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FILE

11-2320-EL-A15

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

April 5, 2011

Re: **OHIO POWER COMPANY**

Gentlemen:

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

Case No. 11-2320EL-AIS

APPLICATION AND STATEMENT

TO THE HONORABLE

THE PUBLIC UTILITIES COMMISSION OF OHIO:

Your Applicant, Ohio Power Company, respectfully shows:

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

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

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

(2) 3,762,403 Cumulative Preferred Shares (par value \$100) authorized, of which the following were issued and outstanding: a 4-1/2% Series consisting of 97,357 shares; a 4.40% Series consisting of 31,482 shares; a 4.08% Series consisting of 14,495 shares; and a 4.20% Series consisting of 22,824 shares; and

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

THIRD: The outstanding funded debt of Applicant as of December 31, 2010 consisted of \$2,734,580,000 of unsecured long-term notes and other long-term debt (including capital leases), all of which notes were issued pursuant to former orders of your Honorable Commission. Applicant had no short-term debt outstanding at December 31, 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")¹ as set forth in this Application and to make short-term borrowings up to \$600,000,000 from the Money Pool from time to time through May 31, 2012.

A. Background and Request.

In Case No. 10-346-EL-AIS, this Commission authorized Applicant to participate in the Money Pool and to make short-term borrowing up to \$600,000,000 from the Money Pool from time to time through May 31, 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.

¹ 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, Columbus Southern Power Company, Indiana Michigan Power Company, Kingsport 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").

B. Current Operations.

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

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

C. Sources of Funds.

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

AEPSC administers the Money Pool by matching up, to the extent possible, short-term cash surpluses and loan requirements of the various Participants. Participants' requests for short-term loans are met first from surplus funds of other Participants which are available to the Money Pool. To the extent that Participant contributions of surplus funds to the Money Pool are insufficient to meet Participant requests for short-term loans, AEP may contribute surplus corporate funds to the extent available or borrowings may be made from external sources. Funds which are

loaned from Participants into the Money Pool which are not required to satisfy borrowing needs of other Participants are invested on the behalf of the Money Pool in one or more short-term instruments.

D. Use of Proceeds.

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

E. Interest Rate.

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

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

If the Money Pool is in an invested position, interest income related to external investments is calculated daily and allocated back to Participants on the basis of their relative contribution to the investment pool funds on that date.

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. 99-1730-EL-ETP and the electric security plan for Applicant approved by this Commission in Case No. 08-918-EL-SSO.

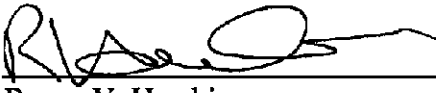
* * *

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 \$600,000,000 from the Money Pool from time to time.

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

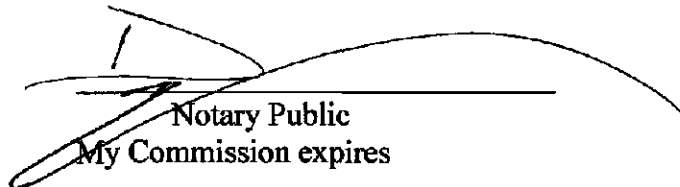
Respectfully submitted this 5th day of April, 2011.

OHIO POWER COMPANY

By 
Renee V. Hawkins
Assistant Treasurer

STATE OF OHIO)
) SS:
COUNTY OF FRANKLIN)

