

\$500,000,000

Ohio Power Company
(an Ohio corporation)

\$250,000,000 5.50% Senior Notes, Series D due 2013

\$250,000,000 6.60% Senior Notes, Series E due 2033

This is an offering by Ohio Power Company (Ohio Power), an Ohio corporation, of \$250,000,000 aggregate principal amount of its 5.50% Senior Notes, Series D due 2013 (the 2013 Notes) and \$250,000,000 aggregate principal amount of its 6.60% Senior Notes, Series E due 2033 (the 2033 Notes, together with the 2013 Notes, the Notes). Interest on each series of the Notes is payable on February 15 and August 15 of each year, beginning on August 15, 2003. We may redeem all or part of the Notes at any time at a make whole redemption price, together with accrued and unpaid interest to the redemption date. For more information on the redemption provisions, see “DESCRIPTION OF THE NOTES” herein. The Notes are unsecured and rank equally with all of our other unsecured and unsubordinated indebtedness and will be effectively subordinated to all of our secured debt, including \$136,915,000 of first mortgage bonds as of December 31, 2002. The Notes are not subject to any sinking fund.

We currently operate as a functionally separated electric utility company and no longer charge bundled rates for our retail sales of electricity. The State of Ohio has enacted restructuring legislation which provides for the legal separation of our generation-related assets from our electric transmission and distribution assets. We have sought regulatory approval to legally separate our transmission and distribution assets from our generation-related assets pursuant to such Ohio legislation and to transfer the transmission and distribution assets to a to-be-formed affiliate company, Ohio Wires Company LLC (Ohio Wires). However, we are currently determining the regulatory feasibility of complying with restructuring legislation through continued functional separation. Assuming regulatory compliance, it is currently our intention to remain functionally separated. If we are unable to remain functionally separated and we legally separate, Noteholders will have the option to exchange their Notes for notes of Ohio Wires (Ohio Wires Notes) identical in all material respects to the Notes. Alternatively, a Noteholder may elect to retain its Notes. If any Noteholder fails to elect to retain its Notes, unless otherwise required by law, such Noteholder will be deemed to have exercised its option to exchange its Notes for Ohio Wires Notes. For more information on the actions that need to be taken for Ohio Power to remain functionally separated, see “OHIO POWER COMPANY — Functional Separation” herein.

We have agreed pursuant to a registration rights agreement that we (if we remain functionally separated) or Ohio Wires (if we legally separate) will file an exchange offer registration statement or, under certain circumstances, a shelf registration statement with respect to the Notes or the Ohio Wires Notes, as the case may be. If we legally separate and a Noteholder elects to retain its Notes, neither Ohio Power nor Ohio Wires will be obligated to file an exchange offer registration statement or a shelf registration statement with respect to such Notes. For more information on the registration rights agreement, see “EXCHANGE OFFERS AND REGISTRATION RIGHTS” herein.

Investing in the Notes involves risks. See the section entitled “RISK FACTORS,” beginning on page 10 of this offering memorandum for more information.

	Price to Investors*	Discounts to Initial Purchasers	Proceeds to Ohio Power (before expenses)**
Per 2013 Note	99.741%	0.650%	99.091%
Total 2013 Notes	\$249,352,500	\$1,625,000	\$247,727,500
Per 2033 Note	99.534%	0.875%	98.659%
Total 2033 Notes	\$248,835,000	\$2,187,500	\$246,647,500

* Plus accrued interest, if any, from February 14, 2003, if settlement is after that date.

** Ohio Power has agreed to pay certain expenses of the initial purchasers. See “PLAN OF DISTRIBUTION” herein.

The Notes are being sold only to “qualified institutional buyers” under Rule 144A under the Securities Act of 1933, as amended (Securities Act), to institutional “accredited investors,” as defined under Rule 501(a)(1), (2), (3) or (7) under the Securities Act, and to non-U.S. persons under Regulation S under the Securities Act. The Notes have not been registered under the Securities Act; therefore, they are subject to certain restrictions on resale described in this offering memorandum under the heading “NOTICE TO INVESTORS.”

The initial purchasers expect to deliver the Notes on or about February 14, 2003 through the facilities of The Depository Trust Company.

Joint Book-Running Lead Managers

Lehman Brothers

Salomon Smith Barney

Joint Lead Manager

Banc of America Securities LLC

ABN AMRO Incorporated

Banc One Capital Markets, Inc.

Barclays Capital

BNY Capital Markets, Inc.

McDonald Investments Inc.

TD Securities

UBS Warburg

The date of this offering memorandum is February 11, 2003

Table of Contents

	Page
Summary	1
Risk Factors	10
Use of Proceeds.....	20
Capitalization and Short-Term Debt	20
Selected Consolidated Financial Data.....	21
Recent Results of Operations; Recent Developments	22
Ohio Power Company.....	23
Description of the Notes	28
Exchange Offers and Registration Rights	34
Notice to Investors	38
Certain United States Federal Income and Estate Tax Consequences	41
Plan of Distribution.....	46
Legal Opinions.....	48
Independent Auditors.....	48
Ratio of Earnings to Fixed Charges	48
Where You Can Find More Information.....	49

You should rely only on the information contained in this offering memorandum. Neither Ohio Power nor the initial purchasers have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither Ohio Power nor the initial purchasers are making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum. Ohio Power’s business profile, financial condition, results of operations and prospects may have changed since that date.

This offering memorandum is a confidential document. Ohio Power is providing it only to prospective purchasers of the Notes. You should read this offering memorandum before deciding whether to purchase the Notes. Ohio Power has not authorized the use of this offering memorandum for any other purpose. You may not copy or distribute this offering memorandum in whole or in part to anyone without Ohio Power’s prior consent or the prior consent of the initial purchasers.

The initial purchasers have made no representation or warranty, express or implied, as to the accuracy or completeness of information Ohio Power has provided, and you may not rely on anything contained in this offering memorandum as a promise or representation by the initial purchasers as to Ohio Power’s past or future results. The initial purchasers have not independently verified any information Ohio Power has provided and assume no responsibility for the accuracy or completeness of such information.

In connection with this offering, the initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the market price of the Notes, including over-allotment, stabilizing and syndicate short-covering transactions. Such transactions, if commenced, may be discontinued at any time. For a description of these activities, see “PLAN OF DISTRIBUTION” in this offering memorandum.

In making an investment decision regarding the Notes, you must rely on your own examination of Ohio Power, the terms of this offering and the terms of the Notes, including the merits and risks involved. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of Notes.

This offering memorandum contains summaries of certain documents that Ohio Power believes are accurate. Ohio Power refers you to the actual documents for a more complete understanding of what is discussed in this offering memorandum, and Ohio Power qualifies all summaries by this reference.

You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase the Notes. Neither Ohio Power nor any initial purchaser is responsible for your compliance with these legal requirements.

Ohio Power is making this offering in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of the Notes in the United States that do not involve a public offering. The Notes have not been approved or disapproved by the Securities and Exchange Commission (SEC) or any other federal, state or foreign securities authority, and neither the SEC nor any other of these authorities has determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The Notes are subject to restrictions on transfer and resale, which are described in the “NOTICE TO INVESTORS” section of this offering memorandum. By purchasing any of the Notes, you will be deemed to have represented and agreed to all of the provisions contained in that section of this offering memorandum. You may be required to bear the financial risks of your investment in the Notes for an indefinite period of time.

You should contact the initial purchasers with any questions about this offering or if you require additional information to verify the information contained in this offering memorandum. By purchasing any Note, you will be deemed to have acknowledged that you have reviewed this offering memorandum; that you have had an opportunity to request any additional information that you need from Ohio Power or the initial purchasers; and that the initial purchasers are not responsible for, and are not making any representation to you concerning, Ohio Power’s future performance or the accuracy or completeness of this offering memorandum.

SEC REVIEW

In the course of a review by the staff of the SEC of the registration statement for the exchange offer referred to in this offering memorandum, it is likely that changes will be made to the description of Ohio Power’s business and other information and financial data provided in this offering memorandum. While Ohio Power believes that the financial and other information included in this offering memorandum has been prepared in a manner generally consistent, in all material respects, with current practice, Ohio Power cannot assure you that comments received from the staff of the SEC on the registration statement that is filed for the exchange offer will not require significant modification or reformulation of such information as presented in the registration statement.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum and the documents it incorporates by reference contain statements that are not historical fact and constitute “forward-looking statements.” When we use words like “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “may,” “should” or similar expressions, or when we discuss our strategy or plans, we are making forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results may differ materially from those expressed in these forward-looking statements. Although Ohio Power believes that in making any such forward-looking statements its expectations are based on reasonable assumptions, such forward-looking statements involve uncertainties and are qualified in their entirety by reference to the following important factors, among others, that could cause Ohio Power’s actual results to differ materially from those projected in such forward-looking statements:

- Abnormal weather conditions;
- Available sources of fuels;
- Availability of generating capacity;
- The speed and degree to which competition is implemented in our markets;
- Implementation of legislation passed by the Ohio legislature to restructure the electric utility industry in Ohio;
- New legislation and government regulation, oversight and/or investigation of the energy sector or its participants;
- Our ability to successfully control our costs;
- The economic climate and growth in our service territory and changes in market demand and demographic patterns;
- Inflationary trends;
- Changes in electricity and gas market prices;
- Changes in interest rates;
- Liquidity in the banking, capital and wholesale power markets;
- Actions of rating agencies;
- Changes in technology, including the increased use of distributed generation within our transmission and distribution service territory; and
- Other risks and unforeseen events.

You are cautioned not to rely unduly on any forward-looking statements. These risks and uncertainties are discussed in more detail under “RISK FACTORS” and “OHIO POWER COMPANY” included herein and “Business” and “Management’s Discussion and Analysis” in our Annual Report on Form 10-K for the year ended December 31, 2001, in our Quarterly Reports on Form 10-Q for the periods ended March 31, 2002, June 30, 2002 and September 30, 2002, our Current Reports on Form 8-K dated November 18, 2002 and February 4, 2003, and other documents on file with the SEC. You may obtain copies of these documents as described under “WHERE YOU CAN FIND MORE INFORMATION.”

SUMMARY

This summary highlights the information contained elsewhere in or incorporated by reference into this offering memorandum. Because this is only a summary, it does not contain all of the information that may be important to you. For a more complete understanding of this offering, we encourage you to read this entire offering memorandum and the documents to which we refer you. You should read the following summary together with the more detailed information and consolidated financial statements and the notes to those statements included elsewhere in or incorporated by reference into this offering memorandum.

In this offering memorandum, except as otherwise indicated, "Ohio Power," "we," "our," and "us" refer to Ohio Power Company, an Ohio corporation, but not to the initial purchasers named on the front cover page of this offering memorandum.

Ohio Power Company

Overview

Ohio Power, a wholly owned subsidiary of American Electric Power Company, Inc. (AEP), is an integrated electric utility company directly engaged in the generation, purchase, transmission, distribution and sale of electric energy in the northwestern, east central, eastern and southern sections of Ohio and in supplying electric power at wholesale to other electric utility companies and municipalities. The State of Ohio has enacted restructuring legislation which provides for the legal separation of our generation related assets from our transmission and distribution assets. Ohio Power presently operates as a functionally separated electric utility and no longer charges bundled rates for its retail sales of electricity. As such, Ohio Power provides (i) distribution services to retail customers at rates approved by The Public Utilities Commission of Ohio (PUCO), (ii) transmission services at rates approved by the Federal Energy Regulatory Commission (FERC) and (iii) "default" retail electric generation service at rates that are currently frozen but will eventually be based on market prices. Ohio Power has received approval from the PUCO and FERC and is awaiting approval from the SEC to legally separate and transfer all or substantially all of its electric transmission and distribution assets (Transmission and Distribution Business) to Ohio Wires, which would be a newly formed subsidiary. Ohio Power, however, is currently determining the regulatory feasibility of complying with restructuring legislation through continued functional separation. Assuming regulatory compliance, it is currently our intention to remain functionally separated. For more information on actions that need to be taken in order for Ohio Power to remain functionally separated, see "OHIO POWER COMPANY – Functional Separation."

