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FILE

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

11-2319-EL-A15

April 5, 2011

Re: **COLUMBUS SOUTHERN POWER COMPANY**

Gentlemen:

Enclosed on behalf of Columbus Southern Power Company are one executed and five conformed copies of an Application for authority to issue short-term notes and other evidences of indebtedness.

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

Very truly yours,

  
David C. House

DCH/jl

Enclosures

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Before  
THE PUBLIC UTILITIES COMMISSION OF OHIO

.....  
In the Matter of the application of  
COLUMBUS SOUTHERN POWER COMPANY  
for authority to issue short-term notes and other  
evidences of indebtedness  
.....

Case No. 11-2319-EL-AIS

APPLICATION AND STATEMENT

TO THE HONORABLE

THE PUBLIC UTILITIES COMMISSION OF OHIO:

Your Applicant, Columbus Southern Power Company, respectfully shows:

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

SECOND: Applicant's authorized and outstanding capital stock as of December 31, 2010 was as follows:

(1) 24,000,000 shares of Common Stock without par value authorized, of which there were 16,410,426 shares issued and outstanding;

(2) 2,500,000 Cumulative Preferred Shares (par value \$100) authorized, of which there were none issued and outstanding; and

(3) 7,000,000 Cumulative Preferred Shares (par value \$25) authorized, of which there were none issued and outstanding.

THIRD: The outstanding funded debt of Applicant as of December 31, 2010 consisted of \$1,442,745,000 of unsecured long-term notes and other long-term debt (including capital leases), all of which notes were issued pursuant to former orders of your Honorable Commission. Applicant had no short-term debt outstanding at December 31, 2010.

FOURTH: Attached hereto as Exhibit A are financial statements, including a balance sheet and statements of income and retained earnings of the Applicant as of December 31, 2010.

FIFTH: Applicant hereby requests authorization to continue to participate in the AEP System Utility Money Pool ("Money Pool")<sup>1</sup> as set forth in this Application and to make short-term borrowings up to \$350,000,000 from the Money Pool from time to time through May 31, 2012.

*A. Background and Request.*

In Case No. 10-345-EL-AIS, this Commission authorized Applicant to participate in the Money Pool and to make short-term borrowing up to \$350,000,000 from the Money Pool from time to time through May 31, 2011. Each Participant, other than AEP and AEP Utilities, makes unsecured short-term borrowings from the Money Pool and contributes surplus funds to the Money Pool. AEP and AEP Utilities may only contribute funds to the Money Pool and are not authorized to borrow funds from the Money Pool. A copy of the AEP System Utility Money Pool Agreement is attached hereto as Exhibit B.

*B. Current Operations.*

All short-term borrowing needs of the Participants are met by funds in the Money Pool to the extent such funds are available. Applicant has the right to borrow from the Money Pool from time to time, subject to the availability of funds; provided, however, that the aggregate

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<sup>1</sup> In addition to Applicant, the following companies participate in the Money Pool: American Electric Power Company, Inc. ("AEP"), AEP Generating Company, AEP Texas Central Company, AEP Texas North Company, AEP Utilities, Inc. ("AEP Utilities"), Appalachian Power Company, Indiana Michigan Power Company, Kingsport Power Company, Ohio Power Company, Public Service Company of Oklahoma, Southwestern Electric Power Company, Wheeling Power Company, American Electric Power Service Corporation ("AEPSC"), Cedar Coal Company, Central Appalachian Coal Company, Central Coal Company, Colomet, Inc., Simco, Inc., Southern Appalachian Coal Company, Blackhawk Coal Company, Conesville Coal Preparation Company, Dolet Hills Lignite Company LLC, Franklin Real Estate Company, and Indiana Franklin Realty, Inc. ("Participants").

amount of all loans requested by Applicant shall not exceed its short-term borrowing limit of \$350,000,000. Applicant is not obligated to borrow from the Money Pool if lower cost funds can be obtained from its own external borrowing. While AEP does not borrow funds from the Money Pool or any Participant, AEP does contribute funds to the Money Pool.