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



Notary Public
My Commission expires

Dated: 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

Exhibit A

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

	2010	2009	2008
REVENUES			
Electric Generation, Transmission and Distribution	\$ 2,159,206	\$ 1,941,257	\$ 2,116,797
Sales to AEP Affiliates	1,025,923	1,034,290	940,468
Other Revenues – Affiliated	21,069	23,457	20,732
Other Revenues – Nonaffiliated	17,509	12,570	18,937
TOTAL REVENUES	3,223,707	3,011,574	3,096,934
EXPENSES			
Fuel and Other Consumables Used for Electric Generation	1,088,588	988,520	1,190,939
Purchased Electricity for Resale	180,721	178,123	175,429
Purchased Electricity from AEP Affiliates	93,971	74,598	140,686
Other Operation	446,264	386,323	414,945
Maintenance	238,356	224,439	213,431
Depreciation and Amortization	361,728	352,068	273,720
Taxes Other Than Income Taxes	206,277	194,310	192,734
TOTAL EXPENSES	2,615,905	2,398,381	2,601,884
OPERATING INCOME	607,802	613,193	495,050
Other Income (Expense):			
Interest Income	1,648	1,436	6,515
Carrying Costs Income	23,630	10,698	16,309
Allowance for Equity Funds Used During Construction	3,877	2,712	3,073
Interest Expense	(156,107)	(152,950)	(173,870)
INCOME BEFORE INCOME TAX EXPENSE	480,850	475,089	347,077
Income Tax Expense	169,457	166,474	114,622
NET INCOME	311,393	308,615	232,455
Less: Net Income Attributable to Noncontrolling Interest	—	2,042	1,332
NET INCOME ATTRIBUTABLE TO OPCo SHAREHOLDERS	311,393	306,573	231,123
Less: Preferred Stock Dividend Requirements	732	732	732
EARNINGS ATTRIBUTABLE TO OPCo COMMON SHAREHOLDER	\$ 310,661	\$ 305,841	\$ 230,391

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

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

OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED STATEMENTS OF CHANGES IN
EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	OPCo Common Shareholder					
	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
TOTAL EQUITY – DECEMBER 31, 2007	\$ 321,201	\$ 536,640	\$ 1,469,717	\$ (36,541)	\$ 15,923	\$ 2,306,940
Adoption of Guidance for Split-Dollar Life Insurance						
Accounting, Net of Tax of \$1,004			(1,864)			(1,864)
Adoption of Guidance for Fair Value Accounting,						
Net of Tax of \$152			(282)			(282)
Common Stock Dividends – Nonaffiliated					(1,332)	(1,332)
Preferred Stock Dividends			(732)			(732)
Other Changes in Equity					876	876
SUBTOTAL – EQUITY						<u>2,303,606</u>
COMPREHENSIVE INCOME						
Other Comprehensive Income (Loss), Net of Taxes:						
Cash Flow Hedges, Net of Tax of \$1,343				2,493		2,493
Amortization of Pension and OPEB Deferred Costs,						
Net of Tax of \$1,515				2,813		2,813
Pension and OPEB Funded Status, Net of Tax of \$55,259				(102,623)		(102,623)
NET INCOME			231,123		1,332	<u>232,455</u>
TOTAL COMPREHENSIVE INCOME						<u>135,138</u>
TOTAL EQUITY – DECEMBER 31, 2008	321,201	536,640	1,697,962	(133,858)	16,799	2,438,744
Capital Contribution from Parent		550,000				550,000
Common Stock Dividends – Affiliated			(95,000)			(95,000)
Common Stock Dividends – Nonaffiliated					(2,042)	(2,042)
Preferred Stock Dividends			(732)			(732)
Purchase of JMG		36,509			(17,910)	18,599
Other Changes in Equity					1,111	1,111
SUBTOTAL – EQUITY						<u>2,910,680</u>
COMPREHENSIVE INCOME						
Other Comprehensive Income, Net of Taxes:						
Cash Flow Hedges, Net of Tax of \$4,392				8,156		8,156
Amortization of Pension and OPEB Deferred Costs,						
Net of Tax of \$3,421				6,353		6,353
Pension and OPEB Funded Status, Net of Tax of \$480				891		891
NET INCOME			306,573		2,042	<u>308,615</u>
TOTAL COMPREHENSIVE INCOME						<u>324,015</u>
TOTAL EQUITY – DECEMBER 31, 2009	321,201	1,123,149	1,908,803	(118,458)	-	3,234,695
Common Stock Dividends			(366,575)			(366,575)
Preferred Stock Dividends			(732)			(732)
Gain on Reacquired Preferred Stock		4				4
SUBTOTAL – EQUITY						<u>2,867,392</u>

COMPREHENSIVE INCOMEOther Comprehensive Income (Loss), Net
of Taxes:

