The Issuer will assign to the Trustee a security interest in all rights, title and interest in, to and under the Note and the Agreement and all amounts payable thereunder (except for certain payments under the Agreement in respect of indemnification and certain fees and expenses). The Company will assent to such assignment and will agree that, as to the Trustee, its obligation to make payments will be absolute and not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Issuer or the Trustee of any obligation to the Company.

## **Corporate Existence**

The Company will maintain its legal existence and will not sell its properties as an entirety or substantially as an entirety or consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, unless the successor corporation or transferee resulting from any such consolidation, merger, sale or transfer shall assume all obligations of the Company arising under or contemplated by the Agreement, the Note and the Indenture. No further consolidation, merger or sale or other transfer shall be made except in compliance with those provisions.

## **Environmental Compliance**

In the Agreement, the Company will represent that the Project has been constructed in compliance with all permits, variances and orders issued or granted by the Ohio Environmental Protection Agency with respect to the Project, including any permits to install for the Project, and any such permits, variances and orders have not been withdrawn or otherwise suspended. The Company will represent that it believes that it is in material compliance with all terms and provisions of all permits, variances and orders heretofore issued or granted by the Ohio Environmental Protection Agency with respect to the Plant and its other facilities within the State of Ohio, including any permits-to-install and permits-to-operate issued with respect thereto. Some generating units in which the Company has an ownership interest are the subject of litigation with respect to alleged violations of Clean Air Act requirements. See the Company's Annual Report on Form 10-K for the year ended December 31, 2009, and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, incorporated by reference in Appendix A to this Official Statement.



## Assignment

The Company may assign its interest in, or any rights and obligations under, the Agreement (a) to another entity provided that the Company, under the terms of any such assignment, shall remain and be primarily responsible and liable for all of its obligations under the Agreement and the Note, including particularly the making of all payments required thereunder, when due if the entity to which an interest in the Agreement is assigned fails to perform such obligations and (b) any assignment by the Company must retain for the Company such rights and interests as will permit it to perform its remaining obligations under the Agreement, and any assignee from the Company shall assume the obligations of the Company under the Agreement to the extent of the interest assigned.

## Events of Default and Remedies

The Agreement provides that the occurrence of one or more of the following events will constitute an "Event of Default:"

- (a) The failure to pay any Loan Payment, or pay any payment required to be made to pay the Purchase Price, when due;
- (b) The occurrence of an Event of Default described in paragraph (a), (b) or (c) under *THE INDENTURE—Events of Defaults and Remedies*;
- (c) Failure by the Company to observe and perform any other agreement, term or condition under the Agreement, other than such failure which will result in an event of default described in (a) or (b) above, which continues for a period of 90 days after notice to the Company by the Issuer or the Trustee or such longer period as the Issuer and the Trustee may agree to in writing; *provided* that the failure shall not constitute an Event of Default if the Company institutes curative action within the applicable period and diligently pursues that action to completion;
- (d) Any representation or warranty under the Agreement shall not have been true in all material respects when made; and
- (e) Certain events relating to bankruptcy, insolvency or reorganization of the Company.

A failure by the Company described in subparagraph (c) above is not a default under that subparagraph if it occurs by reason of certain courses, circumstances and events of force majeure specified in the Agreement that are not reasonably within the control of the Company.

Whenever any Event of Default under the Agreement has happened and is subsisting, the Issuer or the Trustee may take either or both of the following remedial steps:

- (a) Inspect, examine and make copies of the books, records, accounts and financial data of the Company, only, however, insofar as they pertain to the Project; and

- (b) Pursue all remedies to recover all amounts then due and thereafter to become due under the Agreement and the Note, or to enforce the performance and observance of any other obligation or agreement of the Company under those instruments.

Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to action taken as provided above shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in the Indenture for transfers of remaining amounts in the Bond Fund.

#### **Certain Covenants Regarding Arbitrage and Tax Exemption**

The Issuer and the Company have agreed not to knowingly take any action or omit to take any action, which would result in a loss of the exemption from federal income taxation of interest on the Bonds by virtue of the Bonds being considered "arbitrage bonds" within the meaning of Section 148 of the Code.