Ohio Power will be the sole obligor of the Notes and, to the extent legal separation occurs and a Note is exchanged for an Ohio Wires Note as described under "DESCRIPTION OF THE NOTES — Exchange of Notes Upon Legal Separation," Ohio Wires will be the sole obligor of the Ohio Wires Notes. Neither AEP nor any of its other subsidiaries or affiliates will guarantee or provide other credit or funding support for the Notes or the Ohio Wires Notes.

Currently, Ohio Power's principal operations are:

- **Electric Distribution** – Ohio Power serves approximately 698,000 retail customers in the northwestern, east central, eastern and southern sections of Ohio. Distribution services are provided under tariffs approved by the PUCO. The PUCO has agreed with Ohio Power to effectively freeze its distribution rates through December 31, 2007.
- **Electric Transmission** – Ohio Power's electric transmission business provides nondiscriminatory wholesale open access to Ohio Power's transmission facilities. Ohio Power also uses its transmission system in the delivery of electricity to its wholesale and retail customers. Transmission services are provided under tariffs approved by the FERC.

- **Electric Generation** – Ohio Power owns 8,464 MW of coal fired generation and 48 MW of hydroelectric generation. Ohio Power and four other affiliated regulated utilities located in AEP's east zone are parties to the Interconnection Agreement dated July 6, 1951, as amended (the Power Pool), defining the method by which the parties share the costs and benefits associated with their generating plants. Substantially all of Ohio Power's power sale and purchase transactions are conducted through the Power Pool. Ohio Power has historically owned more generation than required to serve its retail customers and has therefore been a net seller to the Power Pool.

Ohio Power is currently regulated by the FERC, SEC and the PUCO. Beginning January 1, 2001, with the implementation of the restructuring legislation, the PUCO effectively ceased rate regulation of Ohio Power's generation and transmission functions. The FERC regulates Ohio Power's transmission and wholesale power transactions and the SEC continues its regulatory oversight of Ohio Power as a utility owned by an electric utility holding company registered under the Public Utility Holding Company Act of 1935 (the 1935 Act).

Ohio Restructuring and Ohio Power

Ohio restructuring legislation requires vertically integrated electric utility companies that offer competitive retail electric service in Ohio to separate their generating functions from their transmission and distribution functions. The legislation also provides for a market development period (Development Period) during which retail customers can choose their electric power suppliers or have the protection of default retail electric service (Default Service) at frozen generation rates from the incumbent utility. The Development Period began on January 1, 2001 and will terminate no later than December 31, 2005.

Following the Development Period, retail customers will receive distribution and, where applicable, transmission service from the incumbent utility whose distribution rates will be approved by the PUCO and whose transmission rates will be approved by the FERC. Retail customers will continue to have the right to choose their electric power suppliers or have the protection of Default Service which must be offered by the incumbent utility at market rates.

Ohio Power is currently operating on a functionally separated basis and no longer charges bundled rates for its retail sales of electricity. As such, it provides distribution service at rates approved by the PUCO (which rates will be frozen at the end of the Development Period through December 31, 2007), transmission service at rates approved by FERC (the aggregate of the transmission and distribution rates are frozen per current legislation through the Development Period such that any adjustment of its transmission rates by the FERC will be mitigated by a corresponding adjustment to its distribution rates by the PUCO) and Default Service at current generation rates which are frozen during the Development Period. Although it could purchase power from third parties (and reserve all of its own generation capacity for sales into the wholesale power market), Ohio Power currently meets its Default Service obligation from its own sources of generation. While Ohio Power has formed a competitive retail electric service affiliate for the purpose of competing in the retail generation market in Ohio, Ohio Power has not actively pursued that market.

Ohio Power is presently operating as a functionally separated electric utility company, but it has sought and, from certain governmental entities, obtained regulatory approval to legally separate. Ohio Power, however, is currently determining the regulatory feasibility of complying with restructuring legislation through continued functional separation. Assuming regulatory compliance, it is currently our intention to remain functionally separated. For more information on actions that need to be taken in order for Ohio Power to remain functionally separated, see "OHIO POWER COMPANY – Functional Separation."

If we are unable to remain functionally separated and we legally separate, the Transmission and Distribution Business would be transferred to a newly formed subsidiary, Ohio Wires, and Ohio Power would own and operate the generation business. Ohio Wires would be regulated by the FERC with respect to its transmission rates, by the SEC as a utility owned by an electric utility holding company registered under the

1935 Act and by the PUCO with respect to its distribution rates. Upon legal separation, Ohio Power would be regulated by the FERC with respect to its wholesale power sales and by the SEC as a utility owned by an electric utility holding company registered under the 1935 Act but would no longer be subject to traditional state public service commission regulation. See “OHIO POWER COMPANY – Our Operations If We Legally Separate.”

The Offering

The following summary contains basic information about this offering. It may not contain all the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire offering memorandum, including “DESCRIPTION OF THE NOTES” and the documents referred to in this offering memorandum.

Issuer.....	Ohio Power Company.
The Notes.....	\$250,000,000 principal amount of 5.50% Senior Notes, Series D due 2013 and \$250,000,000 principal amount of 6.60% Senior Notes, Series E due 2033.
Maturity	February 15, 2013 for 2013 Notes and February 15, 2033 for 2033 Notes.
Interest Rate.....	5.50% per annum for 2013 Notes and 6.60% per annum for 2033 Notes.
Interest Payment Dates	February 15 and August 15 of each year, beginning on August 15, 2003.
Exchange of Notes upon Legal Separation	If all or substantially all of our Transmission and Distribution Business is transferred to Ohio Wires while the Notes are outstanding (whether or not such Transmission and Distribution Business constitutes “substantially all” of our assets), Noteholders will have the option to exchange their Notes for Ohio Wires Notes. Alternatively, a Noteholder may elect to retain its Notes. If any Noteholder fails to elect to retain its Notes, unless otherwise required by law, such Noteholder will be deemed to have exercised its option to exchange its Notes for Ohio Wires Notes. If a Noteholder elects to retain its Notes, such Notes will remain subject to the transfer restrictions described under “NOTICE TO INVESTORS.” Also, see “DESCRIPTION OF THE NOTES — Exchange of Notes Upon Legal Separation” and “EXCHANGE OFFERS AND REGISTRATION RIGHTS” herein.
Ranking.....	The Notes are unsecured and will rank equally with all our unsecured and unsubordinated indebtedness and will be effectively subordinated to all of our secured debt, including \$136,915,000 of first mortgage bonds as of December 31, 2002.
Ratings.....	It is anticipated that the Notes will be assigned a rating of A3 (stable outlook) by Moody’s Investors Service, Inc. (Moody’s), BBB+ (CreditWatch with negative implications) by Standard & Poor’s Ratings Service (S&P) and BBB+ (stable outlook) by Fitch Ratings, Inc. (Fitch). Ratings from credit agencies are not recommendations to buy, sell or hold our securities and may be subject to revision or withdrawal at any time by the rating agency and should be evaluated independently of any other ratings. For information on recent activity by Moody’s and S&P, see “RECENT RESULTS OF OPERATIONS; RECENT DEVELOPMENTS.”

Optional Redemption..... We may redeem the Notes of each series at any time, in whole or in part, at a “make whole” redemption price equal to the greater of (1) the principal amount being redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in “DESCRIPTION OF THE NOTES”), plus 25 basis points in the case of the 2013 Notes and 30 basis points in the case of the 2033 Notes, plus in each case accrued and unpaid interest to the redemption date.

Consolidation, Merger or Sale.... Subject to those conditions described under “DESCRIPTION OF THE NOTES — Exchange of Notes upon Legal Separation,” we may merge or consolidate with any corporation or sell all or substantially all of our assets as an entirety as long as the successor or purchaser expressly assumes the payment of principal, premium, if any, and interest on the Notes.

Limitation on Secured Debt..... Subject to certain permitted issuances, so long as any of the Notes are outstanding, we will not create or permit to be created or to exist or permit any of our subsidiaries to create or to permit to exist any additional mortgage, pledge, security interest, or other lien on any utility properties or tangible assets now owned or hereafter acquired by us or our subsidiaries to secure any indebtedness for borrowed money, without providing that the outstanding Notes will be similarly secured. See “DESCRIPTION OF THE NOTES – Limitation on Secured Debt.”

Use of Proceeds The net proceeds from the sale of the Notes will be used for general corporate purposes, including the repayment of advances from affiliates. Our affiliates will use a significant portion of these proceeds to repay AEP’s \$1.725 billion corporate separation credit facility, of which \$1.3 billion was outstanding as of December 31, 2002. As a result, affiliates of each of the initial purchasers, as lenders to our affiliates, would ultimately receive a significant portion of the net proceeds of the offering of the Notes. For more information, see “USE OF PROCEEDS.”

Exchange Offers; Registration Rights..... While Ohio Power remains functionally separated, Ohio Power will file an exchange offer registration statement with the SEC to allow you to exchange each series of Notes for a new series of substantially identical notes of Ohio Power registered under the Securities Act (Ohio Power Registered Exchange Offer). In addition, Ohio Power has agreed to file, under certain circumstances, a shelf registration statement to cover resales of the Notes. If Ohio Power fails to satisfy these obligations within a specified time period, Ohio Power will pay additional interest on the Notes. For more information, see “EXCHANGE OFFERS AND REGISTRATION RIGHTS” herein.

If legal separation does occur, Ohio Wires will be obligated to file an exchange offer registration statement and offer holders the following options:

- if legal separation occurs prior to the Ohio Power Registered Exchange Offer, a holder of Notes may elect to (i) retain its Notes or (ii) exchange its Notes for Ohio Wires Notes registered under the Securities Act;
- if legal separation occurs after the Ohio Power Registered Exchange Offer, a holder of an Ohio Power note registered under the Securities Act may elect to (i) retain such notes or (ii) exchange such notes for Ohio Wires Notes registered under the Securities Act. Additionally, a holder of a Note (who chose not to exchange his Note for a registered Ohio Power note pursuant to the Ohio Power Registered Exchange Offer) may elect to (i) retain its Notes or (ii) exchange its Notes for Ohio Wires Notes registered under the Securities Act.

In the case of each bullet point immediately above, if a holder of a Note or a registered Ohio Power Note fails to elect to retain such security, unless otherwise required by law, such holder will be deemed to have exercised its option to exchange such security for a registered Ohio Wires Note. Furthermore, Ohio Wires will be obligated to file the applicable exchange offer registration statement within a specified period of time and failure to do so will result in Ohio Power paying additional interest on the applicable Ohio Power securities. For more information, see “EXCHANGE OFFERS AND REGISTRATION RIGHTS.”

Form and Denomination

Notes sold to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) in reliance upon Rule 144A under the Securities Act will be represented by a global certificate deposited with, or on behalf of, The Depository Trust Company (DTC) or its nominee. Notes sold in reliance on Regulation S under the Securities Act will be represented by a separate global certificate deposited with, or on behalf of, DTC or its nominee. Institutional “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are not qualified institutional buyers will receive Notes in certificated form and may not hold Notes through the book-entry facilities of DTC. For more information, see “DESCRIPTION OF THE NOTES – Book Entry Notes – Registration, Transfer and Payment of Interest and Principal.” The Notes will be denominated in U.S. dollars and we will pay principal and interest in U.S. dollars. The Notes of each series will be issuable in denominations of \$1,000 or any integral multiples of \$1,000 in excess thereof except that Notes issued to institutional “accredited investors” will be in denominations of at least \$250,000.

Resale and Transfer Restrictions

The Notes will be sold:

- in the United States to qualified institutional buyers pursuant to transactions exempt from registration under the Securities Act;

- in offshore transactions complying with Regulation S under the Securities Act;
- to institutional “accredited investors” within the meaning of Rule 501(a) (1), (2), (3) or (7) under the Securities Act.

The Notes have not been registered under the Securities Act. Resales and transfers of the Notes may be made only in accordance with Rule 144A under the Securities Act or another applicable exemption from registration under the Securities Act. See “NOTICE TO INVESTORS.”

Trustee

Bank One, N.A.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Summary Consolidated Financial Data

The following tables present our summary consolidated historical financial data. The data presented in these tables are from "SELECTED CONSOLIDATED FINANCIAL DATA," included elsewhere in this offering memorandum. You should also read the summary consolidated financial data presented below in conjunction with "Management's Discussion and Analysis," our audited and unaudited consolidated financial statements and related notes and other financial information contained in our Annual Report on Form 10-K for the year ended December 31, 2001, our Quarterly Reports on Form 10-Q for the periods ended March 31, 2002, June 30, 2002 and September 30, 2002 and our Current Report on Form 8-K dated November 18, 2002, which we incorporate by reference in this offering memorandum. See "WHERE YOU CAN FIND MORE INFORMATION." The historical financial information may not be indicative of our future performance.

