

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 Issue and Sell)
One or More New Series of Preferred Shares,)
to Enter into Interest Rate Management) Case No. 05-708-EL-AIS
Agreements, and to Refinance the Terms of)
Installment Agreements of Sale with)
Mason County and Marshall County,)
West Virginia.)

FINDING AND ORDER

The Commission finds:

- (1) Applicant, Ohio Power Company, is an Ohio corporation and public utility as defined in Section 4905.02, Revised Code, and is subject to the jurisdiction of this Commission.
- (2) This Application is filed under the provisions of Sections 4905.40 and 4905.41, Revised Code.
- (3) Applicant proposes through June 30, 2006: (a) to issue and sell unsecured promissory notes, in aggregate principal amount of up to \$650 million, (b) to issue and sell one or more unsecured promissory notes (the "AEP Notes") of up to \$650 million, to its parent, American Electric Power Company, Inc., (c) as an alternative to the issuance of up to \$200 million of its Notes, to issue and sell Cumulative Preferred Shares ("Preferred Stock") with an aggregate par value of up to \$200 million, (d) to enter into Interest Rate Management Agreements (the "Interest Agreements"), and (e) to refinance the terms of the installment agreements of sale ("Installment Agreements") with Mason and Marshall Counties, West Virginia, pursuant to the terms and conditions as set forth in the Application and Exhibits.
- (4) The aggregate amount of the Notes, the AEP Notes (collectively called the "New Debt"), and the Preferred Stock will not exceed \$650 million, as set forth in the Application and Exhibits.
- (5) The Notes will be issued in the form of either senior or subordinated debentures, junior subordinated debentures, or other promissory notes.

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- (6) The Notes will be sold either by competitive bidding, through negotiation with underwriters or agents, or through direct placement with a commercial bank or other institutional investor, as described in the Application and Exhibits.
- (7) 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 and Exhibits.
- (8) Generally, there will be no proceeds associated with the Interest Agreements since most transactions are effected without exchanging principal amounts. Applicant states that the Interest Agreements are intended to allow Applicant sufficient alternatives and flexibility to reduce its effective interest cost and manage interest cost on financing.
- (9) The proceeds from the issuance of the New Debt and the Preferred Stock will be used by the Applicant to fund its construction programs, and for working capital and other corporate purposes, all pursuant to the provisions of Section 4905.40, Revised Code.
- (10) The Applicant also proposes to refinance the terms of the installment agreements of sale ("Installment Agreements") issued in connection with certain series of outstanding pollution control bonds.
- (11) Applicant also proposes to enter into new Installment Agreements and issue additional pollution control bonds through: (a) Marshall County, West Virginia, in aggregate principal amounts of up to \$35 million and \$50 million (collectively, "Marshall County Bonds"), and, (b) Mason County, West Virginia, in an aggregate principal amount of up to \$50 million ("Mason County Bonds"), pursuant to the terms and conditions as set forth in the Application and Exhibits.
- (12) The proceeds from the Marshall and the Mason County Bonds (collectively, the "PC Bonds") will be used to redeem certain outstanding pollution control bonds issued in connection with the construction of certain pollution control facilities at Applicant's Mitchell Generating Station and Kammer

Generating Station and Philip Sporn Generating Station, located in West Virginia, as described in the Application and Exhibits.