The Issuer and the Company have agreed that they will not take any action, cause any action to be taken, omit to take any action or cause any omission to occur which would cause the interest on the Bonds to become includable in gross income of the recipients thereof for purposes of federal income taxation.

#### **Amendments to the Agreement**

The Indenture provides that the Agreement may be amended without the consent of or notice to the owners of the Bonds only as may be required or permitted (i) by the provisions of the Agreement or the Indenture or for the purposes for which the Indenture may be amended or supplemented without the consent of the owners, (ii) for the purpose of curing any ambiguity or formal defect or omission in the Agreement or (iii) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the owners of the Bonds. Any other amendments to the Agreement may be made only with the written approval or consent of the owners of not less than a majority in aggregate principal amount of the Bonds outstanding. An Opinion of Tax Counsel to the effect that such action is permitted under the Act and the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes (a "Favorable Opinion of Tax Counsel") is required for any amendment to the Agreement.

### **THE INDENTURE**

*In addition to the description of certain provisions of the Indenture contained elsewhere herein, the following is a brief summary of certain provisions of the Indenture and does not purport to be comprehensive or definitive. All references herein to the Indenture are qualified in their entirety by reference to the Indenture for the detailed provisions thereof.*

## **Pledge and Security**

To secure the payment of its Bonds, the Issuer assigns to the Trustee and grants to the Trustee a security interest in all right, title and interest of the Issuer in, to and under the Note and all payments made and to be made thereunder. As security for the satisfaction of any other obligation assumed by it in connection with the Bonds, the Issuer assigns to the Trustee and grants to the Trustee a security interest in all right, title and interest of the Issuer in, to and under the Agreement and all moneys receivable thereunder, but excluding the rights of the Issuer to indemnification and reimbursement of fees, expenses and expenses of collection.

Moneys held in the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds on the dates due for the payment thereof. The Issuer has authorized and directed the Trustee to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable, which authorization and direction the Trustee has accepted.

## **Refunding Fund**

The Indenture creates and establishes with the Trustee a separate fund designated the "State of Ohio Air Quality Development Authority - Ohio Power Company Project, Series 2010A Refunding Fund" (the "Refunding Fund"). The proceeds from the sale of the Bonds will be deposited in the Refunding Fund. Such proceeds deposited in the Refunding Fund shall be applied, together with any funds provided by the Company, to refund all of the Refunded Bonds within 90 days of the issuance of the Bonds. See *THE AGREEMENT - Use of Bond Proceeds* above.

## **Bond Fund**

Payments made by the Company under the Agreement with respect to the Bonds and certain other amounts specified in the Indenture will be deposited in the Bond Fund. The Trustee will apply money contained in the accounts described below maintained within the Bond Fund as follows:

- (a) Interest Account. The Trustee, on each Interest Payment Date, will withdraw and apply from moneys on deposit in the Interest Account an amount sufficient to pay interest on the outstanding Bonds on such Interest Payment Date.
- (b) Principal Account. The Trustee, on each Principal Payment Date, will withdraw and apply from moneys on deposit in the Principal Account, an amount equal to the principal becoming due on the Bonds on such Principal Payment Date (other than a redemption date). Money in such Principal Account will be used and withdrawn by the Trustee on each Principal Payment Date solely for the payment of the principal of outstanding Bonds.
- (c) Redemption Account. The Trustee, on or before each redemption date, will withdraw and apply from moneys on deposit in the Redemption Account amounts required to pay the principal of and premium, if any, and accrued interest on

Bonds to be redeemed prior to their stated maturity. Money in such Redemption Account will be used and withdrawn by the Trustee on each redemption date solely for the payment of the principal of and premium, if any, and accrued interest on outstanding Bonds upon the redemption thereof prior to their stated maturity.

### **Purchase Fund**

The Trustee will apply money contained in the accounts described below maintained within the Purchase Fund as follows:

*Remarketing Proceeds Account.* Upon receipt of the proceeds of a remarketing of Bonds on a purchase date, the Trustee will directly deposit such proceeds, and will deposit only such proceeds, in the Remarketing Proceeds Account for application to the Purchase Price of the Bonds. Neither the Issuer nor the Company will have any interest in the Remarketing Proceeds Account.