	Nine Months Ended September 30, 2002	Year Ended December 31,	
		2001	2000
		(in thousands)	
INCOME STATEMENT DATA:			
Operating Revenues.....	\$ 1,608,383	\$ 2,098,105	\$ 2,140,331
Depreciation and Amortization (a)	185,941	252,123	200,350
Operating Expenses (excluding Depreciation and Amortization and Income Taxes).....	<u>1,070,024</u>	<u>1,503,899</u>	<u>1,525,633</u>
Total Operating Expenses.....	<u>1,255,965</u>	<u>1,756,022</u>	<u>1,725,983</u>
Operating Income	352,418	342,083	414,348
Other Income (Deductions) (net)	<u>25,556</u>	<u>16,306</u>	<u>13,154</u>
Earnings Before Interest and Taxes	377,974	358,389	427,502
Interest	59,885	93,603	119,210
Income Taxes.....	118,432	98,993	205,679
Extraordinary Loss – Discontinuance of Regulatory Accounting for Generation – Net	<u>—</u>	<u>(18,348)</u>	<u>(18,876)</u>
Net Income	<u>\$ 199,657</u>	<u>\$ 147,445</u>	<u>\$ 83,737</u>
	As of September 30, 2002	As of December 31,	
		2001	2000
		(in thousands)	
BALANCE SHEET DATA:			
Electric Utility Plant	\$ 5,571,830	\$ 5,390,576	\$ 5,577,631
Accumulated Depreciation and Amortization.....	<u>2,545,585</u>	<u>2,452,571</u>	<u>2,764,130</u>
Net Electric Utility Plant	<u>\$ 3,026,245</u>	<u>\$ 2,938,005</u>	<u>\$ 2,813,501</u>
 Total Assets	 <u>\$ 4,921,203</u>	 <u>\$ 4,916,067</u>	 <u>\$ 6,242,557</u>
 Current Liabilities (less Long-Term Debt due within one year and affiliated Short-Term Debt)	 1,019,308	 1,020,361	 2,421,949
Noncurrent Liabilities	1,212,544	1,181,369	1,417,847
Short-Term Debt.....	310,682	300,213	—
Long-Term Debt (b)	1,067,177	1,203,841	1,195,493
Preferred Stock	25,498	25,498	25,498
Common Shareholder's Equity.....	<u>1,285,994</u>	<u>1,184,785</u>	<u>1,181,770</u>
Total Capitalization and Liabilities.....	<u>\$ 4,921,203</u>	<u>\$ 4,916,067</u>	<u>\$ 6,242,557</u>

	Nine Months Ended September 30, 2002	Year Ended December 31,	
		2001	2000
	(in thousands, except ratios)		
OTHER FINANCIAL DATA:			
EBITDA (c).....	\$563,929	\$610,512	\$627,852
Ratio of Earning to Fixed Charges (d).....	3.66	2.77	2.75
(a) Includes amounts from coal subsidiaries classified as fuel expense	\$ —	\$ 12,141	\$ 44,406
(b) Includes Long-Term Debt due within one year:	\$ 89,850	\$ —	\$117,506
(c) EBITDA is defined as the measurement of earnings before interest, preferred dividends, taxes, depreciation of fixed assets and amortization. EBITDA should not be considered a substitute for net income or cash flows as indicators of financial performance or a company's ability to generate liquidity. EBITDA as presented may not be comparable to other similarly titled measures used by other companies.			
(d) For purposes of computing the ratios of earnings to fixed charges, (i) earnings consists of income before provision for income taxes and fixed charges and (ii) fixed charges consist of interest expense, amortization of debt expense, and pretax preferred stock dividend requirements. All ratios of earnings to fixed charges are presented for a twelve month period ended.			

Recent Results of Operations; Recent Developments

For the year ended December 31, 2002, the unaudited "Operating Revenues," "Operating Income," and "Net Income" of Ohio Power were approximately \$2.1 billion, \$412 million and \$220 million, respectively. In the opinion of the management of Ohio Power, the above unaudited amounts for the year ended December 31, 2002 reflect all adjustments (which were normal recurring adjustments) necessary to present fairly the results of operations for such period.

On January 24, 2003, S&P placed our ratings, the ratings of our parent, AEP, and the ratings of AEP's other subsidiaries on CreditWatch with negative implications. S&P's current rating is BBB+ on our senior unsecured debt and is A-2 on AEP's commercial paper. S&P's announcement stated that the CreditWatch listing is expected to be resolved within a short time.

On February 10, 2003, Moody's confirmed their rating on our senior unsecured debt of A3 (with stable outlook) and downgraded their rating on AEP's commercial paper to P-3 (with stable outlook) from P-2.

RISK FACTORS

You should carefully consider the risks described below as well as other information contained in this offering memorandum before buying the Notes in this offering. The risks described in this section are those that we consider to be the most significant to your decision whether to invest in our Notes. If any of the events described below occurs, our business, financial condition or results of operations could be materially harmed. In addition, we may not be able to make payments on the Notes and this could result in your losing all or part of your investment.

RISKS RELATED TO OUR REGULATED BUSINESS AND EVOLVING REGULATION

We may need regulatory or other approval to remain functionally separated; if we are unable to remain functionally separated, we need SEC approval.

As discussed more fully under “OHIO POWER COMPANY – Functional Separation,” we currently operate as a functionally separated electric utility and no longer charge bundled rates for our retail sales of electricity. Ohio has enacted restructuring legislation (S.B.3) which provides for the legal separation of our generation-related assets from our Transmission and Distribution Business. The PUCO has approved our transition plan to legally separate our Transmission and Distribution Business as provided by Ohio restructuring legislation. We are currently determining, however, the regulatory feasibility of complying with restructuring legislation through continued functional separation. Assuming regulatory compliance, it is currently our intention to remain functionally separated.

Ohio Power's compliance with restructuring legislation through continued functional separation during the Development Period may require the approval of or notification to the PUCO; it may also require notification to the FERC and the SEC. Furthermore, following the end of the Development Period, given the current uncertainty with respect to the method by which default service market rates will be determined, there is some question as to whether Ohio Power would be required under S.B.3 to legally separate. Further action by the PUCO may be necessary to resolve this question. We can give no assurance that we can remain functionally separated.

If we are unable to remain functionally separated and we are required to legally separate, we would still need SEC approval to legally separate. We can give no assurance that the SEC would not impose material adverse terms as a condition to approving our legal separation.

We operate in a changing regulatory environment.

Our business plan is based on the regulatory framework as described under “OHIO POWER COMPANY – Functional Separation” and assumes that deregulated generation in Ohio will not be re-regulated. There can be no assurance that Ohio will not reverse or revise its current regulatory initiatives, and there can be no assurance that recent federal legislative and regulatory initiatives, which have been designed to facilitate competition in the energy sector, will continue or will not be reversed. Alteration of the regulatory landscape in which we operate will impact the effectiveness of our business plan and may harm our financial condition and results of operations.

RISKS RELATED TO OUR TRANSMISSION AND DISTRIBUTION BUSINESS

The following risk factors describe the risks which would be associated with our Transmission and Distribution Business. Under this subheading, “Transmission and Distribution Business” also refers to the to-be-formed Ohio Wires that may own our Transmission and Distribution Business if we legally separate. See “RISKS RELATED TO MARKET OR ECONOMIC VOLATILITY — We are subject to risks associated with a changing economic environment” and “—Our operating results may fluctuate on a seasonal and quarterly basis reflecting, in part, weather conditions” below.

Our Transmission and Distribution Business is operating in a new market environment in which our Transmission and Distribution Business and others have little operating experience.

The competitive electric market in Ohio is new. Our Transmission and Distribution Business has not had any significant operating history under the market framework created by the Ohio restructuring legislation. While to date the transition has not resulted in material difficulties, unforeseen difficulties could develop which could become material. Additionally, structural changes adopted to address any such difficulties could materially adversely affect our Transmission and Distribution Business’ revenues and results of operations.

Rate regulation of our Transmission and Distribution Business may delay or deny full recovery of costs.

Our Transmission and Distribution Business currently provides distribution service to retail customers in Ohio at rates effectively frozen through December 31, 2007 and approved by the PUCO. These rates are regulated by the PUCO based on an analysis of our expenses incurred in a test year. Thus, the rates we are allowed to charge may or may not match our expenses at any given time. While rate regulation in Ohio is premised on providing a reasonable opportunity to earn a reasonable rate of return on invested capital, there can be no assurance that the PUCO will judge all of our Transmission and Distribution Business’ costs to have been prudently incurred or that the regulatory process in which rates are determined will always result in rates that will produce full recovery of our Transmission and Distribution Business’ costs.

Disruptions at power generation facilities owned by affiliates or third parties could interrupt our Transmission and Distribution Business’ sale of distribution and transmission services.

Our Transmission and Distribution Business could depend on power generation facilities owned by our affiliates through 2005, and following that time, possibly third parties to provide the electric power which our Transmission and Distribution Business transmits and distributes to our Transmission and Distribution Business’ customers. If legal separation occurs, Ohio Wires, the new owner of our Transmission and Distribution Business, will not own or operate any power generation facilities. If power generation is disrupted or if power generation capacity is inadequate, our Transmission and Distribution Business’ services may be interrupted, and our revenues, financial condition and results of operations may be adversely affected.

Our Transmission and Distribution Business’ revenues and results of operations are subject to risks that are beyond its control.

Unless mitigated by timely and adequate regulatory recovery, the cost of repairing damage to our Transmission and Distribution Business’ facilities due to storms, natural disasters, wars, terrorist acts and other catastrophic events, in excess of reserves established for such repairs, may adversely impact our Transmission and Distribution Business’ revenues, operating and capital expenses and results of operations.

Uncertainty exists regarding FERC proposed security standards.

In July 2002, the FERC published for comment its proposed security standards as part of the Standards for Market Design. These standards are intended to ensure all market participants have a basic security program that effectively protects the electric grid and related market activities and require compliance by January 1, 2004. The impact of these proposed standards is far-reaching and has significant penalties for

non-compliance. These standards apply to marketers, transmission owners and power producers, including our Transmission and Distribution Business. Compliance with these standards would represent a significant effort that would impact our Transmission and Distribution Business. Unless the cost can be recovered from customers, results of operations and cash flows would be adversely affected.

The different regional power markets in which we compete or will compete in the future have changing transmission regulatory structures, which could affect our performance in these regions.

Our Transmission and Distribution Business' results are likely to be affected by differences in the market and transmission regulatory structures in various regional power markets. Problems or delays that may arise in the formation and operation of new regional transmission organizations, or RTOs, may restrict our ability to sell power produced by our generating capacity to certain markets if there is insufficient transmission capacity otherwise available. The rules governing the various regional power markets may also change from time to time which could affect our costs or revenues. Because it remains unclear which companies will be participating in the various regional power markets, or how RTOs will develop or what regions they will cover, our Transmission and Distribution Business is unable to assess fully the impact that these power markets may have on its business.

In May 2002, AEP announced an agreement with the Pennsylvania-New Jersey-Maryland RTO (the PJM) Interconnection to pursue terms for participation in its RTO. Final agreements are expected to be negotiated. In July 2002, the FERC tentatively approved the decision of certain AEP subsidiaries, including us, to join PJM subject to certain conditions being met. The performance of these conditions is only partially under AEP's control. In October 2002, PJM announced that the referenced AEP subsidiaries and other unaffiliated utilities planned to turn functional control of their transmission lines over to PJM during the first quarter of 2003 and are scheduled to become full members by May 2003. The Virginia legislature is considering legislation that could prevent AEP and certain other unaffiliated utilities operating in Virginia from joining any RTO, including PJM, until at least July 2004.

Management is unable to predict the outcome of this Virginia legislation or these transmission regulatory actions and proceedings or their impact on the timing and operation of RTOs, our Transmission and Distribution Business' operations or future results of operations and cash flows.