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

*C. Sources of Funds.*

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

AEPSC administers the Money Pool by matching up, to the extent possible, short-term cash surpluses and loan requirements of the various Participants. Participants' requests for short-term loans are met first from surplus funds of other Participants which are available to the Money Pool. To the extent that Participant contributions of surplus funds to the Money Pool are insufficient to meet Participant requests for short-term loans, AEP may contribute surplus corporate funds to the extent available or borrowings may be made from external sources. Funds which are loaned from Participants into the Money Pool which are not required to satisfy borrowing needs of other Participants are invested on the behalf of the Money Pool in one or more short-term instruments.

*D.     Use of Proceeds.*

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

*E.     Interest Rate.*

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

Each Participant receiving a loan must repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event not later than the then-effective expiration date of the authorization for the operation of the Money Pool. All loans made through the Money Pool may be prepaid by the borrower without premium or penalty. If the Money Pool is in an invested position, interest income related to external investments is calculated daily and allocated back to Participants on the basis of their relative contribution to the investment pool funds on that date.

SIXTH: Applicant states that participation in the Money Pool will be in accordance with the transition plans for Applicant approved by this Commission in Case No. 99-1729-EL-ETP and the electric security plan for Applicant approved by this Commission in Case No. 08-917-EL-SSO.


\* \* \*

WHEREFORE: Applicant prays for authority from your Honorable Commission to continue to participate in the AEP System Utility Money Pool as set forth in this Application and to make short-term borrowings up to \$350,000,000 from the Money Pool from time to time.

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

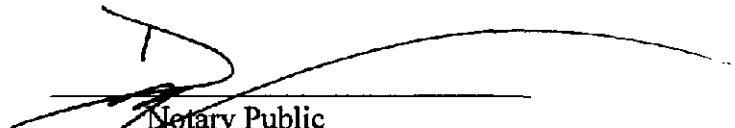
Respectfully submitted this 5<sup>th</sup> day of April, 2011.

COLUMBUS SOUTHERN POWER COMPANY

By   
\_\_\_\_\_  
Renee V. Hawkins  
Assistant Treasurer

STATE OF OHIO                    )  
  ) SS:  
COUNTY OF FRANKLIN        )

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

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

Dated: April 5, 2011



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



**EXHIBIT A**

**Financial Statements of Applicant as of December 31, 2010**

**EXHIBIT B**

**AEP System Utility Money Pool Agreement**

COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
For the Years Ended December 31, 2010, 2009 and 2008  
(in thousands)