*Company Purchase Account.* Upon receipt of immediately available funds provided to the Trustee by the Company pursuant to the Indenture, the Trustee shall directly deposit such money, and shall deposit only such money, in the Company Purchase Account for application to the Purchase Price of the Bonds. Any amounts deposited in the Company Purchase Account and determined by the Trustee to be not needed with respect to any purchase date for the payment of the Purchase Price for any Bonds shall be promptly returned following such determination to the Company.

### **Events of Default and Remedies**

The following events are Events of Default under the Indenture:

- (a) Default in the due and punctual payment of interest on any Bond;
- (b) Default in the due and punctual payment of the principal of, or premium, if any, on any Bond, whether at the stated maturity thereof, or upon unconditional proceedings for redemption thereof;
- (c) Default in the due and punctual payment of the Purchase Price of any Bond required to be purchased in accordance with its terms;
- (d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the Bonds, continuing 30 days after delivery of notice thereof; or
- (e) The occurrence and continuance of an event of default under the Agreement as described under *THE AGREEMENT – Events of Default and Remedies*;

Upon the occurrence and continuance of an Event of Default under (a), (b) or (c) above the Trustee may, and upon the written request of the owners of at least 25% in aggregate

principal amount of the Bonds then outstanding shall, declare the principal of and accrued interest on the outstanding Bonds to be due and payable immediately. If an Event of Default under paragraph (d) or (e) above occurs and is continuing, the Trustee may, and upon the request of the owners of at least 25% in aggregate principal amount of the Bonds then outstanding, shall, declare the principal of and accrued interest on the outstanding Bonds to be due and payable immediately. Upon any such declaration, the principal of and accrued interest on the outstanding Bonds shall be due and payable immediately.

The Trustee may rescind an acceleration of the Bonds and its consequences if (1) all payment defaults with respect to the Bonds have been cured and all reasonable fees and charges of the Trustee, including reasonable attorneys' fees, have been paid, and (2) the Bondholders have not been notified of the acceleration. Except as provided above, the Trustee will not declare the Bonds to be due and payable.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the principal of and premium, if any, or interest on the Bonds or to enforce the performance of any provision of the Bonds or the Indenture.

A majority in aggregate principal amount of the outstanding Bonds by notice to the Trustee may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no such waiver will extend to any subsequent or other Event of Default or impair any right consequent to it.

The holders of a majority in aggregate principal amount of Bonds outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it.

An owner of a Bond may not pursue any remedy with respect to the Indenture or the Bonds unless (a) the owner gives the Trustee notice stating that an Event of Default is continuing, (b) the owners of at least 25% in aggregate principal amount of the outstanding Bonds make a written request to the Trustee to pursue the remedy, (c) such owner or owners offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense, and (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity.

### **Supplemental Indentures**

The Issuer and the Trustee may, without the consent of, or notice to, any of the Bondholders, enter into such indenture or indentures supplemental to the Indenture as shall not be inconsistent with the terms and provisions thereof

- (a) to cure any ambiguity, defect or omission in the Indenture, or otherwise amend the Indenture, in such manner as shall not in the opinion of the Trustee impair the security under the Indenture;

- (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;
- (c) to evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Agreement and the Bonds, to add additional covenants of the Issuer, or to surrender any right or power therein conferred upon the Issuer;
- (d) to subject to the pledge of the Indenture additional revenues, properties, or collateral, which may be accomplished by, among other things, entering into instruments with the Company and/or other persons providing for further security, covenants, limitations or restrictions for the benefit of the Bonds;
- (e) to modify the Indenture to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect;
- (f) to amend any provision pertaining to matters under federal income tax laws, including Section 148(f) of the Code;
- (g) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;
- (h) to increase or decrease the number of days specified for the giving of notices of mandatory tender and to make corresponding changes to the period for notice of redemption of the Bonds; *provided*, that no decreases in any such number of days will become effective except while the Bonds bear interest at a Daily Rate, a Two-Day Rate or a Weekly Rate and until 30 days after the Trustee has given notice to the owners of the Bonds;
- (i) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a Book-Entry System for the Bonds;
- (j) to evidence the succession of a new trustee or the appointment by the Trustee or the Issuer of a co-trustee;
- (k) to make any change related to the Bonds that does not materially adversely affect the rights of any Bondholder;
- (l) prior to, or concurrently with, the conversion of the Bonds to an Auction Rate Period, to make any change appropriate or necessary with respect to the procedures, definitions or provisions in the Indenture or in Exhibit B attached to the Indenture related to the Auction Mode Rate in order to provide for or facilitate the marketability of Bonds in the Auction Mode Rate; and

- (m) to make any other changes to the Indenture that take effect as to any or all remarketed Bonds following a mandatory tender.