RISKS RELATED TO OUR GENERATION AND RELATED ASSETS

The following risk factors describe the risks that are associated with our generation business. Unless we legally separate and transfer of our Transmission and Distribution Business, these risks are inherent to the nature of our business. To the extent that we are unable to remain functionally separated and we legally separate and transfer our Transmission and Distribution Business to Ohio Wires, Ohio Wires would not own or operate any power generation facilities, but would, however, be responsible for providing default generation service. This default generation responsibility is currently contemplated to be a "pass-through" component for default service suppliers, such as Ohio Wires. Given the absence of definitive regulatory direction in this area, however, no assurance can be given as to the pass-through nature of default generation service in Ohio. See "OHIO POWER COMPANY – Our Operations If We Legally Separate."

We have limited ability to pass on to our customers our costs of production.

We are exposed to risk from changes in the market prices of coal used to generate power. The protection afforded by retail fuel clause recovery mechanisms was eliminated effective January 1, 2001 by the implementation of customer choice in Ohio. Because the risk of fuel price increases, increased environmental compliance costs and generating unit outage cannot be passed through to customers during the Market Development Period in Ohio (which will end no later than December 31, 2005), we retain these risks.

Until the end of the Development Period, our Transmission and Distribution Business is required to provide power at capped rates, which may be below current market rates, to retail customers that do not choose

an alternative power generation supplier. We currently provide the power that our Transmission and Distribution Business is required to provide to non-switching customers. This means that we bear the risk of fuel and power price increases, increased costs of environmental compliance and generating unit outage. Following the end of the Development Period, there is no obligation to sell to such customers at capped generation rates. By law, the cost of generation service for customers that do not choose an alternative power generation supplier must be at market rates. The determination of what constitutes market rates has not been resolved by the PUCO. If, following the end of the Development Period, our costs to acquire or provide generation service to such customers exceed what is determined to be market rates, our financial condition and results of operations would be adversely affected. See “OHIO POWER COMPANY – Ohio Restructuring.”

Our default service does not restrict customers from switching power suppliers.

Those default service customers that we serve may choose to purchase power from alternative suppliers. Should they choose to switch from us, our sales of power may decrease. Customers originally choosing alternative suppliers may later switch to our default service obligations. This may increase demand above our facilities’ available capacity. Thus, any such switching by customers could have an adverse effect on our results of operations and financial position. Conversely, to the extent the power sold by us to meet the default service obligations could have been sold to third parties at more favorable wholesale prices, we will have incurred potentially significant lost opportunity costs.

Changes in commodity prices may increase our cost of producing power or decrease the amount we receive from selling power, harming our financial performance.

We are heavily exposed to changes in the price and availability of coal because virtually all of our generating capacity is coal-fired. We have contracts of varying durations for the supply of coal for most of our existing generation capacity, but as these contracts end, we may not be able to purchase coal on terms as favorable as the current contracts.

Changes in the cost of coal and changes in the relationship between such cost and the market price of power will affect our financial results. Since the price we obtain for power may not change at the same rate as the change in coal costs, we may be unable to pass on the changes in costs to our customers. In addition, the price we can charge our retail customers in Ohio is frozen through December 31, 2005.

In addition, actual power prices and fuel costs will differ from those assumed in financial projections used to initially value our trading and marketing transactions, and those differences may be material. As a result, our financial results may be diminished in the future as those transactions are marked to market.

We may not be able to respond effectively to competition from other generation companies.

We may not be able to respond in a timely or effective manner to the many changes in the power industry that may occur as a result of regulatory initiatives to increase competition. To the extent that competition increases, our profit margins may be negatively affected. Industry deregulation may not only continue to facilitate the current trend toward consolidation in the utility industry but may also encourage the disaggregation of other vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional competitors in our industry may be created, and we may not be able to maintain our revenues and earnings levels.

While demand for power is generally increasing throughout the United States, the rate of construction and development of new, more efficient electric generation facilities may exceed increases in demand in some regional electric markets. The start-up of new facilities in our regional markets could increase competition in the wholesale power market in our region, which could harm our business, results of operations and financial condition. Also, industry restructuring in our region could affect our operations in a manner that is difficult to predict, since the effects will depend on the form and timing of the restructuring.

Our costs of compliance with environmental laws are significant, and the cost of compliance with future environmental laws could harm our cash flow and profitability.

Our operations are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, natural resources and health and safety. Compliance with these legal requirements requires us to commit significant capital toward environmental monitoring, installation of pollution control equipment, emission fees and permits at all of our facilities. These expenditures have been significant in the past, and we expect that they will increase in the future. Costs of compliance with environmental regulations could harm our industry, our business and our results of operations and financial position, especially if emission and/or discharge limits are tightened, more extensive permitting requirements are imposed, additional substances become regulated and the number and types of assets we operate increase.

We anticipate that we will incur considerable capital costs for environmental compliance.

Virtually all of our generating capacity is coal burning. We plan to install new emissions control equipment and may be required to upgrade existing equipment, purchase emissions allowances or reduce operations. We expect to spend between \$535 and \$864 million (of which \$446 million had been expended as of December 31, 2002) in connection with the installation of emission control equipment at our facilities to comply with the new nitrogen oxide emission rules under the Clean Air Act. Moreover, environmental laws are subject to change, which may materially increase our costs of compliance or accelerate the timing of these capital expenditures. Our compliance strategy, although reasonably based on the information available to us today, may not successfully address the relevant standards and interpretations of the future.

Governmental authorities may assess penalties on us for failures to comply with environmental laws and regulations.

If we fail to comply with environmental laws and regulations, even if caused by factors beyond our control, that failure may result in the assessment of civil or criminal penalties and fines against us. Recent lawsuits by the U.S. Environmental Protection Agency (EPA) and various states filed against us highlight the environmental risks faced by generating facilities, in general, and coal-fired generating facilities, in particular.

Since 1999, we and some of our affiliates have been involved in litigation regarding generating plant emissions under the Clean Air Act. EPA and a number of states alleged that we and eleven unaffiliated utilities modified certain units at coal-fired generating plants in violation of the Clean Air Act. EPA filed complaints against us and some of our affiliated public utility subsidiaries in U.S. District Court for the Southern District of Ohio. A separate lawsuit initiated by certain special interest groups was consolidated with the EPA case. The alleged modification of the generating units occurred over a 20 year period.

If these actions are resolved against us, substantial modifications of our existing coal-fired power plants would be required. In addition, we could be required to invest significantly in additional emission control equipment, accelerate the timing of capital expenditures, pay penalties and/or halt operations. Moreover, our results of operations could be reduced and our financial position could suffer due to the consequent distraction of management and the expense of ongoing litigation.

We are unlikely to be able to pass on the cost of environmental compliance to our customers.

Most of our contracts with wholesale customers do not permit us to recover additional capital and other costs incurred by us to comply with new environmental regulations. Due to the deregulation of generation in Ohio, we cannot recover through increased rates additional capital and other costs incurred by us to comply with new environmental regulations with respect to our generation previously regulated in Ohio.

Our operating results may fluctuate on a seasonal and quarterly basis reflecting, in part, weather conditions.

Electric power generation is generally a seasonal business. In many parts of the country, demand for power peaks during the hot summer months, with market prices also peaking at that time. In other areas, power demand peaks during the winter. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis. The pattern of this fluctuation may change depending on the terms of power sale contracts we enter into. In addition, we have historically sold less power, and consequently earned less income, when weather conditions are milder. We expect that unusually mild weather in the future could diminish our results of operations and harm our financial condition.

Changes in technology may significantly affect our business by making our power plants less competitive.

A key element of our business model is that generating power at central power plants achieves economies of scale and produces power at relatively low cost. There are other technologies that produce power, most notably fuel cells, microturbines, windmills and photovoltaic (solar) cells. It is possible that advances in technology will reduce the cost of alternative methods of producing power to a level that is competitive with that of most central power station electric production. If this were to happen and if these technologies achieved economies of scale, our market share could be eroded, and the value of our power plants could be reduced. Changes in technology could also alter the channels through which retail electric customers buy power, thereby harming our financial results.

RISKS RELATED TO OUR POWER TRADING AND WHOLESALE BUSINESSES

In October 2002, AEP announced its plans to reduce the exposure to energy trading markets of its subsidiaries that trade power (including us) and to downsize the trading and wholesale marketing operations conducted on behalf of such subsidiaries. It is expected that in the future our power trading and marketing operations will be limited to risk management around our generation assets and those of our regulated affiliates. If we are unable to remain functionally separated and we legally separate, Ohio Power would own and operate all our current generation facilities and assets. Trading and marketing operations that were not limited to risk management around such assets have contributed to our wholesale revenues and earnings in the past. Management is unable to predict the effect this downsizing of our trading operations will have on our future results of operations and cash flows. The following risk factors appearing under this subheading should be read in light of the announcements discussed in this paragraph.

Our revenues and results of operations are subject to market risks that are beyond our control.

We sell a portion of the power from our generation facilities into the spot market or other competitive power markets or on a contractual basis. We also enter into contracts to purchase and sell electricity as part of our power marketing and trading operations. With respect to such transactions, we are not guaranteed any rate of return on our capital investments through regulated rates, and our revenues and results of operations are likely to depend, in large part, upon prevailing market prices for power in our regional markets and other competitive markets. These market prices may fluctuate substantially over relatively short periods of time. It is reasonable to expect that trading margins may erode as markets mature and that there may be diminished opportunities for gain should volatility decline. In addition, the FERC, which has jurisdiction over wholesale power rates, as well as independent system operators that oversee some of these markets, may impose price limitations, bidding rules and other mechanisms to address some of the volatility in these markets. Fuel prices may also be volatile, and the price we can obtain for power sales may not change at the same rate as changes in fuel costs. These factors could reduce our margins and therefore diminish our revenues and results of operations.

Volatility in market prices for fuel and power may result from:

- weather conditions;
- seasonality;
- power usage;
- illiquid markets;
- transmission or transportation constraints or inefficiencies;
- availability of competitively priced alternative energy sources;
- demand for energy commodities;
- natural gas, crude oil and refined products, and coal production levels;
- natural disasters, wars, embargoes and other catastrophic events; and
- federal, state and foreign energy and environmental regulation and legislation.

Our power trading (including fuel procurement and power marketing) and risk management policies cannot eliminate the risk associated with these activities.

Our power trading (including fuel procurement and power marketing) activities expose us to risks of commodity price movements. We attempt to manage our exposure through enforcement of established risk limits and risk management procedures. These risk limits and risk management procedures may not always be followed or may not work as planned and cannot eliminate the risks associated with these activities. As a result, we cannot predict the impact that our power trading and risk management decisions may have on our business, operating results or financial position.

We routinely have open trading positions in the market, within established guidelines, resulting from the management of our trading portfolio. To the extent open trading positions exist, fluctuating commodity prices can improve or diminish our results of operations and financial position.

Our power trading and risk management activities, including our power sales agreements with counterparties, rely on projections that depend heavily on judgments and assumptions by management of factors such as the future market prices and demand for power and other energy-related commodities. These factors become more difficult to predict and the calculations become less reliable the further into the future these estimates are made. Even when our policies and procedures are followed and decisions are made based on these estimates, results of operations may be diminished if the judgments and assumptions underlying those calculations prove to be wrong or inaccurate.

Parties with whom we have contracts may fail to perform their obligations, which could harm our results of operations.

We are exposed to the risk that counterparties that owe us money or power will breach their obligations. Should the counterparties to these arrangements fail to perform, we may be forced to enter into alternative hedging arrangements or honor underlying commitments at then-current market prices that may exceed our contractual prices, which would cause our financial results to be diminished and we might incur losses. As reported in the national press, the credit downgrades of numerous participants in this market would suggest that credit rating agencies have concluded that the risk of default by such participants has increased. Although our estimates take into account the expected probability of default by a counterparty, our actual exposure to a default by a counterparty may be greater than the estimates predict if defaults by counterparties exceed our estimates.

We rely on electric transmission facilities that we do not own or control. If these facilities do not provide us with adequate transmission capacity, we may not be able to deliver our wholesale electric power to the purchasers of our power.

We depend on transmission facilities owned and operated by other unaffiliated power companies to deliver the power we sell at wholesale. This dependence exposes us to a variety of risks. If transmission is

disrupted, or transmission capacity is inadequate, we may not be able to sell and deliver our wholesale power. If a region's power transmission infrastructure is inadequate, our recovery of wholesale costs and profits may be limited. If restrictive transmission price regulation is imposed, the transmission companies may not have sufficient incentive to invest in expansion of transmission infrastructure.