|   | 2010              | 2009              | 2008              |
|---|-------------------|-------------------|-------------------|
| <b>REVENUES</b>   |                   |                   |                   |
| Electric Generation, Transmission and Distribution      | \$ 2,063,255      | \$ 1,934,338      | \$ 2,079,610      |
| Sales to AEP Affiliates                                 | 82,994            | 67,213            | 122,949           |
| Other Revenues  | 2,792             | 3,022             | 5,542             |
| <b>TOTAL REVENUES</b>                                   | <b>2,149,041</b>  | <b>2,004,573</b>  | <b>2,208,101</b>  |
| <b>EXPENSES</b>   |                   |                   |                   |
| Fuel and Other Consumables Used for Electric Generation | 399,886           | 298,198           | 360,792           |
| Purchased Electricity for Resale                        | 106,114           | 85,262            | 197,943           |
| Purchased Electricity from AEP Affiliates               | 409,097           | 392,761           | 413,518           |
| Other Operation   | 350,047           | 290,632           | 348,051           |
| Maintenance   | 108,389           | 126,441           | 109,335           |
| Depreciation and Amortization                           | 151,440           | 144,402           | 186,746           |
| Taxes Other Than Income Taxes                           | 187,260           | 175,151           | 168,028           |
| <b>TOTAL EXPENSES</b>                                   | <b>1,712,233</b>  | <b>1,512,847</b>  | <b>1,784,413</b>  |
| <b>OPERATING INCOME</b>                                 | <b>436,808</b>    | <b>491,726</b>    | <b>423,688</b>    |
| Other Income (Expense):                                 |                   |                   |                   |
| Interest Income   | 919               | 802               | 5,334             |
| Carrying Costs Income                                   | 8,166             | 7,656             | 6,551             |
| Allowance for Equity Funds Used During Construction     | 2,072             | 3,382             | 3,364             |
| Interest Expense  | (85,893)          | (88,184)          | (92,068)          |
| <b>INCOME BEFORE INCOME TAX EXPENSE</b>                 | <b>362,072</b>    | <b>415,382</b>    | <b>346,869</b>    |
| Income Tax Expense                                      | 131,849           | 143,721           | 109,739           |
| <b>NET INCOME</b>                                       | <b>230,223</b>    | <b>271,661</b>    | <b>237,130</b>    |
| Capital Stock Expense                                   | 149               | 157               | 157               |
| <b>EARNINGS ATTRIBUTABLE TO COMMON STOCK</b>            | <b>\$ 230,074</b> | <b>\$ 271,504</b> | <b>\$ 236,973</b> |

The common stock of CSPCo is wholly-owned by AEP.

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S  
EQUITY AND COMPREHENSIVE INCOME (LOSS)  
For the Years Ended December 31, 2010, 2009 and 2008  
(in thousands)