The Indenture also provides that the owners of not less than a majority in aggregate principal amount of the Bonds outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or supplemental indentures as shall be deemed necessary and desirable by the Issuer and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; *provided, however*, that nothing shall permit, without certain additional consents, (a) an extension of the maturity date of the principal of or the interest on any Bond; (b) a reduction in the principal amount of any Bond, the rate of interest thereon or any redemption premium; or (c) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture or for actions related to amendments to the Agreement. A Favorable Opinion of Tax Counsel is required for any supplement to the Indenture.

#### **Discharge of the Indenture**

If the whole amount of principal and interest due and payable on the Bonds has been paid, or provision shall have been made for payment of the same, and if, at the time of such payment, the Issuer shall have kept, performed and observed all the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by the Issuer or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Issuer thereunder shall cease, terminate, become void and be completely discharged as to such Bonds.

#### **No Personal Liability of Issuer's Officials**

No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture will be or be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than his or her official capacity. No member of the Issuer or official executing the Bonds, the Indenture, the Agreement or any amendment or supplement to the Indenture or the Agreement will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance or execution thereof.

#### **Removal of Trustee**

The Trustee may be removed by the owners of not less than a majority in principal amount of Bonds at the time outstanding or by the Issuer and the Company so long as no Event of Default has occurred and is continuing. The Trustee shall continue to serve as such until a successor Trustee shall be appointed under the Indenture and has accepted such appointment.

## **UNDERWRITING**

Subject to the terms and conditions set forth in a Bond Purchase Agreement to be entered into between the Issuer and the Underwriters, the Underwriters have agreed to purchase the Bonds at a purchase price of 100% of the principal amount thereof. Under the terms and conditions of the Bond Purchase Agreement, the Underwriters are committed to take and pay for all of the Bonds if any are taken. The Company has agreed to pay the Underwriters \$397,250 as compensation and to reimburse the Underwriters for their reasonable expenses.

The Issuer has been advised by the Underwriters that the Bonds may be offered and sold to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering price set forth on the cover page of this Official Statement. After the Bonds are released for sale to the public, the public offering price and other selling terms may from time to time be varied by the Underwriters.

In connection with this offering and in compliance with applicable law and industry practice, the Underwriters may overallocate or effect transactions which stabilize, maintain or otherwise affect the market price of the Bonds at levels above those which might otherwise prevail in the open market, including by entering stabilizing bids. A stabilizing bid means the placing of a bid, or the effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of a security. In general, purchases of a security for the purpose of stabilization could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither the Issuer, the Company nor the Underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither the Issuer, the Company nor the Underwriters make any representation that the Underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Pursuant to an Inducement Letter, the Company has agreed to indemnify the Underwriters and the Issuer against certain civil liabilities, including liabilities under the federal securities laws, or contribute to payments that the Underwriters or the Issuer may be required to make in respect thereof.

The Underwriters and/or certain of their affiliates may engage in transactions with, and from time to time have performed services for, the Company in the ordinary course of business.

## **CONTINUING DISCLOSURE AGREEMENT**

The Company will agree to deliver certain continuing disclosure information satisfying the requirements of Rule 15c2-12 ("Rule") under the 1934 Act. Any holder of an outstanding Bond, directly or through the Trustee, may specifically enforce the Company's disclosure obligations, but any breach by the Company of this undertaking pursuant to the Rule will not constitute an Event of Default under the Agreement or the Indenture.