The FERC has issued electric transmission initiatives that require electric transmission services to be offered unbundled from commodity sales. Although these initiatives are designed to encourage wholesale market transactions for electricity, access to transmission systems may in fact not be available if transmission capacity is insufficient because of physical constraints or because it is contractually unavailable. We also cannot predict whether transmission facilities will be expanded in specific markets to accommodate competitive access to those markets.

We do not fully hedge against price changes in commodities.

We routinely enter into contracts to purchase and sell electricity as part of our power marketing and trading operations and to procure fuel. In connection with these trading activities, we routinely enter into financial contracts, including futures and options, over-the-counter options, swaps and other derivative contracts. These activities expose us to risks from price movements. If the values of the financial contracts change in a manner we do not anticipate, it could harm our financial position or reduce the financial contribution of our trading operations.

We manage our exposure by establishing risk limits and entering into contracts to offset some of our positions (i.e., to hedge our exposure to demand, market effects of weather and other changes in commodity prices). However, we do not always hedge the entire exposure of our operations from commodity price volatility. To the extent we do not hedge against commodity price volatility, our results of operations and financial position may be improved or diminished based upon our success in the market.

We are unable to predict the course, results or impact, if any, of current or future energy market investigations.

In February 2002, the FERC issued an order directing its staff to conduct a fact-finding investigation into whether any entity, including Enron Corp., manipulated short-term prices in electric energy or natural gas markets in the West or otherwise exercised undue influence over wholesale prices in the West, for the period January 1, 2000, forward. In April 2002, AEP furnished certain information to the FERC in response to their related data request.

Pursuant to the FERC's February order, on May 8, 2002, the FERC issued further data requests, including requests for admissions, with respect to certain trading strategies engaged in by Enron Corp. and, allegedly, traders of other companies active in the wholesale electricity and ancillary services markets in the West, particularly California, during the years 2000 and 2001. This data request was issued to AEP as part of a group of over 100 entities designated by the FERC as all sellers of wholesale electricity and/or ancillary services to the California Independent System Operator and/or the California Power Exchange.

The May 8, 2002 FERC data request required senior management to conduct an investigation into AEP's trading activities during 2000 and 2001 and to provide an affidavit as to whether AEP engaged in certain trading practices that the FERC characterized in the data request as being potentially manipulative. AEP's senior management complied with the order and denied its involvement with those trading practices.

On May 21, 2002, the FERC issued a further data request with respect to this matter to AEP and over 100 other market participants requesting information for the years 2000 and 2001 concerning "wash," "round trip" or "sale/buy back" trading in the Western System Coordinating Council (WSCC), which involves the sale of an electricity product to another company together with a simultaneous purchase of the same product at the same price (collectively, wash sales). Similarly, on May 22, 2002, the FERC issued an additional data request with respect to this matter to AEP and other market participants requesting similar information for the same

period with respect to the sale of natural gas products in the WSCC and Texas. After reviewing its records, AEP responded to the FERC that it did not participate in any “wash sale” transactions involving power or gas in the relevant market. AEP further informed the FERC that certain of its traders did engage in trades on the Intercontinental Exchange, an electronic electricity trading platform owned by a group of electricity trading companies, including AEP, on September 21, 2001, the day on which all brokerage commissions for trades on that exchange were donated to charities for the victims of the September 11, 2001 terrorist attacks, which do not meet the FERC criteria for a “wash sale” but do have certain characteristics in common with such sales.

The Public Utilities Commission of Texas, which has jurisdiction over several of our affiliates, also issued similar data requests to AEP and other power marketers. AEP responded to such data request by the July 2, 2002 response date. We understand that the SEC and US Commodity Futures Trading Commission (CFTC) are also looking into “wash sale” trading practices. The CFTC issued a subpoena to AEP on June 17, 2002 requesting information with respect to these matters and AEP responded to CFTC. In addition, the US Department of Justice made a civil investigation demand to AEP and other electric generating companies concerning their investigation of the Intercontinental Exchange. In August 2002, AEP received an informal data request from the SEC asking it to voluntarily provide documents related to “round-trip” or “wash” trades and AEP has provided the requested information to the SEC. AEP recently completed a review of its trading activities in the United States for the last three years involving sequential trades with the same terms and counterparties. The revenue from such trading is not material to either our financial statements or AEP’s. We believe that substantially all these transactions involve economic substance and risk transference and do not constitute “wash sales.”

Management is unable to predict the course or outcome of these or any future energy market investigations or their impact, if any, on power commodity trading generally or, more specifically, on our trading operations or future results of operations and cash flows.

Diminished liquidity in the wholesale power markets could negatively impact our earnings.

The Enron Corp. bankruptcy and enhanced regulatory scrutiny have contributed to more rigorous credit rating review of wholesale power market participants. Credit downgrades of numerous other market participants have significantly reduced such participants’ participation in the wholesale power markets. Likewise, numerous market participants have announced material scaling back of or exit from the wholesale power market business. These events are causing a decrease in the number of significant participants in the wholesale power markets, at least temporarily, which has resulted and could continue to result in a decrease in the volume and liquidity in the wholesale power markets. We are unable to predict the impact of such developments on our power marketing and trading business.

Potential for disruption exists if the delay of a FERC market power mitigation order is lifted.

A FERC order on AEP’s triennial market based wholesale power rate authorization update required certain mitigation actions that certain AEP subsidiaries, including us, would need to take for sales/purchases within its control area and required AEP to post information on its website regarding its power systems status. As a result of a request for rehearing filed by AEP and other market participants, FERC issued an order delaying the effective date of the mitigation plan until after a planned technical conference on market power determination. No such conference has been held and management is unable to predict the timing of any further action by the FERC or its affect on future results of our operations and cash flows.

RISKS RELATED TO MARKET OR ECONOMIC VOLATILITY

We are subject to risks associated with a changing economic environment.

In response to the occurrence of several recent events, including the September 11, 2001 terrorist attack on the United States, the ongoing war against terrorism by the United States and the bankruptcy of Enron Corp., the financial markets have been disrupted in general, and the availability and cost of capital for

our business and that of our competitors has been at least temporarily harmed. In addition, following the bankruptcy of Enron Corp., the credit ratings agencies initiated a thorough review of the capital structure and earnings power of energy companies, including us. These events could constrain the capital available to our industry and could limit our access to funding for our operations. Our business is capital intensive, and we are dependent upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes significantly constrained, our interest costs will likely increase and our financial condition and results of operations could be adversely affected.

The insurance industry has also been disrupted by these events. As a result, the availability of insurance covering risks we and our competitors typically insure against may decrease. In addition, the insurance we are able to obtain may have higher deductibles, higher premiums and more restrictive policy terms.

A downgrade in our credit rating or that of AEP could negatively affect our ability to access capital and/or to operate our power trading businesses.

On February 10, 2003, Moody's downgraded AEP's short-term rating to P-3 (with stable outlook) from P-2. On January 24, 2003, S&P placed AEP's short-term rating of A-2 on CreditWatch with negative implications. As a result, we expect AEP's access to the commercial paper market to be significantly limited and that our short-term borrowing costs may increase because we conduct our short-term borrowing through AEP and on the same terms available to AEP. For information on recent activity by Moody's and S&P, see "RECENT RESULTS OF OPERATIONS; RECENT DEVELOPMENTS."

Our power trading business relies on the investment grade ratings of our senior, unsecured debt. Most of our counterparties require the creditworthiness of an investment grade entity to stand behind transactions. If our rating were to decline below investment grade, our ability to profitably operate our power trading business would be diminished, because we would likely have to deposit cash or cash related instruments, which would reduce our profits

RISKS RELATED TO THE NOTES

Your ability to sell your Notes is restricted and we cannot assure you that an active trading market will develop for the Notes.

The Notes have not been registered under the Securities Act or any state or foreign securities laws and, until so registered, the Notes may be transferred and resold only in transactions exempt from the Securities Act and applicable state securities laws. In addition, there is no existing trading market for the Notes. We do not intend to apply for listing or quotation of the Notes on any exchange. Therefore, we do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be, nor can we give you any assurances regarding the ability of holders of Notes to sell their Notes or the price at which the Notes might be sold. Although the initial purchasers have informed us that they currently intend to make a market in the Notes, they are not obligated to do so, and any such market-making may be discontinued at any time without notice. In addition, such market-making activity may be limited during the pendency of the exchange offer or the effectiveness of a shelf registration statement in the event that the exchange offer is delayed. As a result, the market price of the Notes could be adversely affected. Any such disruptions may have an adverse effect on holders of the Notes.

We (if we remain functionally separated) or Ohio Wires (if we legally separate) intend to file a registration statement with the SEC and to use reasonable best efforts to cause the registration statement to become effective with respect to the Notes or Ohio Wires Notes. The SEC, however, has broad discretion to declare any registration statement effective and may delay or deny the effectiveness of any registration statement for a variety of reasons. Additionally, if we transfer our Transmission and Distribution Business to Ohio Wires and a Noteholder elects to retain its Notes, neither Ohio Wires nor Ohio Power will be obligated to file an exchange offer registration statement or a shelf registration statement with respect to such Notes. Such

Notes, accordingly, will remain subject to the transfer restrictions described under “NOTICE TO INVESTORS.”

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the Notes in this offering, after deducting initial purchasers’ discounts and estimated offering expenses payable by us, will be approximately \$494 million. The net proceeds from the sale of the Notes will be used for general corporate purposes relating to our utility business, including the repayment of advances from our affiliates. Such advances from our affiliates were used by us to repurchase a portion of our debt. Our affiliates will use a significant portion of these proceeds to repay a significant portion of AEP’s \$1.725 billion corporate separation credit facility, of which \$1.3 billion was outstanding as of December 31, 2002. Assuming that the proceeds are used for this purpose, affiliates of each of the initial purchasers, as lenders to our affiliates, would ultimately receive a significant portion of the net proceeds of the offering of the Notes. See “PLAN OF DISTRIBUTION” in this offering memorandum.

If we do not use the net proceeds immediately, we will temporarily invest them in short-term, interest-bearing obligations. We had approximately \$405 million of short-term indebtedness outstanding as of December 31, 2002.

CAPITALIZATION AND SHORT-TERM DEBT

The following table sets forth our capitalization as of September 30, 2002 and as adjusted to reflect (i) the issuance of the Notes offered hereby and (ii) application of the net proceeds as described under “USE OF PROCEEDS.”

You should read the information in this table together with the detailed information and financial statements appearing in the documents incorporated by reference in this offering memorandum and with “SELECTED CONSOLIDATED FINANCIAL DATA” included elsewhere in this offering memorandum.

	<u>Actual</u>	<u>As Adjusted</u>
	(in thousands)	
Capitalization:		
Short-Term Advances from (to) Affiliates.....	\$ 160,682	\$ (183,318)
Short-Term Debt – Affiliated	<u>150,000</u>	<u>—</u>
Total Short-Term Debt.....	310,682	(183,318)
First Mortgage Bonds	136,617	136,617
Senior Unsecured Notes.....	397,247	897,247
Pollution Control Bonds	233,313	233,313
Notes Payable – Affiliated.....	<u>300,000</u>	<u>300,000</u>
Total Long-Term Debt	1,067,177	1,567,177
Total Debt.....	1,377,859	1,567,177
Preferred Stock – Subject to Mandatory Redemption.....	16,648	16,648
Preferred Stock – Not Subject to Mandatory Redemption...	<u>8,850</u>	<u>8,850</u>
Total Preferred Stock.....	25,498	25,498
Shareholder’s Equity	1,285,994	1,285,994
Total Capitalization	2,689,351	2,878,669
Total Debt/Total Capitalization Ratio.....	51.2%	54.4%

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data as of December 31, 2001 and 2000, and for the years then ended have been derived from our audited consolidated financial statements and the related notes. The consolidated financial data as of September 30, 2002 and for the nine months then ended have been derived from our unaudited financial statements and the related notes.

You should also read the summary consolidated financial data presented below in conjunction with “Management’s Discussion and Analysis,” our audited and unaudited consolidated financial statements and related notes and other financial information contained in our Annual Report on Form 10-K for the year ended December 31, 2001, our Quarterly Report on Form 10-Q for the period ended September 30, 2002 and our Current Report on Form 8-K dated November 18, 2002, which we incorporate by reference in this offering memorandum. See “WHERE YOU CAN FIND MORE INFORMATION.” The historical financial information may not be indicative of our future performance.