|  | Common<br>Stock  | Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total               |
|--|------------------|--------------------|----------------------|--|---------------------|
| <b>TOTAL COMMON SHAREHOLDER'S EQUITY –<br/>DECEMBER 31, 2007</b>       | <b>\$ 41,026</b> | <b>\$ 580,349</b>  | <b>\$ 561,696</b>    | <b>\$ (18,794)</b>                                     | <b>\$ 1,164,277</b> |
| Adoption of Guidance for Split-Dollar Life Insurance                   |                  |                    |                      |  |                     |
| Accounting, Net of Tax of \$589  |                  |                    | (1,095)              |  | (1,095)             |
| Adoption of Guidance for Fair Value Accounting, Net of Tax of \$170    |                  |                    | (316)                |  | (316)               |
| Common Stock Dividends   |                  |                    | (122,500)            |  | (122,500)           |
| Capital Stock Expense  |                  | 157                | (157)                |  | –                   |
| <b>SUBTOTAL – COMMON SHAREHOLDER'S EQUITY</b>                          |                  |                    |                      |  | <b>1,040,366</b>    |
| <b>COMPREHENSIVE INCOME</b>  |                  |                    |                      |  |                     |
| Other Comprehensive Income (Loss), Net of Taxes:                       |                  |                    |                      |  |                     |
| Cash Flow Hedges, Net of Tax of \$1,174                                |                  |                    |                      | 2,181  | 2,181               |
| Amortization of Pension and OPEB Deferred Costs, Net of Tax of \$607   |                  |                    |                      | 1,128  | 1,128               |
| Pension and OPEB Funded Status, Net of Tax of \$19,137                 |                  |                    |                      | (35,540)   | (35,540)            |
| <b>NET INCOME</b>  |                  |                    | <b>237,130</b>       |  | <b>237,130</b>      |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                      |                  |                    |                      |  | <b>204,899</b>      |
| <b>TOTAL COMMON SHAREHOLDER'S EQUITY –<br/>DECEMBER 31, 2008</b>       | <b>41,026</b>    | <b>580,506</b>     | <b>674,758</b>       | <b>(51,025)</b>  | <b>1,245,265</b>    |
| Common Stock Dividends   |                  |                    | (150,000)            |  | (150,000)           |
| Capital Stock Expense  |                  | 157                | (157)                |  | –                   |
| Noncash Dividend of Property to Parent                                 |                  |                    | (8,123)              |  | (8,123)             |
| <b>SUBTOTAL – COMMON SHAREHOLDER'S EQUITY</b>                          |                  |                    |                      |  | <b>1,087,142</b>    |
| <b>COMPREHENSIVE INCOME</b>  |                  |                    |                      |  |                     |
| Other Comprehensive Income (Loss), Net of Taxes:                       |                  |                    |                      |  |                     |
| Cash Flow Hedges, Net of Tax of \$1,027                                |                  |                    |                      | (1,907)  | (1,907)             |
| Amortization of Pension and OPEB Deferred Costs, Net of Tax of \$1,193 |                  |                    |                      | 2,215  | 2,215               |
| Pension and OPEB Funded Status, Net of Tax of \$390                    |                  |                    |                      | 724  | 724                 |
| <b>NET INCOME</b>  |                  |                    | <b>271,661</b>       |  | <b>271,661</b>      |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                      |                  |                    |                      |  | <b>272,693</b>      |
| <b>TOTAL COMMON SHAREHOLDER'S EQUITY –<br/>DECEMBER 31, 2009</b>       | <b>41,026</b>    | <b>580,663</b>     | <b>788,139</b>       | <b>(49,993)</b>  | <b>1,359,835</b>    |
| Common Stock Dividends   |                  |                    | (102,500)            |  | (102,500)           |
| Capital Stock Expense  |                  | 149                | (149)                |  | –                   |
| <b>SUBTOTAL – COMMON SHAREHOLDER'S EQUITY</b>                          |                  |                    |                      |  | <b>1,257,335</b>    |
| <b>COMPREHENSIVE INCOME</b>  |                  |                    |                      |  |                     |
| Other Comprehensive Income (Loss), Net of Taxes:                       |                  |                    |                      |  |                     |
| Cash Flow Hedges, Net of Tax of \$130                                  |                  |                    |                      | 242  | 242                 |
| Amortization of Pension and OPEB Deferred Costs, Net of Tax of \$1,333 |                  |                    |                      | 2,475  | 2,475               |
| Pension and OPEB Funded Status, Net of Tax of \$2,186                  |                  |                    |                      | (4,060)  | (4,060)             |
| <b>NET INCOME</b>  |                  |                    | <b>230,223</b>       |  | <b>230,223</b>      |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                      |                  |                    |                      |  | <b>228,880</b>      |
| <b>TOTAL COMMON SHAREHOLDER'S EQUITY –</b>                             |                  |                    |                      |  |                     |

DECEMBER 31, 2010

\$ 41,026 \$ 580,812 \$ 915,713 \$ (51,336) \$ 1,486,215

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

**COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

ASSETS  
December 31, 2010 and 2009  
(in thousands)