## **TAX EXEMPTION**

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, except for interest on any Bond for any period during which it is held by a "substantial user" or a "related person" as those terms are used in Section 147(a) of the Code; (ii) interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (iii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax, and municipal, school district and joint economic development district income taxes in Ohio. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Issuer and the Company contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the Issuer's and the Company's certifications and representations or the continuing compliance with the Issuer's and the Company's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Issuer or the Company may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Company and the Issuer have each covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market value of the Bonds.

Although a portion of the interest on certain tax-exempt obligations earned by certain corporations may be included in the calculation of adjusted current earnings for purposes of the

federal corporate alternative minimum tax, interest on certain tax-exempt obligations issued in 2009 and 2010, including the Bonds, is excluded from that calculation. Interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the excludability of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress, and may also be considered by the Ohio legislature. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest or other income on the Bonds or the market value of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and Ohio tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the price indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Company or the beneficial owners regarding the tax status of interest on the Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Issuer as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value for the Bonds.

## LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Cleveland, Ohio, Bond Counsel, which will be furnished at the expense of the Company upon delivery of the Bonds, in substantially the form set forth as Appendix B (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of interest thereon as described in the section *TAX EXEMPTION*. Bond Counsel has not been engaged to investigate the financial resources of the Company or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds.

Certain legal matters will be passed upon by Thomas G. Berkemeyer, counsel for the Company. Thomas G. Berkemeyer is Associate General Counsel of American Electric Power Service Corporation, an affiliate of the Company. Certain legal matters, other than the validity of the Bonds and the exclusion from gross income of interest thereon, will be passed upon by Dewey & LeBoeuf LLP, New York, New York, counsel for the Underwriters. Certain legal matters will be passed on for the Issuer by its counsel, Forbes, Fields & Associates Co., L.P.A. Squire, Sanders & Dempsey L.L.P. and Dewey & LeBoeuf LLP each act as counsel to certain affiliates of the Company for some matters.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## MISCELLANEOUS

The attached Appendices (including documents incorporated by references therein) are an integral part of the Official Statement and must be read together with all of the balance of this Official Statement.

The Issuer does not assume any responsibility for the matters contained in this Official Statement other than information under *THE ISSUER*. All findings and determinations by the Issuer relating to the issuance and sale of the Bonds are, and have been, made by the Issuer for its own internal uses and purposes in performing its duties under Ohio law.

## **APPENDIX A**

### **OHIO POWER COMPANY**

The Company is a public utility engaged in generating, purchasing, transmitting, distributing and selling electricity in Ohio. Its principal executive office is 1 Riverside Plaza, Columbus, Ohio 43215 and the telephone number is (614) 716-1000. The Company is a subsidiary of American Electric Power Company, Inc. (AEP) and is a part of the AEP integrated utility system.

### **AVAILABLE INFORMATION**

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (1934 Act) and in accordance therewith files reports and other information with the Securities and Exchange Commission (SEC). Such reports and other information may be inspected and copied at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC, Washington, D.C. 20549 at prescribed rates. The SEC may be contacted at 1-800-SEC-0330 for information on the public reference room. The SEC maintains a web site at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including the Company. Certain of the Company's securities are listed on the New York Stock Exchange, Inc., where reports, information statements and other information concerning the Company may also be inspected.

### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents filed with the SEC by the Company pursuant to the 1934 Act are incorporated by reference in this Appendix A and made a part of this Official Statement:

- The Company's Annual Report on Form 10-K for the year ended December 31, 2009, and
- The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

All documents subsequently filed by the Company with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Official Statement and prior to the termination of the offering of the securities offered by this Official Statement are to be incorporated by reference in this Appendix A and to be a part of this Official Statement from the date such documents are filed.

Any statement contained in a document so incorporated or deemed to be incorporated shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which is deemed to be so incorporated modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Appendix A.

The Company will provide without charge to each person to whom a copy of this Official Statement has been delivered, on the written or oral request of any such person, a copy of any or all of the documents described above which have been incorporated by reference in this Appendix A, other than exhibits to such documents. Written requests for copies of such documents should be addressed to Financial Reporting, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215 (telephone number: 614-716-1000). The information relating to the Company contained in this Appendix A does not purport to be comprehensive and should be read together with the information contained in the documents incorporated by reference.