	Nine Months Ended September 30, 2002	Year Ended December 31,	
		2001	2000
		(in thousands)	
INCOME STATEMENT DATA:			
Operating Revenues.....	\$ 1,608,383	\$ 2,098,105	\$ 2,140,331
Depreciation and Amortization (a)	185,941	252,123	200,350
Operating Expenses (excluding Depreciation and Amortization and Income Taxes).....	<u>1,070,024</u>	<u>1,503,899</u>	<u>1,525,633</u>
Total Operating Expenses.....	<u>1,255,965</u>	<u>1,756,022</u>	<u>1,725,983</u>
Operating Income	352,418	342,083	414,348
Other Income (Deductions) (net)	<u>25,556</u>	<u>16,306</u>	<u>13,154</u>
Earnings Before Interest and Taxes	377,974	358,389	427,502
Interest	59,885	93,603	119,210
Income Taxes.....	118,432	98,993	205,679
Extraordinary Loss – Discontinuance of Regulatory Accounting for Generation – Net	<u>—</u>	<u>(18,348)</u>	<u>(18,876)</u>
Net Income	<u>\$ 199,657</u>	<u>\$ 147,445</u>	<u>\$ 83,737</u>
	As of September 30, 2002	As of December 31,	
		2001	2000
		(in thousands except ratio)	
BALANCE SHEET DATA:			
Electric Utility Plant	\$ 5,571,830	\$ 5,390,576	\$ 5,577,631
Accumulated Depreciation and Amortization.....	<u>2,545,585</u>	<u>2,452,571</u>	<u>2,764,130</u>
Net Electric Utility Plant	<u>\$ 3,026,245</u>	<u>\$ 2,938,005</u>	<u>\$ 2,813,501</u>
Total Assets	<u>\$ 4,921,203</u>	<u>\$ 4,916,067</u>	<u>\$ 6,242,557</u>
Current Liabilities (less advances from affiliates and Long-Term Debt due within one year).....	1,019,308	1,020,361	2,421,949
Noncurrent Liabilities	1,212,544	1,181,369	1,417,847
Short-Term Debt.....	310,682	300,213	—
Long-Term Debt (b)	1,067,177	1,203,841	1,195,493
Preferred Stock	25,498	25,498	25,498
Common Shareholder’s Equity.....	<u>1,285,994</u>	<u>1,184,785</u>	<u>1,181,770</u>
Total Capitalization and Liabilities.....	<u>\$ 4,921,203</u>	<u>\$ 4,916,067</u>	<u>\$ 6,242,557</u>

	Nine Months Ended September 30, 2002	Year Ended December 31,	
		2001	2000
	(in thousands, except ratios)		
OTHER FINANCIAL DATA:			
EBITDA (c).....	\$ 563,929	\$ 610,512	\$ 627,852
Ratio of Earning to Fixed Charges (d).....	3.66	2.77	2.75
(a) Includes amounts from coal subsidiaries classified as full expense	\$ —	\$ 12,141	\$ 44,406
(b) Includes Long-Term Debt due within one year:	\$ 89,850	\$ —	\$ 117,506
(c) EBITDA is defined as the measurement of earnings before interest, preferred dividends, taxes, depreciation of fixed assets and amortization. EBITDA should not be considered a substitute for net income or cash flows as indicators of financial performance or a company's ability to generate liquidity. EBITDA as presented may not be comparable to other similarly titled measures used by other companies.			
(d) For purposes of computing the ratios of earnings to fixed charges, (i) earnings consists of income before provision for income taxes and fixed charges and (ii) fixed charges consist of interest expense, amortization of debt expense, and pretax preferred stock dividend requirements. All ratios of earnings to fixed charges are presented for a twelve month period ended.			

RECENT RESULTS OF OPERATIONS; RECENT DEVELOPMENTS

For the year ended December 31, 2002, the unaudited "Operating Revenues," "Operating Income," and "Net Income" of Ohio Power were approximately \$2.1 billion, \$412 million and \$220 million, respectively. In the opinion of the management of Ohio Power, the above unaudited amounts for the year ended December 31, 2002 reflect all adjustments (which were normal recurring adjustments) necessary to present fairly the results of operations for such period.

On January 24, 2003, S&P placed our ratings, the ratings of our parent, AEP, and the ratings of AEP's other subsidiaries on CreditWatch with negative implications. S&P's current rating is BBB+ on our senior unsecured debt and is A-2 on AEP's commercial paper. S&P's announcement stated that the CreditWatch listing is expected to be resolved within a short time.

On February 10, 2003, Moody's confirmed their rating on our senior unsecured debt of A3 (with stable outlook) and downgraded their rating on AEP's commercial paper to P-3 (with stable outlook) from P-2.

OHIO POWER COMPANY

Overview

Ohio Power, a wholly owned subsidiary of AEP, is an integrated electric utility company directly engaged in the generation, purchase, transmission, distribution and sale of electric energy in the northwestern, east central, eastern and southern sections of Ohio and in supplying electric power at wholesale to other electric utility companies and municipalities. The State of Ohio has enacted restructuring legislation (S.B. 3) which provides for the legal separation of Ohio Power's generation related assets from its Transmission and Distribution Business. Ohio Power presently operates as a functionally separated electric utility and no longer charges bundled rates for its retail sales of electricity. As such, Ohio Power provides (i) distribution services to retail customers at rates approved by the PUCO which rates will be frozen through December 31, 2007, (ii) transmission services at rates approved by FERC and (iii) "default" retail electric generation service at rates that are currently frozen but will eventually be based on market prices. The aggregate of Ohio Power's transmission and distribution rates are frozen through the Development Period, such that any adjustment of its transmission rates by FERC will be mitigated by a corresponding adjustment to its distribution rates by the PUCO. Ohio Power has received approval from the PUCO and FERC and is seeking approval from the SEC to legally separate and transfer all or substantially all of its Transmission and Distribution Business to Ohio Wires, which would be a newly formed subsidiary. Ohio Power, however, is currently determining the regulatory feasibility of complying with restructuring legislation through continued functional separation. Assuming regulatory compliance, it is currently our intention to remain functionally separated. For more information on actions that need to be taken in order for Ohio Power to remain functionally separated, see "— Functional Separation."

Ohio Power will be the sole obligor of the Notes and, to the extent legal separation occurs and a Note is exchanged for an Ohio Wires Note as described under "DESCRIPTION OF THE NOTES — Exchange of Notes Upon Legal Separation," Ohio Wires will be the sole obligor of the Ohio Wires Notes. Neither AEP nor any of its other subsidiaries or affiliates will guarantee or provide other credit or funding support for the Notes or Ohio Wires Notes.

Currently, Ohio Power's principal operations are:

- **Electric Distribution** – Ohio Power serves approximately 698,000 retail customers in the northwestern, east central, eastern and southern sections of Ohio. Ohio Power's distribution network consists of 20,676 miles of overhead primary conductors, 7,718 miles of overhead secondary and street light conductors, 1,299 miles of underground primary conductors and 458 miles of underground secondary and street light conductors. The majority of Ohio Power's distribution system operates at 34-kV and 12-kV.
- **Electric Transmission** – Ohio Power's electric transmission business provides non-discriminatory wholesale open access to Ohio Power's transmission facilities. Ohio Power also uses its transmission system in the delivery of energy to its wholesale and retail customers. Ohio Power's transmission facilities transverse almost 7,342 square miles of Ohio and consist of 509 circuit miles of 765-kV transmission lines, 649 circuit miles of 345-kV transmission lines and 4,345 circuit miles of 138-kV and 69-kV transmission lines and over 508 substations.
- **Electric Generation** – Ohio Power owns 8,464 MW of coal fired generation and 48 MW of hydroelectric generation. Ohio Power and four other affiliated regulated utilities located in AEP's east zone are parties to the Interconnection Agreement dated July 6, 1951, as amended (the Power Pool), defining the method by which the parties share the costs and benefits associated with their generating plants. Substantially all of Ohio Power's power sale and purchase transactions are conducted through the Power Pool. Ohio Power and the same four affiliate utility companies are also parties to the AEP System Interim Allowance Agreement (the Allowance Agreement), which provides, among other things, for the transfer of emission allowances associated with transactions under the Power Pool. Ohio Power has historically owned more generation than required to serve its retail customers and has therefore been a net seller to the Power Pool.

Customer Base

Ohio Power's service area is strongly tied to the steel, automotive and chemical industries, as well as petroleum refining, rubber and plastics industries. As of and for the twelve months ended December 31, 2001, residential customers comprised 86% of Ohio Power's retail customers, 25% of its retail MWh sales and 35% of its operating revenues; commercial customers comprised 12% of retail customers, 20% of its retail MWh sales and 23% of its operating revenues; and industrial customers comprised 1% of retail customers, 55% of its retail MWh sales and 42% of its operating revenues and other retail customers comprised less than 1% of its retail customers, retail MWh sales and operating revenues.

Capital Expenditures

The following table shows our construction expenditures during 2000, 2001 and 2002 and current estimates of 2003 construction expenditures, in each case including allowance for funds used during construction but excluding assets acquired under leases.

	2000 Actual	2001 Actual	2002 Actual	2003 Estimate
			(in millions)	
Generation	\$ 157	\$ 280	\$ 226	\$ 134
Transmission	22	8	55	36
Distribution	68	53	70	69
General	7	3	5	0
TOTAL	<u>\$ 254</u>	<u>\$ 345</u>	<u>\$ 355</u>	<u>\$ 239</u>

Our construction program is reviewed continuously and is revised from time to time in response to changes in estimates of customer demand, business and economic conditions, the cost and availability of capital, environmental requirements and other factors. Changes in construction schedules and costs, and in estimates and projections of needs for additional facilities, as well as variations from currently anticipated levels of net earnings, Federal income and other taxes, and other factors affecting cash requirements, may increase or decrease the estimated capital requirements for our construction program.

Transmission Network

Ohio Power and four other affiliated utility companies located in AEP's east zone are parties to the Transmission Agreement, dated April 1, 1984, as amended (the Transmission Agreement), defining how they share the costs associated with their relative ownership of the extra-high-voltage transmission system (facilities rated 345-kV and above) and certain facilities operating at lower voltages (138-kV and above). In addition to its AEP system interconnections, Ohio Power also is interconnected with the following unaffiliated utility companies: Cincinnati Gas & Electric Company, The Cleveland Electric Illuminating Company, DP&L, Duquesne Light Company, Kentucky Utilities Company, Monongahela Power Company, Ohio Edison Company, Toledo Edison Company, and West Penn Power Company.

In compliance with the FERC requirements, functional control of Ohio Power's transmission network will become the responsibility of a Regional Transmission Organization (RTO). The RTO will be responsible for ensuring equal access to transmission service by all wholesale market participants. In May 2002, AEP announced an agreement with the Pennsylvania-New Jersey-Maryland RTO (the PJM) Interconnection to pursue terms for participation in its RTO. In July 2002, the FERC tentatively approved the decision of certain AEP subsidiaries, including Ohio Power, to join PJM subject to certain conditions being met. The performance of these conditions is only partially under AEP's control. In October 2002, PJM announced that the AEP subsidiaries including Ohio Power and other unaffiliated utilities planned to turn functional control of their transmission lines over to PJM during the first quarter of 2003 and are scheduled to be integrated into the PJM energy markets by May 2003. The Virginia legislature is considering legislation that could prevent AEP and certain other unaffiliated utilities operating in Virginia from joining any RTO, including PJM, until at least July 2004.

Regulation

Ohio Power is currently regulated by the FERC, SEC and the PUCO. Beginning January 1, 2001, with the implementation of S.B. 3, the PUCO effectively ceased rate regulation of Ohio Power's generation and transmission functions. The FERC continues to regulate Ohio Power's transmission and wholesale power transactions and the SEC continues its regulatory oversight of Ohio Power as a utility owned by an electric utility holding company registered under the Public Utility Holding Company Act of 1935 (the 1935 Act).