Cash Flow Hedges, Net of Tax of \$659	(1,223)	(1,223)
Amortization of Pension and OPEB		
Deferred Costs,		
Net of Tax of \$3,795	7,047	7,047
Pension and OPEB Funded Status, Net		
of Tax of \$8,715	(16,185)	(16,185)
NET INCOME	311,393	<u>311,393</u>
TOTAL COMPREHENSIVE INCOME		<u>301,032</u>

TOTAL EQUITY - DECEMBER 31, 2010 \$ 321,201 \$ 1,123,153 \$ 1,852,889 \$ (128,819) \$ - \$ 3,168,424

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

OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED BALANCE SHEETS

ASSETS
December 31, 2010 and 2009
(in thousands)

	2010	2009
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 440	\$ 1,984
Advances to Affiliates	100,500	438,352
Accounts Receivable:		
Customers	86,186	60,711
Affiliated Companies	198,845	200,579
Accrued Unbilled Revenues	27,928	15,021
Miscellaneous	2,368	2,701
Allowance for Uncollectible Accounts	(2,184)	(2,665)
Total Accounts Receivable	<u>313,143</u>	<u>276,347</u>
Fuel	257,289	336,866
Materials and Supplies	134,181	115,486
Risk Management Assets	30,773	50,048
Accrued Tax Benefits	69,021	143,473
Prepayments and Other Current Assets	33,998	26,301
TOTAL CURRENT ASSETS	<u>939,345</u>	<u>1,388,857</u>
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	6,890,110	6,731,469
Transmission	1,234,677	1,166,557
Distribution	1,626,390	1,567,871
Other Property, Plant and Equipment	359,254	348,718
Construction Work in Progress	153,110	198,843
Total Property, Plant and Equipment	10,263,541	10,013,458
Accumulated Depreciation and Amortization	3,606,777	3,318,896
TOTAL PROPERTY, PLANT AND EQUIPMENT - NET	<u>6,656,764</u>	<u>6,694,562</u>
OTHER NONCURRENT ASSETS		
Regulatory Assets	934,011	742,905
Long-term Risk Management Assets	28,012	28,003
Deferred Charges and Other Noncurrent Assets	189,195	184,812
TOTAL OTHER NONCURRENT ASSETS	<u>1,151,218</u>	<u>955,720</u>
TOTAL ASSETS	<u>\$ 8,747,327</u>	<u>\$ 9,039,139</u>

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

OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
December 31, 2010 and 2009

	2010	2009
	(in thousands)	
CURRENT LIABILITIES		
Accounts Payable:		
General	\$ 170,240	\$ 182,848
Affiliated Companies	136,215	92,766
Long-term Debt Due Within One Year – Nonaffiliated	165,000	679,450
Risk Management Liabilities	22,166	24,391
Customer Deposits	28,228	22,409
Accrued Taxes	229,253	203,335
Accrued Interest	46,184	46,431
Other Current Liabilities	98,687	104,889
TOTAL CURRENT LIABILITIES	895,973	1,356,519
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	2,364,522	2,363,055
Long-term Debt – Affiliated	200,000	200,000
Long-term Risk Management Liabilities	8,403	12,510
Deferred Income Taxes	1,531,639	1,302,939
Regulatory Liabilities and Deferred Investment Tax Credits	126,403	128,187
Employee Benefits and Pension Obligations	246,517	269,485
Deferred Credits and Other Noncurrent Liabilities	188,830	155,122
TOTAL NONCURRENT LIABILITIES	4,666,314	4,431,298
TOTAL LIABILITIES	5,562,287	5,787,817
Cumulative Preferred Stock Not Subject to Mandatory Redemption	16,616	16,627
Rate Matters (Note 4)		
Commitments and Contingencies (Note 6)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value:		
Authorized – 40,000,000 Shares		
Outstanding – 27,952,473 Shares	321,201	321,201
Paid-in Capital	1,123,153	1,123,149
Retained Earnings	1,852,889	1,908,803
Accumulated Other Comprehensive Income (Loss)	(128,819)	(118,458)
TOTAL COMMON SHAREHOLDER'S EQUITY	3,168,424	3,234,695
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 8,747,327	\$ 9,039,139