## **RISK FACTORS**

Investing in the Bonds involves risk. Please see the risk factors described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, which are incorporated by reference in this Official Statement. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this Official Statement. The risks and uncertainties described are those presently known to the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations, the Company's financial results and the value of the Bonds.

## **RATIO OF EARNINGS TO FIXED CHARGES**

The Ratio of Earnings to Fixed Charges for each of the periods indicated is as follows:

<u>Twelve Months Period Ended</u>	<u>Ratio</u>
December 31, 2005	4.08
December 31, 2006	3.39
December 31, 2007	3.45
December 31, 2008	2.65
December 31, 2009	3.72
March 31, 2010	4.03

The Ratio of Earnings to Fixed Charges for the three month period ended March 31, 2010 was 4.38. For the purposes of calculating the Ratio of Earnings to Fixed Charges, "earnings" represents income before income taxes, extraordinary items, and cumulative effect of accounting changes, plus fixed charges. "Fixed charges" consist of interest expense, amortization of debt issuance costs, and the portion of operating rental expense which management believes is representative of the interest within rental expense.

For current information on the Ratio of Earnings to Fixed Charges, please see the Company's most recent Form 10-K and 10-Q. See *Available Information*.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements incorporated by reference in this Offering Statement from the Ohio Power Company Annual Report on Form 10-K for the year ended December 31, 2009 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report incorporated by reference herein (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of a new accounting pronouncement).

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## **APPENDIX B**

### **PROPOSED FORM OF OPINION OF BOND COUNSEL**

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Air Quality Development Authority (the "Issuer") of \$79,450,000 principal amount of State of Ohio Air Quality Revenue Refunding Bonds (Ohio Power Company Project), Series 2010A (the "Bonds"). The Bonds are being issued for the purpose of making a loan to assist Ohio Power Company (the "Company") in the refunding of \$79,450,000 State of Ohio Air Quality Revenue Bonds (Ohio Power Company Project), Series 2008A, previously issued to assist the Company in financing of a portion of the costs of acquiring, constructing and installing certain solid waste disposal facilities comprising "air quality facilities" as defined in Section 3706.01 of the Ohio Revised Code, as more particularly described in the Indenture of Trust dated as of May 1, 2010 (the "Indenture") between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"), and in the Loan Agreement dated as of May 1, 2010 (the "Agreement") between the Issuer and the Company. We have also examined executed counterparts of the Indenture and the Agreement and a conformed copy of an executed Bond.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Bonds, the Indenture and the Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.
2. The Bonds constitute special obligations of the State of Ohio, and the principal of and interest on the Bonds and the purchase price of the Bonds (collectively, "debt charges") are payable solely from the revenues and other moneys assigned by the Indenture to secure those payments. Those revenues and other moneys include the payments required to be made by the Company under its promissory note (the "Note") delivered to the Issuer, and irrevocably assigned by the Issuer to the Trustee, all pursuant to the Agreement. The Bonds do not constitute a debt or pledge of the faith and credit of the Issuer or the State of Ohio or any political subdivision thereof, and the holders or owners thereof have no right to have taxes levied by the General Assembly of the State of Ohio or any political subdivision of the State of Ohio for the payment of debt charges.
3. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), except interest on any Bond for any period during which it is held by a "substantial user" or a "related person" as those terms are used in Section 147(a) of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. The interest on the Bonds, and any profit made on their sale, exchange or other disposition, are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax, and municipal, school district and joint economic development district income taxes in Ohio. We express no opinion as to any other tax consequences regarding the Bonds.



Under the Code, interest on the Bonds is excluded from the calculation of a corporation's adjusted current earnings for purposes of the corporate alternative minimum tax, but interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In giving the foregoing opinion, we have assumed and relied upon compliance with the covenants of the Issuer and the Company and the accuracy, which we have not independently verified, of the representations and certifications of the Issuer and of the Company contained in the Transcript. The accuracy of certain of those representations and certifications, and compliance by the Issuer and the Company with certain of those covenants, may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain requirements with respect to the Bonds subsequent to the issuance of the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. We have also assumed for purposes of this opinion (i) the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Trustee of the Indenture and (ii) the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Company of the Agreement and the Note.

Respectfully submitted,