|  | <u>2010</u>         | <u>2009</u>         |
|--|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                            |                     |                     |
| Cash and Cash Equivalents                        | \$ 509              | \$ 1,096            |
| Other Cash Deposits                              | 2,260               | 16,150              |
| Advances to Affiliates                           | 54,202              | —                   |
| Accounts Receivable:                             |                     |                     |
| Customers  | 50,187              | 37,158              |
| Affiliated Companies                             | 66,788              | 28,555              |
| Accrued Unbilled Revenues                        | 32,821              | 11,845              |
| Miscellaneous                                    | 14,374              | 4,164               |
| Allowance for Uncollectible Accounts             | (1,584)             | (3,481)             |
| Total Accounts Receivable                        | <u>162,586</u>      | <u>78,241</u>       |
| Fuel   | 72,882              | 74,158              |
| Materials and Supplies                           | 42,033              | 39,652              |
| Emission Allowances                              | 28,486              | 26,587              |
| Risk Management Assets                           | 23,774              | 34,343              |
| Accrued Tax Benefits                             | 8,797               | 29,273              |
| Margin Deposits                                  | 14,762              | 14,874              |
| Prepayments and Other Current Assets             | 26,864              | 6,349               |
| <b>TOTAL CURRENT ASSETS</b>                      | <u>437,155</u>      | <u>320,723</u>      |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>             |                     |                     |
| Electric:  |                     |                     |
| Generation                                       | 2,686,294           | 2,641,860           |
| Transmission                                     | 662,312             | 623,680             |
| Distribution                                     | 1,796,023           | 1,745,559           |
| Other Property, Plant and Equipment              | 203,593             | 189,315             |
| Construction Work in Progress                    | 172,793             | 155,081             |
| Total Property, Plant and Equipment              | 5,521,015           | 5,355,495           |
| Accumulated Depreciation and Amortization        | 1,927,112           | 1,838,840           |
| <b>TOTAL PROPERTY, PLANT AND EQUIPMENT - NET</b> | <u>3,593,903</u>    | <u>3,516,655</u>    |
| <b>OTHER NONCURRENT ASSETS</b>                   |                     |                     |
| Regulatory Assets                                | 298,111             | 341,029             |
| Long-term Risk Management Assets                 | 22,089              | 23,882              |
| Deferred Charges and Other Noncurrent Assets     | 152,932             | 147,217             |
| <b>TOTAL OTHER NONCURRENT ASSETS</b>             | <u>473,132</u>      | <u>512,128</u>      |
| <b>TOTAL ASSETS</b>                              | <u>\$ 4,504,190</u> | <u>\$ 4,349,506</u> |

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

**COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND SHAREHOLDER'S EQUITY**  
December 31, 2010 and 2009

|  | 2010                | 2009                |
|--|---------------------|---------------------|
|  | (in thousands)      |                     |
| <b>CURRENT LIABILITIES</b>                                 |                     |                     |
| Advances from Affiliates                                   | \$ -                | \$ 24,202           |
| Accounts Payable:  |                     |                     |
| General  | 98,925              | 95,872              |
| Affiliated Companies                                       | 78,617              | 81,338              |
| Long-term Debt Due Within One Year – Nonaffiliated         | -                   | 150,000             |
| Long-term Debt Due Within One Year – Affiliated            | -                   | 100,000             |
| Risk Management Liabilities                                | 15,967              | 13,052              |
| Customer Deposits  | 29,441              | 27,911              |
| Accrued Taxes  | 226,572             | 199,001             |
| Accrued Interest   | 22,533              | 24,669              |
| Other Current Liabilities                                  | 111,868             | 67,053              |
| <b>TOTAL CURRENT LIABILITIES</b>                           | <b>583,923</b>      | <b>783,098</b>      |
| <b>NONCURRENT LIABILITIES</b>                              |                     |                     |
| Long-term Debt – Nonaffiliated                             | 1,438,830           | 1,286,393           |
| Long-term Risk Management Liabilities                      | 6,223               | 10,313              |
| Deferred Income Taxes                                      | 604,828             | 535,265             |
| Regulatory Liabilities and Deferred Investment Tax Credits | 163,888             | 174,671             |
| Employee Benefits and Pension Obligations                  | 136,643             | 133,968             |
| Deferred Credits and Other Noncurrent Liabilities          | 83,640              | 65,963              |
| <b>TOTAL NONCURRENT LIABILITIES</b>                        | <b>2,434,052</b>    | <b>2,206,573</b>    |
| <b>TOTAL LIABILITIES</b>                                   | <b>3,017,975</b>    | <b>2,989,671</b>    |
| Rate Matters (Note 4)                                      |                     |                     |
| Commitments and Contingencies (Note 6)                     |                     |                     |
| <b>COMMON SHAREHOLDER'S EQUITY</b>                         |                     |                     |
| Common Stock – No Par Value:                               |                     |                     |
| Authorized – 24,000,000 Shares                             |                     |                     |
| Outstanding – 16,410,426 Shares                            | 41,026              | 41,026              |
| Paid-in Capital  | 580,812             | 580,663             |
| Retained Earnings  | 915,713             | 788,139             |
| Accumulated Other Comprehensive Income (Loss)              | (51,336)            | (49,993)            |
| <b>TOTAL COMMON SHAREHOLDER'S EQUITY</b>                   | <b>1,486,215</b>    | <b>1,359,835</b>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>          | <b>\$ 4,504,190</b> | <b>\$ 4,349,506</b> |