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

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

	2010	2009	2008
OPERATING ACTIVITIES			
Net Income	\$ 311,393	\$ 308,615	\$ 232,455
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	361,728	352,068	273,720
Deferred Income Taxes	218,246	382,794	42,717
Carrying Costs Income	(23,630)	(10,698)	(16,309)
Allowance for Equity Funds Used During Construction	(3,877)	(2,712)	(3,073)
Mark-to-Market of Risk Management Contracts	13,444	(5,486)	(13,839)
Pension Contributions to Qualified Plan Trust	(51,641)	—	—
Property Taxes	(6,861)	(7,109)	(5,507)
Fuel Over/Under-Recovery, Net	(153,643)	(297,570)	—
Change in Other Noncurrent Assets	3,200	4,913	(48,653)
Change in Other Noncurrent Liabilities	(6,418)	35,130	(10,445)
Changes in Certain Components of Working Capital:			
Accounts Receivable, Net	(38,066)	(29,927)	5,104
Fuel, Materials and Supplies	64,801	(155,557)	(89,058)
Accounts Payable	43,060	(121,117)	126,716
Customer Deposits	5,819	(1,924)	(6,280)
Accrued Taxes, Net	87,476	(119,428)	(11,210)
Other Current Assets	(1,310)	2,877	(10,730)
Other Current Liabilities	(1,914)	(13,835)	20,269
Net Cash Flows from Operating Activities	<u>821,807</u>	<u>321,034</u>	<u>485,877</u>
INVESTING ACTIVITIES			
Construction Expenditures	(276,736)	(417,601)	(706,315)
Change in Advances to Affiliates, Net	337,852	(438,352)	—
Acquisitions of Assets	(5,059)	(1,197)	(2,033)
Proceeds from Sales of Assets	17,211	38,640	8,293
Other Investing Activities	(156)	5,529	(1,734)
Net Cash Flows from (Used for) Investing Activities	<u>73,112</u>	<u>(812,981)</u>	<u>(701,789)</u>
FINANCING ACTIVITIES			
Capital Contribution from Parent	—	550,000	—
Issuance of Long-term Debt – Nonaffiliated	202,380	493,775	491,204
Change in Short-term Debt, Net – Nonaffiliated	—	—	(701)
Change in Advances from Affiliates, Net	—	(133,887)	32,339
Retirement of Long-term Debt – Nonaffiliated	(718,580)	(295,500)	(305,188)
Retirement of Cumulative Preferred Stock	(7)	(1)	—
Principal Payments for Capital Lease Obligations	(7,447)	(4,271)	(5,736)
Dividends Paid on Common Stock – Nonaffiliated	—	(2,042)	(1,332)
Dividends Paid on Common Stock – Affiliated	(366,575)	(95,000)	—
Dividends Paid on Cumulative Preferred Stock	(732)	(732)	(732)
Acquisition of JMG Noncontrolling Interest	—	(28,221)	—
Other Financing Activities	(5,502)	(2,869)	12,071
Net Cash Flows from (Used for) Financing Activities	<u>(896,463)</u>	<u>481,252</u>	<u>221,925</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,544)	(10,695)	6,013
Cash and Cash Equivalents at Beginning of Period	1,984	12,679	6,666
Cash and Cash Equivalents at End of Period	<u>\$ 440</u>	<u>\$ 1,984</u>	<u>\$ 12,679</u>

SUPPLEMENTARY INFORMATION

Cash Paid for Interest, Net of Capitalized Amounts	\$ 154,744	\$ 147,573	\$ 144,790
Net Cash Paid (Received) for Income Taxes	(115,073)	(62,704)	100,430
Noncash Acquisitions Under Capital Leases	23,736	2,383	3,910
Noncash Acquisitions of Coal Land Rights	—	—	41,600
Construction Expenditures Included in Accounts Payable at December 31,	17,710	29,929	33,177
SIA Refund Included in Accounts Payable at December 31,	—	—	62,045

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 9th 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 AEPUC 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: Wanda 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]