Ohio Restructuring

S.B. 3 requires vertically integrated electric utility companies that offer competitive retail electric service in Ohio to separate their generating functions from their transmission and distribution functions. Effective January 1, 2001, S.B. 3 removed generation and other competitive functions from rate regulation by the PUCO. S.B. 3 also provides for the Development Period during which retail customers can choose their electric power suppliers or have the protection of Default Service at frozen generation rates from the incumbent utility. The Development Period began on January 1, 2001 and will terminate no later than December 31, 2005, but the PUCO may terminate the Development Period for one or more customer classes before that date if it determines either that effective competition exists in the incumbent utility's certified territory or that there is a twenty percent switching rate of the incumbent utility's load by the customer class.

Following the Development Period, retail customers will receive distribution and, where applicable, transmission service from the incumbent utility whose distribution rates will be approved by the PUCO and whose transmission rates will be approved by the FERC. Retail customers will continue to have the right to choose their electric power suppliers or have the protection of Default Service which must be offered by the incumbent utility at market rates. The PUCO has circulated a draft of proposed rules but has not yet identified the method by which it will determine market rates for Default Service following the Development Period.

Functional Separation

Ohio Power is currently operating on a functionally separated basis. With respect to retail customers in Ohio, it is providing distribution service at rates approved by the PUCO (which rates will be frozen at the end of the Development Period through December 31, 2007), transmission service at rates approved by FERC (the aggregate of the transmission and distribution rates are frozen per S.B.3 through the Development Period, such that any adjustment of its transmission rates by FERC will be mitigated by a corresponding adjustment to Ohio Power's distribution rate by the PUCO) and Default Service at current generation rates, which are frozen during the Development Period. Although it could purchase power from third parties (and reserve all of its own generation capacity for sales into the wholesale power market), Ohio Power currently meets its Default Service obligation from its own sources of generation. Although Ohio Power has formed a competitive retail electric service affiliate for the purpose of competing in the retail generation market in Ohio, Ohio Power has not actively pursued that market.

While Ohio Power is presently operating as a functionally separated electric utility company, it has sought and, from certain governmental entities, obtained regulatory approval to legally separate. However, Ohio Power is currently determining the regulatory feasibility of complying with restructuring legislation through continued functional separation. Assuming regulatory compliance, it is currently its intention to remain functionally separated. Subject to such regulatory compliance, management believes that so long as Ohio Power did not participate during the Development Period in the competitive retail generation market in Ohio, it would likely not be required under S.B. 3 to legally separate. If Ohio Power remained functionally separated throughout the Development Period, it would operate as described in the paragraph above and bear the risk that its generation costs (including the price of fuel and the costs of environmental compliance) exceed the frozen generation rates it charges its Default Service customers. Ohio Power would be foreclosed from marketing generation to retail customers in Ohio served by other utilities who might otherwise be willing to purchase from Ohio Power at rates higher than Ohio Power's frozen Default Service rate. Any such

prohibition on marketing to retail customers in Ohio would not likely apply to marketing to wholesale customers.

Ohio Power's compliance with restructuring legislation through continued functional separation during the Development Period may require the approval of or notification to the PUCO; it may also require notification to the FERC and the SEC. Following the end of the Development Period, given the current uncertainty with respect to the method by which Default Service market rates will be determined and the legal status of the winning bidder (in the event of an auction style process), there is some question as to whether Ohio Power would be required under S.B. 3 to legally separate. Further action by the PUCO may be necessary to resolve this question. If legal separation were not required following the end of the Development Period, the principal difference in post-Development Period operations would be that the rates Ohio Power could charge for providing Default Service would be at market rates as determined by the PUCO, not the current frozen generation rate. Given that the PUCO has not yet identified the method by which it will determine market rates for Default Service following the Development Period, it is not possible to predict how market rates will be determined. Ohio Power would bear the risk that the costs of providing Default Service exceed what is determined to be market rates. Further, foregoing participation in the competitive retail generation market in Ohio would likely bar Ohio Power not only from marketing generation to retail customers as described above but, possibly, from submitting bids to provide retail generation service in auctions or similar proceedings which the PUCO may direct to determine the market price for generation for Default Service providers.

Although the FERC has approved the right of withdrawal of Ohio Power from the Power Pool and the Allowance Agreement as part of its order approving the settlement agreements and AEP's restructuring application, Ohio Power is not required to withdraw and has remained a party to each. If Ohio Power remains a party to these agreements, notification to or approval by the FERC may be required. Ohio Power's withdrawal from the Power Pool and Allowance Agreement would effectively end its rights and obligations in those agreements, including its duty to sell power to and its right to receive revenues from the remaining regulated utility affiliates in those agreements. Ohio Power's withdrawal would free its generation capacity for other wholesale marketing transactions, including wholesale transactions with affiliates.

Our Operations If We Legally Separate

If we are unable to remain functionally separated and we legally separate, the Transmission and Distribution Business would be transferred to Ohio Wires and Ohio Power would own and operate the generation business. Ohio Wires would be regulated by the FERC with respect to its transmission rates, by the SEC as a utility owned by an electric utility holding company registered under the 1935 Act, and by the PUCO with respect to its distribution rates. In the case of legal separation, Ohio Power would be regulated by the FERC with respect to its wholesale power sales and by the SEC as a utility owned by an electric utility holding company registered under the 1935 Act. The current freeze in the aggregate transmission and distribution rates of Ohio Power pursuant to S.B. 3 would apply through and beyond the end of the Development Period.

During the remainder of the Development Period, Ohio Wires would be responsible for providing distribution service at rates approved by the PUCO (which rates would remain frozen from the end of the Development Period through December 31, 2007), transmission service at rates approved by FERC and Default Service at current generation rates which are frozen during the Development Period. Although Ohio Wires could purchase power from third parties to meet its Default Service obligations, management would cause Ohio Wires to enter into an agreement with a power marketing affiliate (PMA), also owned by AEP, to purchase all of the generation that Ohio Wires requires to meet its Default Service obligation at a price equal to the amounts Ohio Wires collects from its Default Service customers. That agreement would terminate at the end of the Development Period. To enable the PMA to meet this requirement, management would cause Ohio Power to sell power to PMA at Ohio Power's cost. Because it would buy at Ohio Power's cost and sell to Ohio Wires at the current frozen generation rate, PMA would bear the risk that its costs exceed what it collects from Ohio Wires. All of the power supply agreements between PMA and Ohio Wires would be characterized

as straight “pass-through” agreements with respect to rates, as PMA would recover only those amounts that Ohio Wires charges its retail customers.

Following the end of the Development Period, Ohio Wires would continue to be responsible for providing distribution, transmission and Default Service to retail customers in its franchised service areas in Ohio. The principal difference in post-Development Period operations would be that the rates Ohio Wires could charge for providing Default Service would not be frozen at the current generation rate but would be a market rate, which the PUCO has yet to identify the method for determining. It is not possible to predict the method by which market rates will be determined. Although it is currently anticipated that the generation supply component would be a pass through component for providers of Default Service, Ohio Wires would bear the risk that its costs of providing Default Service exceed the amount that it recovers, such recoverable amount being the market rate that is determined by the PUCO.

DESCRIPTION OF THE NOTES

General

We will issue the Notes under an Indenture dated as of February 1, 2003 between us and Bank One, N. A., as trustee, as supplemented by supplemental indentures or company orders. This offering memorandum briefly outlines some provisions of the Indenture. If you would like more information on these provisions, you should review the Indenture and any supplemental indentures or company orders that we have on file or will file with the SEC. See “WHERE YOU CAN FIND MORE INFORMATION” on how to locate these documents. You may also review these documents at the Trustee’s offices at 1111 Polaris Parkway, Columbus, Ohio 43240.

The Indenture does not limit the amount of Notes that may be issued. The Indenture permits us to issue Notes in one or more series or tranches upon the approval of our board of directors and as provided in one or more company orders or supplemental indentures. Each series of Notes may differ as to their terms. We may from time to time, without consent of the holders of the Notes, issue additional notes having the same ranking, interest rate, maturity and other terms as the Notes. These notes, together with the Notes, will be a single series of notes under the Indenture.

The Notes are unsecured and will rank equally with all our senior unsecured unsubordinated debt. Substantially all of our fixed properties and franchises are subject to the lien of our Mortgage and Deed of Trust, dated as of October 1, 1938, as previously supplemented and amended (mortgage indenture), between us and JPMorgan Chase Bank, formerly The Chase Manhattan Bank, as trustee. In the event of legal separation, we currently intend to retire or defease our obligations under our mortgage indenture. For current information on our debt outstanding, see our most recent Form 10-K and 10-Q. In addition, see “WHERE YOU CAN FIND MORE INFORMATION.”

The Notes will be denominated in U.S. dollars and we will pay principal and interest in U.S. dollars. The Notes of each series will be issuable in denominations of \$1,000 or any integral multiples of \$1,000 in excess thereof, except that Notes issued to institutional “accredited investors” will be in denominations of at least \$250,000. The Notes will not be subject to any conversion, amortization, or sinking fund.

Principal Amount, Maturity and Interest

The 2013 Notes will be initially issued in aggregate principal amount of \$250,000,000 and the 2033 Notes will be initially issued in aggregate principal amount of \$250,000,000.

The 2013 Notes will mature and become due and payable, together with any accrued and unpaid interest, on February 15, 2013 and will bear interest at the rate of 5.50% per annum from February 14, 2003 until February 15, 2013. The 2033 Notes will mature and become due and payable, together with any accrued and unpaid interest, on February 15, 2033 and will bear interest at the rate of 6.60% per annum from February 14, 2003 until February 15, 2033.

Interest on each note will be payable semi-annually in arrears on each February 15 and August 15 and at redemption, if any, or maturity. The initial interest payment date is August 15, 2003. Each payment of interest shall include interest accrued through the day before such interest payment date. Interest on the Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

We will pay interest on the Notes of each series (other than interest payable at redemption, if any, or maturity) in immediately available funds to the owners of the Notes as of the Regular Record Date (as defined below) for each interest payment date. We will pay the principal of the Notes and any premium and interest payable at redemption, if any, or maturity in immediately available funds at the office of the Trustee at 1111 Polaris Parkway, Columbus, Ohio 43240.

If any interest payment date, redemption date or the maturity is not a Business Day (as defined below), we will pay all amounts due on the next succeeding Business Day and no additional interest will be paid.

The “Regular Record Date” will be the January 31 or July 31 prior to the relevant interest payment date.

“Business Day” means any day that is not a day on which banking institutions in New York City are authorized or required by law or regulation to close.

Optional Redemption

We may redeem any or all series of the Notes in whole or in part by delivering written notice to the noteholders no more than 60, and not less than 30, days prior to redemption. If we do not redeem all the Notes of a series at one time, the Trustee will select the Notes to be redeemed in a manner it determines to be fair.

We may redeem the Notes of each series at any time at a “make whole” redemption price equal to the greater of (i) the principal amount of the Notes being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed (excluding the portion of any such interest accrued to the date of redemption) discounted (for purposes of determining present value) to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 25 basis points in the case of the 2013 Notes and 30 basis points in the case of the 2033 Notes, plus, in each case, accrued interest thereon to the date of redemption.

“Treasury Rate,” applicable to each series, means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“Comparable Treasury Issue,” applicable to each series, means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

“Comparable Treasury Price,” applicable to each series, means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities” or (2) if such release (or any successor release) is not published or does not contain such prices on such third Business Day, the Reference Treasury Dealer Quotation for such redemption date.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by us and reasonably acceptable to the Trustee.

“Reference Treasury Dealer” means a primary U.S. Government Securities Dealer selected by us and reasonably acceptable to the Trustee.

“Reference Treasury Dealer Quotation” means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at or before 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

Consolidation, Merger or Sale

Subject to the conditions described under “—Exchange of Notes upon Legal Separation,” we or the successor to the Notes, as the case may be, may merge or consolidate with any corporation or sell all or substantially all of our or its assets as an entirety as long as the successor or purchaser of such assets expressly assumes the payment of principal, and premium, if any, and interest on the Notes. For a discussion of the consequences of the sale or transfer of all or substantially all of our Transmission and Distribution Business, see “—Exchange of Notes upon Legal Separation” below.