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2010, 2009 and 2008  
(in thousands)

|  | 2010       | 2009       | 2008       |
|--|------------|------------|------------|
| <b>OPERATING ACTIVITIES</b>  |            |            |            |
| Net Income   | \$ 230,223 | \$ 271,661 | \$ 237,130 |
| Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities: |            |            |            |
| Depreciation and Amortization  | 151,440    | 144,402    | 186,746    |
| Deferred Income Taxes  | 74,585     | 131,407    | (303)      |
| Carrying Costs Income  | (8,166)    | (7,656)    | (6,551)    |
| Allowance for Equity Funds Used During Construction                              | (2,072)    | (3,382)    | (3,364)    |
| Mark-to-Market of Risk Management Contracts                                      | 11,807     | (4,786)    | (10,551)   |
| Property Taxes   | (12,463)   | (7,364)    | (2,169)    |
| Fuel Over/Under-Recovery, Net  | 21,792     | (36,028)   | —          |
| Provision for 2009 Significantly Excessive Earnings Test                         | 42,683     | —          | —          |
| Change in Other Noncurrent Assets  | 596        | (36,462)   | (8,984)    |
| Change in Other Noncurrent Liabilities   | (17,655)   | 15,858     | 12,254     |
| Changes in Certain Components of Working Capital:                                |            |            |            |
| Accounts Receivable, Net   | (75,580)   | 52,088     | (14,976)   |
| Fuel, Materials and Supplies   | 880        | (37,954)   | (3,381)    |
| Accounts Payable   | 17,209     | (57,666)   | 67,349     |
| Customer Deposits  | 1,530      | (2,234)    | (12,950)   |
| Accrued Taxes, Net   | 43,965     | (17,319)   | 5,075      |
| Other Current Assets   | 3,251      | 9,439      | (23,730)   |
| Other Current Liabilities  | 5,867      | (16,027)   | (8,241)    |
| Net Cash Flows from Operating Activities   | 489,892    | 397,977    | 413,354    |
| <b>INVESTING ACTIVITIES</b>  |            |            |            |
| Construction Expenditures  | (235,901)  | (302,699)  | (433,014)  |
| Change in Other Cash Deposits  | 13,890     | 16,150     | 21,460     |
| Change in Advances to Affiliates, Net  | (54,202)   | —          | —          |
| Acquisitions of Assets   | (742)      | (232)      | (807)      |
| Proceeds from Sales of Assets  | 5,106      | 823        | 1,576      |
| Other Investing Activities   | 12,667     | —          | —          |
| Net Cash Flows Used for Investing Activities                                     | (259,182)  | (285,958)  | (410,785)  |
| <b>FINANCING ACTIVITIES</b>  |            |            |            |
| Issuance of Long-term Debt – Nonaffiliated                                       | 149,443    | 91,160     | 346,397    |
| Change in Advances from Affiliates, Net  | (24,202)   | (50,663)   | (20,334)   |
| Retirement of Long-term Debt – Nonaffiliated                                     | (150,000)  | —          | (204,245)  |
| Retirement of Long-term Debt – Affiliated  | (100,000)  | —          | —          |
| Principal Payments for Capital Lease Obligations                                 | (4,170)    | (2,704)    | (2,936)    |
| Dividends Paid on Common Stock   | (102,500)  | (150,000)  | (122,500)  |
| Other Financing Activities   | 132        | 221        | 723        |
| Net Cash Flows Used for Financing Activities                                     | (231,297)  | (111,986)  | (2,895)    |
| Net Increase (Decrease) in Cash and Cash Equivalents                             | (587)      | 33         | (326)      |
| Cash and Cash Equivalents at Beginning of Period                                 | 1,096      | 1,063      | 1,389      |
| Cash and Cash Equivalents at End of Period                                       | \$ 509     | \$ 1,096   | \$ 1,063   |
| <b>SUPPLEMENTARY INFORMATION</b>   |            |            |            |
| Cash Paid for Interest, Net of Capitalized Amounts                               | \$ 85,240  | \$ 94,054  | \$ 78,539  |
| Net Cash Paid for Income Taxes   | 36,805     | 46,945     | 113,140    |
| Noncash Acquisitions Under Capital Leases  | 9,633      | 892        | 2,326      |
| Government Grants Included in Accounts Receivable at December 31,                | 9,260      | —          | —          |
| Construction Expenditures Included in Accounts Payable at December 31,           | 14,229     | 31,106     | 47,438     |
| Noncash Dividend of Property to Parent   | —          | 8,123      | —          |
| SIA Refund Included in Accounts Payable at December 31,                          | —          | —          | 44,178     |

