

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power       )  
Company for Authority to Issue and Sell               )  
Promissory Notes, to Enter into Interest Rate       )  
Management Agreements, to Refinance the           )  
Terms of Loan Agreements or Installment           ) Case No. 11-2368-EL-AIS  
Agreements of Sale with the Ohio Air Quality       )  
Development Authority, and The West Virginia     )  
Economic Development Authority, and to Enter       )  
into One or More Credit Facilities.                   )

FINDING AND ORDER

The Commission finds:

- (1) Applicant, Ohio Power Company, is a public utility as defined in Section 4905.02, Revised Code, and is subject to the jurisdiction of this Commission.
- (2) On April 8, 2011, Applicant filed an application and exhibits, as amended on June 6, 2011 (the Application), pursuant to the provisions of Sections 4905.40, and 4905.41, Revised Code.
- (3) Applicant is proposing, through May 31, 2012, to: (a) issue promissory notes (the Notes), including AEP Notes; (b) enter into interest rate management Agreements (Interest Agreements); (c) enter into transactions to facilitate the refinancing the terms of installment agreements of sale and loan agreements (the Loan Agreements) with respect to the West Virginia Economic Development Authority Revenue Refunding Bonds (West Virginia Bonds) and the Ohio Air Quality Development Authority Refunding Bonds (Ohio Bonds) to issue West Virginia Refunding Bonds and Ohio Refunding Bonds, respectively; and (d) enter into one or more credit facilities (Credit Facilities) within the terms and conditions as set forth in the Application.
- (4) The Notes and the AEP Notes will be unsecured. The Notes may be issued in the form of Debentures or other promissory notes. The AEP Notes may be issued to its parent, American Electric Power Company, Inc. (AEP). The aggregate amount of the Notes and the AEP Notes (collectively, the New Debt) will not exceed \$300 million, as set forth in the Application.

- (5) The Notes will mature in not more than 60 years and will have either a fixed or variable interest rate and may be provided with some form of credit enhancement, as described in the Application.
- (6) The terms of the AEP Notes will be similar to the terms of the Notes. The interest rate of the AEP Notes will be equal to the cost of capital of AEP, as described in the Application.
- (7) The proceeds from the sale of the New Debt will be used to pay at maturity or refund long-term debt and cumulative preferred stock, to repay short-term indebtedness used to pay at maturity or refund long-term debt and cumulative preferred stock, to fund Applicant's construction program, for working capital and other corporate purposes, all pursuant to Section 4905.40, Revised Code, as described in the Application.
- (8) Applicant is requesting authorization to enter into Interest Agreements. Applicant states that the Interest Agreements will provide it with sufficient alternatives and flexibility when striving to reduce its effective interest cost and manage interest cost on financings, as described in the Application.

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

- (9) Applicant is requesting authorization to refinance the terms of the Loan Agreements with respect to: (a) the West Virginia Bonds Series 2008A for \$65 million (Mitchell Project) and Series 2008C for \$50 million (Sporn Project) to issue the West Virginia Refunding Bonds; and (b) the Ohio Bonds of about \$218 million to issue the Ohio Refunding Bonds, as described in the Application.
- (10) The West Virginia Refunding Bonds and the Ohio Refunding Bonds (collectively, the Refunding Bonds) will have either a fixed or a variable interest rates and other terms, as described in the Application.

- (11) The proceeds from the Refunding Bonds will be used to refund the West Virginia Bonds and the Ohio Bonds, as described in the Application.
- (12) Applicant states that the existing credit agreement that was issued to support some of Applicant's pollution control bonds (the Authority Bonds) expired in April 2011. The Authority Bonds currently do not have the support of any credit enhancement such as a letter of credit.

Applicant proposes to enter into one or more Credit Facilities to provide some form of credit enhancement for the Authority Bonds, such as a letter of credit or a surety bond, or other insurance, or enter into one or more new liquidity or credit facilities (the Bank Facility) or replace the Bank Facility with one or more substitute liquidity support and/or credit support facility in the form of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement or other similar agreement (the Facilities or Credit Agreements) to provide liquidity and/or credit support for the Authority Bonds. The Bank Facility, the Facilities or Credit Agreements will be hereinafter collectively called the Credit Facilities.

- (13) The proposed guidelines or parameters set forth in the Application are intended to facilitate the issuance of the New Debt, the Interest Agreements, the Refunding Bonds, and the Credit Facilities (collectively, the Securities) on the best terms possible and at lowest cost. The authorization of the issuance of the Securities in no way relieves Applicant of its responsibility to negotiate and obtain the best terms available.
- (14) The amount of the Securities, the terms thereof, and the probable cost to Applicant, which are to be no less favorable than the terms as described in the Application, do not appear to be unjust or unreasonable.
- (15) The effect of the issuance of the Securities on Applicant's revenue requirements will be considered in the determination of required revenue in rate proceedings in which all factors affecting rates will be taken into account according to law.

- (16) Applicant states that the proposed issuance of the Securities will be in accordance with the electric transition plan and its electric security plan, as approved by the Commission in Case Nos. 99-1730-EL-ETP and 08-918-EL-SSO, respectively.
- (17) Based on the information contained in the Application, the purposes to which the proceeds from the Securities shall be applied appear to be reasonably required by Applicant to meet its present and prospective obligations to provide utility service, and the Commission is satisfied that consent and authority should be granted.

It is, therefore,

ORDERED, That Applicant, Ohio Power Company, is authorized through May 31, 2012, to: (a) issue promissory notes, including AEP Notes, provided the aggregate principal amount of Notes and AEP Notes do not exceed \$300 million; (b) enter into Interest Agreements; (c) enter into Loan Agreements to issue the West Virginia Economic Development Authority Revenue Refunding Bonds and the Ohio Air Quality Development Authority Refunding Bonds; and (d) enter into one or more Credit Facilities, within the terms and conditions as set forth in the Application. It is, further,

ORDERED, That the net proceeds from the Securities shall be applied by Applicant for the purposes as set forth in this Order and otherwise pursuant to the provisions of Section 4905.40, Revised Code. It is, further,

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

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

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

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

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

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

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

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

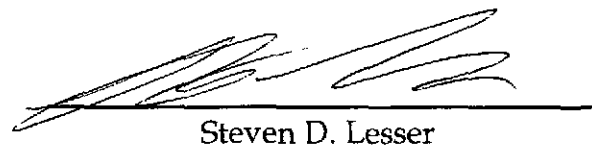
THE PUBLIC UTILITIES COMMISSION OF OHIO



Todd A. Snitchler, Chairman



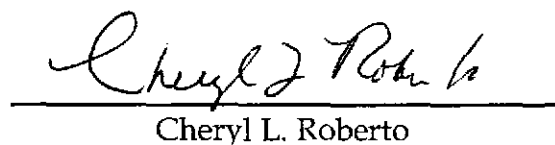
Paul A. Centolella



Steven D. Lesser



Andre T. Porter



Cheryl L. Roberto

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Entered in the Journal

JUN 29 2011



Betty McCauley  
Secretary