

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)
Valley Electric Corporation for Authority to)
Issue and Sell Secured or Unsecured)
Promissory Notes, Debentures or Other)
Debt Securities, to borrow from Ohio Air)
Quality Development Authority or Other) Case No. 06-1196-EL-AIS
Authority, to Enter into One or More)
Secured or Unsecured Term Loan or)
Revolving Credit Arrangements and to)
Enter into Interest Rate Management)
Agreements.)

FINDING AND ORDER

The Commission finds:

- (1) Applicant, Ohio Valley Electric Corporation, is an Ohio corporation and a public utility as defined in Section 4905.02, Revised Code, and is subject to the jurisdiction of this Commission.
- (2) This Application, complies with the provisions of Sections 4905.40 and 4905.41, Revised Code.
- (3) Applicant proposes to: (a) issue and sell secured or unsecured promissory notes, debentures or other debt securities (Collectively, the "Notes") in one or more series, (b) borrow from the Ohio Air Quality Authority through the issuance of tax exempt bonds (the "Authority Bonds"), (c) enter into one or more secured or unsecured term loan or revolving credit agreements (the "Credit Facilities"), and (d) issue and sell any combination of Notes and Credit Facilities to one or more commercial banks, financial institutions or other institutional investors, or borrowing from the Authority, from time to time, in an aggregate principal amount of up to \$1,300 million, pursuant to the terms and conditions as described in the Application and Exhibits.

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- (4) Applicant proposes to provide the Notes, the Authority Bonds or the Credit Facilities (collectively, the "Securities) some form of credit enhancement in order to reduce Applicant's cost of financing, as described in the Application.
- (5) Applicant also requests Commission authorization to utilize Interest Rate Management Agreements to lower its overall effective interest cost on financings, within the parameters as set forth in the Application and Exhibits.
- (6) Generally, there will be no proceeds associated with the Interest Rate Management Agreements since most transactions are effected without exchanging principal amounts. Applicant states that the Interest Rate Agreements are intended to allow Applicant sufficient alternatives and flexibility to reduce its effective interest cost and manage interest cost on financings.
- (7) The proceeds from the issue and sale of the Securities will be used for: (i) financing coal, materials and supply inventories and pay its general obligations, (ii) repay, refinance or redeem Applicant's short and long-term debt, and (iii) pay any expenditures incurred in connection with the compliance with environmental regulations of the state and the federal environmental protection agencies, all pursuant to Section 4905.40, Revised Code.
- (8) The maximum amount of the Securities does not appear to be unreasonable, and their probable costs, prices to Applicant, and other terms to be determined within the parameters set forth in the Application and Exhibits do not appear to be unjust or unreasonable.
- (9) The proposed guidelines or parameters set forth in the Application and Exhibits are intended to facilitate the issuance of the Securities on the best terms and at the lowest cost obtainable. The authorization of the sale of the Securities within the guidelines set forth in the Application and Exhibits in no way relieves the Applicant of its obligation to negotiate and obtain the best terms available.
- (10) The effect on Applicant's revenue requirements resulting from the issuance of the Securities can be determined only in rate

proceedings in which all factors affecting rates are taken into account according to law.

- (11) Based on information contained in the Application and the Exhibits thereto, the purposes to which the proceeds from the issue and sale of the Securities shall be applied appear to be reasonably required by the Applicant to meet its present and prospective obligations to provide utility service and the Commission is satisfied that the consent and authority should be granted.

It is, therefore,

ORDERED, That Applicant is authorized, within twelve months of the date of this Order to: (a) issue and sell secured or unsecured promissory notes, debentures or other debt securities in one or more series, (b) borrow from the Ohio Air Quality Authority through the issuance of tax exempt bonds, (c) enter into one or more secured or unsecured term loan or revolving credit agreements, (d) issue and sell any combination of Notes and Credit Facilities to one or more commercial banks, financial institutions or other institutional investors, or borrowing from the Authority from time to time, in an aggregate principal amount of up to \$1,300 million, and (e) enter into Interest Rate Management Agreements, all consistent with the parameters specified in the Application and Exhibits. It is, further,

ORDERED, That Applicant is authorized to apply the proceeds from the sale of the Securities for the purposes set forth in this Order, or otherwise pursuant to the provisions of Section 4905.40, Revised Code. It is, further,

ORDERED, That Applicant shall file written reports with this Commission with the terms and full particulars of each issuance of the Securities, as promptly as possible, when the Securities authorized by this Order are issued and sold and/or when Applicant enters into each Interest Rate Management Agreement. It is, further,

ORDERED, That Applicant shall account for the issuance of the Securities and Interest Rate Management Agreements as prescribed by the Federal Energy Regulatory Commission Uniform System of Accounts as currently in effect. It is, further,

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

ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation as to the Securities, or the interest thereon and Interest Rate Management Agreements 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 the Commission to assure completion of any specific construction project of the Applicant. It is, further,

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

THE PUBLIC UTILITIES COMMISSION OF OHIO



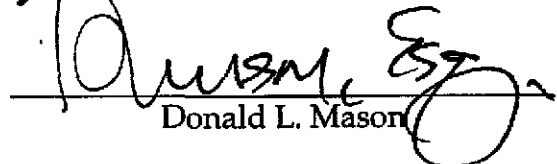
Alan R. Schriber, Chairman



Ronda Hartman Fergus



Judith A. Jones



Donald L. Mason

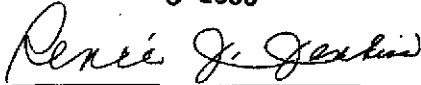


Valerie A. Lemmie

SUM:djb

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Renee J. Jenkins
Secretary