See Notes to Financial Statements of Registrant Subsidiaries beginning on page 246.

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

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

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

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

And

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

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



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

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

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

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

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

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

## ARTICLE I CONTRIBUTIONS AND BORROWINGS

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

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

### Section 1.2 Rights to Borrow.

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

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

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

### Section 1.3 Source of Funds.

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

#### Section 1.4 Authorization.

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

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

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

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

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

#### Section 1.6 Utility Money Pool Interest.

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

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

#### Section 1.7 Investment Pool Interest

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

#### Section 1.8 Repayment

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

#### Section 1.9 Form of Loans to Participants

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

### ARTICLE II OPERATION OF THE UTILITY MONEY POOL

#### Section 2.1 Operation

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

#### Section 2.2 Certain Costs

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

### Section 2.3 Event of Default.

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

## ARTICLE III AEP UTILITIES FUNDING LLC

### Section 3.1 AEPUF.

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

### Section 3.2 Loans.

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

### Section 3.3 Several Liability.

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

### Section 3.4 Placement Agents.

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

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

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

## ARTICLE IV MISCELLANEOUS

### Section 4.1 Amendments.

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

Section 4.2 Legal Responsibility.

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

Section 4.3 Governing Law.

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

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

AMERICAN ELECTRIC POWER COMPANY, INC.

and

AEP UTILITIES, INC.

AEP UTILITY FUNDING LLC

AMERICAN ELECTRIC POWER SERVICE CORPORATION, as  
Agent and Participant

Participants:

AEP GENERATING COMPANY  
AEP TEXAS CENTRAL COMPANY  
AEP TEXAS NORTH COMPANY  
APPALACHIAN POWER COMPANY  
COLUMBUS SOUTHERN POWER COMPANY  
INDIANA MICHIGAN POWER COMPANY  
KENTUCKY POWER COMPANY  
KINGSPORT POWER COMPANY  
OHIO POWER COMPANY  
PUBLIC SERVICE COMPANY OF OKLAHOMA  
SOUTHWESTERN ELECTRIC POWER COMPANY  
WHEELING POWER COMPANY

BLACKHAWK COAL COMPANY  
CEDAR COAL COMPANY  
CENTRAL APPALACHIAN COAL COMPANY  
CENTRAL COAL COMPANY  
COLOMET, INC.  
CONESVILLE COAL PREPARATION COMPANY  
DOLET HILLS LIGNITE COMPANY, LLC  
FRANKLIN REAL ESTATE COMPANY  
INDIANA FRANKLIN REALTY, INC.  
SIMCO, INC.  
SOUTHERN APPALACHIAN COAL COMPANY

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



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

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

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

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

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

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

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

[illegible]