- (13) The PC Bonds will have maturities of not more than forty years and will have the same terms and interest rate parameters as described in the Application and Exhibits.
- (14) The proposed guidelines or parameters set forth in the Application are intended to facilitate the issuance of the New Debt, the Preferred Stock and PC Bonds (collectively, the "Securities") on the best terms possible and at lowest cost. The authorization to issue the Securities, within the parameters set forth in the Application and Exhibits, in no way relieves the Applicant of its responsibilities to negotiate and obtain the best terms available.
- (15) The aggregate amount of the Securities, the terms thereof, and the probable cost to Applicant, within the parameters set forth in the Application and Exhibits, do not appear to be unjust or unreasonable.
- (16) Applicant states that the issuance of the Securities will be in accordance with Applicant's transition plan and the rate stabilization plan as approved by the Commission in Case Nos. 99-1730-EL-ETP and 04-169-EL-UNC, respectively.
- (17) The effect on Applicant's revenue requirements resulting from the issuance of the Securities 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.
- (18) Based on the information contained in the Application and the Exhibits attached thereto, the purposes to which the proceeds from the issuance of 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 June 30, 2006: (a) to issue and sell unsecured promissory notes of up to \$650 million, (b) to issue and sell one or more unsecured promissory notes of up to \$650 million to its parent American Electric Power Company, Inc., (c) as an alternative to the issuance of up to \$200 million of its Notes, to issue and sell Cumulative Preferred Stock with an aggregate par value of \$200 million, and (d) to enter into Interest Rate Management Agreements, pursuant to the terms and conditions as set forth in the Application and Exhibits. It is further,

ORDERED, That the aggregate amount of the Notes, the AEP Notes, and the Preferred Stock shall not exceed \$650 million. It is, further,

ORDERED, That Applicant is also authorized to enter into new Installment Agreements and issue additional pollution control bonds of: (a) up to \$35 million and \$50 million through Marshall County, West Virginia, and (b) up to \$50 million through Mason County, West Virginia, pursuant to the terms and conditions as set forth in the Application and Exhibits. It is, further,

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

ORDERED, That the issuance of the Securities shall be in compliance with Applicant's transition plan and the rate stabilization plan as approved by the Commission in Case Nos. 99-1730-EL-ETP and 04-169-EL-UNC, respectively. It is, further,

ORDERED, That Applicant shall file separate written reports with this Commission with the terms and full particulars of each of the transactions, as promptly as possible, when the Securities authorized by this Order are issued. 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

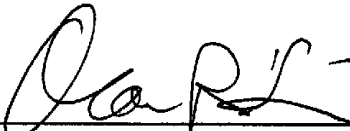
ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of the Applicant. It is, further,

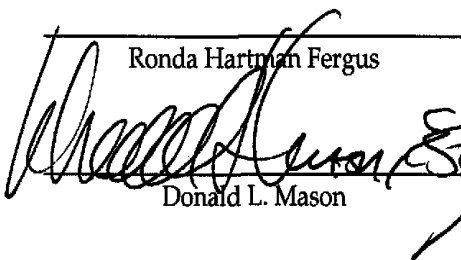
ORDERED, That nothing in this Order shall be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule or regulation. It is, further,


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

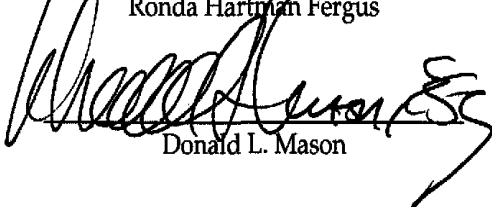
ORDERED, That a copy of this Order be served upon all parties of record.

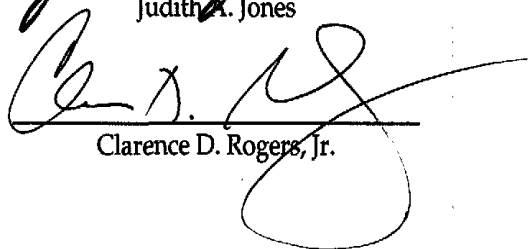
THE PUBLIC UTILITIES COMMISSION OF OHIO


Alan R. Schriber, Chairman


Ronda Hartman Fergus


Judith A. Jones

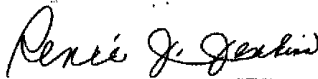

Donald L. Mason


Clarence D. Rogers, Jr.

JH:djb

Entered in the Journal

JUN 19 2005



Renee J. Jenkins
Secretary