Exchange of Notes upon Legal Separation

If all or substantially all of our Transmission and Distribution Business is transferred to Ohio Wires (whether or not the Transmission and Distribution Business constitutes “substantially all” of our total assets) as discussed above under “OHIO POWER COMPANY—Our Operations If We Legally Separate,” Noteholders will have the option to exchange their Notes for Ohio Wires Notes, the terms of which will be identical in all material respects to the Notes. Alternatively, a Noteholder may elect to retain its Notes. If any Noteholder fails to elect to retain its Notes, unless otherwise required by law, such Noteholder will be deemed to have exercised its option to exchange its Notes for Ohio Wires Notes. The transfer of all or substantially all of our Transmission and Distribution Business would not constitute a default with respect to the Notes nor would it be deemed a sale or transfer of all or substantially all of our assets for purposes of the Indenture. Additionally, such transfer would not alter the terms of the Notes, and the Notes will continue to be governed by the Indenture.

Limitation on Secured Debt

So long as any of the Notes are outstanding, we will not create or permit to be created or to exist or permit any of our subsidiaries to create or permit to be created or to exist any additional mortgage, pledge, security interest, or other lien (collectively, Liens) on any utility properties or tangible assets now owned or hereafter acquired by us or our subsidiaries to secure any indebtedness for borrowed money (Secured Debt), without providing that the outstanding Notes will be similarly secured. This restriction does not apply to our existing first mortgage bonds that have previously been issued under our mortgage indenture or any indenture supplemental thereto; provided that this restriction will apply to future issuances thereunder (other than issuances of refunding first mortgage bonds). In addition, this restriction does not prevent the creation or existence of:

- Liens on property existing at the time of acquisition or construction of such property (or created within one year after completion of such acquisition or construction), whether by purchase, merger, construction or otherwise, or to secure the payment of all or any part of the purchase price or construction cost thereof, including the extension of any Liens to repairs, renewals, replacements, substitutions, betterments, additions, extensions and improvements then or thereafter made on the property subject thereto;
- Financing of our accounts receivable for electric service;
- Any extensions, renewals or replacements (or successive extensions, renewals or replacements), in whole or in part, of Liens permitted by the foregoing clauses; and
- The pledge of any bonds or other securities at any time issued under any of the Secured Debt permitted by the above clauses.

In addition to the permitted issuances above, Secured Debt not otherwise so permitted may be issued; provided that amount of such Secured Debt that does not exceed 15% of Net Tangible Assets as defined below.

“Net Tangible Assets” means the total of all assets (including revaluations thereof as a result of commercial appraisals, price level restatement or otherwise) appearing on our balance sheet, net of applicable reserves and deductions, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount, energy trading contracts, regulatory assets, deferred charges and all other like intangible assets (which term shall not be construed to include such revaluations), less the aggregate of our current liabilities appearing on such balance sheet.

This restriction also will not apply to or prevent the creation or existence of leases (operating or capital) made, or existing on property acquired, in the ordinary course of business.

Book-Entry Notes —Registration, Transfer and Payment of Interest and Principal

The certificates representing the Notes will be issued in fully registered form, without coupons. Except for certificated Notes issued to institutional accredited investors, the Notes will be deposited with, or on behalf of, DTC, and registered in the name of Cede & Co., as DTC’s nominee in the form of one or more global certificates or will remain in the custody of the Trustee pursuant to a FAST Balance Certificate Agreement between DTC and the Trustee. Upon the issuance of the global certificates, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interest represented by such global certificates to the accounts of persons who have accounts with such depository. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global certificate will be limited to persons who have accounts with DTC (participants) or persons who hold interests through participants. Ownership of beneficial interests in a global certificate will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified institutional buyers may hold their interests in a global certificate directly through DTC, if they are participants in such system or indirectly through organizations which are participants in such system.

Investors that have purchased Notes pursuant to Regulation S may hold their interests directly through Clearstream Banking or Euroclear, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Beginning 40 days after the date of initial issuance of the Notes but not earlier, investors may also hold such interests through organizations other than Clearstream Banking or Euroclear that are participants in the DTC system. Clearstream Banking and Euroclear will hold interests in the global certificate representing Notes purchased pursuant to Regulations S on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a global certificate, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such global certificate for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a global certificate will be able to transfer the interest except in accordance with DTC’s applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream Banking.

Payments of the principal of and interest on a global certificate will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither Ohio Power, the Trustee nor any payment agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global certificate, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global certificate as shown on the records of DTC or its nominee. Ohio Power also expects that payments by participants to owners of beneficial interests in such global certificate held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of

customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules. If a holder requires physical delivery of a certificated Note for any reason, including to sell Notes to person in jurisdictions which require such delivery of such Notes or to pledge such Notes, such holder must transfer its interest in a global certificate in accordance with the procedures described under “NOTICE TO INVESTORS” in this offering memorandum, as well as DTC’s applicable procedures, the procedures set forth in the Indenture and, if applicable, those of Euroclear and Clearstream Banking.

DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a global certificate is credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the Notes, DTC will exchange a global certificate for certificated Notes, which it will distribute to its participants and which may be legended as set forth under “NOTICE TO INVESTORS.”

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “Clearing Agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants). The rules applicable to DTC and its participants are on file with the SEC.

Although DTC, Euroclear and Clearstream Banking are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Notes represented by global certificates among their respective participants, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Ohio Power, the initial purchasers nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depository for a global certificate and a successor depository is not appointed by Ohio Power within 90 days, Ohio Power will issue certificated notes in exchange for a global certificate which will bear the restrictive legend referred to under “NOTICE TO INVESTORS,” subject to the provisions of such legend.

Settlement for the Notes will be made by the initial purchasers in immediately available funds. Ohio Power will make all payments of principal and interest in immediately available funds.

Secondary trading in long-term bonds and notes of corporate issuers is generally settled in clearing-house or next-day funds. In contrast, beneficial interests in the Notes that are not certificated Notes will trade in DTC’s Same-Day Funds Settlement System until maturity. Therefore, the secondary market trading activity in such interests will settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the Notes.

The information under this sub-caption “—Book-Entry Notes—Registration, Transfer and Payment of Interest and Principal” concerning DTC and DTC’s book-entry system has been obtained from sources that

Ohio Power believe to be reliable, but neither Ohio Power nor the initial purchasers take any responsibility for the accuracy of this information.

Restrictions on Transfer

The Notes will be subject to restrictions on transfer and will bear a restrictive legend substantially as described in “NOTICE TO INVESTORS.”

Events of Default

“Event of Default” means any of the following:

- failure to pay for three business days the principal of (or premium, if any, on) any Note of a series when due and payable;
- failure to pay for 30 days any interest on any Note of any series when due and payable;
- failure to perform any other requirements in such Notes, or in the Indenture in regard to such Notes, for 90 days after notice;
- certain events of bankruptcy or insolvency; or
- any other event of default specified in a series of Notes.

An Event of Default for a particular series of Notes does not necessarily mean that an Event of Default has occurred for any other series of Notes issued under the Indenture. If an Event of Default occurs and continues, the Trustee or the holders of at least 33% of the principal amount of the Notes of the series affected may require us to repay the entire principal of the Notes of such series immediately (Repayment Acceleration). In most instances, the holders of at least a majority in aggregate principal amount of the Notes of the affected series may rescind a previously triggered Repayment Acceleration. However, if we cause an Event of Default because we have failed to pay (unaccelerated) principal, premium, if any, or interest, Repayment Acceleration may be rescinded only if we have first cured our default by depositing with the Trustee enough money to pay all (unaccelerated) past due amounts and penalties, if any.

The Trustee must within 90 days after a default occurs, notify the holders of the Notes of the series of default unless such default has been cured or waived. We are required to file an annual certificate with the Trustee, signed by an officer, concerning any default by us under any provisions of the Indenture.

Subject to the provisions of the Indenture relating to its duties in case of default, the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any holders unless such holders offer the Trustee reasonable indemnity. Subject to the provisions for indemnification, the holders of a majority in principal amount of the Notes of any series may direct the time, method and place of conducting any proceedings for any remedy available to, or exercising any trust or power conferred on, the Trustee with respect to such Notes.

Modification of Indenture

Under the Indenture, our rights and obligations and the rights of the holders of any Notes may be changed. Any change affecting the rights of the holders of any series of Notes requires the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes of all series affected by the change, voting as one class. However, we cannot change the terms of payment of principal or interest, or a reduction in the percentage required for changes or a waiver of default, unless the holder consents. We may issue additional series of Notes and take other action that does not affect the rights of holders of any series by executing supplemental indentures without the consent of any noteholders.

Legal Defeasance

We will be discharged from our obligations on the Notes of any series at any time if:

- we deposit with the Trustee sufficient cash or government securities to pay the principal, interest, any premium and any other sums due to the stated maturity date or a redemption date of the Notes of the series, and
- we deliver to the Trustee an opinion of counsel stating that the United States federal income tax obligations of noteholders of that series will not change as a result of our performing the action described above, with such opinion based upon a ruling of the Internal Revenue Service (IRS) issued to us or a change of law or regulation occurring after the date hereof.

If this happens, the noteholders of the series will not be entitled to the benefits of the Indenture except for registration of transfer and exchange of Notes and replacement of lost, stolen or mutilated Notes.

Covenant Defeasance

We will be discharged from our obligations under any restrictive covenant applicable to the Notes of a particular series if:

- we deposit with the Trustee cash or government securities sufficient to pay the principal, interest and any premium due on or prior to maturity, and
- we deliver to the Trustee an opinion of counsel stating that the United States federal income tax obligations of the noteholders will not change as a result of the defeasance.

If this happens, any later breach of that particular restrictive covenant will not result in Repayment Acceleration. If we cause an Event of Default apart from breaching that restrictive covenant, there may not be sufficient money or government obligations on deposit with the Trustee to pay all amounts due on the Notes of that series. In that instance, we would remain liable for such amounts.

Governing Law

The Indenture and Notes of all series will be governed by the laws of the State of New York.

Concerning the Trustee

We and our affiliates use or will use some of the banking services of the Trustee and other services of its affiliates in the normal course of business.

EXCHANGE OFFERS AND REGISTRATION RIGHTS

Overview

While Ohio Power remains functionally separated, Ohio Power will file an exchange offer registration statement with the SEC to allow you to exchange each series of Notes for a new series of substantially identical notes of Ohio Power registered under the Securities Act (Ohio Power Registered Exchange Offer). In addition, Ohio Power has agreed to file, under certain circumstances, a shelf registration statement to cover resales of the Notes. If Ohio Power fails to satisfy these obligations within a specified time period, Ohio Power will pay additional interest to the holders of the Notes. For more information, see “— Registration Rights while Ohio Power Remains Functionally Separated” below.

If legal separation does occur, Ohio Wires will be obligated to file an exchange offer registration statement and offer holders the following options:

- if legal separation occurs prior to the Ohio Power Registered Exchange Offer, a holder of Notes may elect to (i) retain its Notes or (ii) exchange its Notes for Ohio Wires Notes registered under the Securities Act;
- if legal separation occurs after the Ohio Power Registered Exchange Offer, a holder of Ohio Power Notes registered under the Securities Act may elect to (i) retain such Notes or (ii) exchange such Notes for Ohio Wires Notes registered under the Securities Act. Additionally, a holder of Notes (who chose not to exchange its Notes for registered Ohio Power Notes pursuant to the Ohio Power Registered Exchange Offer) may elect to (i) retain its Notes or (ii) exchange its Notes for Ohio Wires Notes registered under the Securities Act.

In the case of each bullet point immediately above, if a holder of a Note or a registered Ohio Power Note fails to elect to retain such Note unless otherwise required by law, such holder will be deemed to have exercised his option to exchange such Note for a registered Ohio Wires Note. Furthermore, Ohio Wires will be obligated to file the applicable exchange offer registration statement within a specified period of time and failure to do so will result in Ohio Power paying additional interest on the applicable Ohio Power Notes. For more information, see “— Registration and Exchange Rights if Ohio Power Legally Separates” below.

If Ohio Power legally separates and a Noteholder elects to retain its Notes, neither Ohio Power nor Ohio Wires will be obligated to file an exchange offer registration statement or a shelf registration statement with respect to such Notes. Such Notes, accordingly, will remain subject to the transfer restrictions described under “NOTICE TO INVESTORS.”

Each Note will contain a legend to the effect that the holder of the Note, by its acceptance thereof, will be deemed to have agreed to be bound by the provisions of the registration rights agreement.

The registration rights agreement will be governed by, and construed in accordance with, the laws of the State of New York. The summary herein of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a form of which is available upon request to us. In addition, the information set forth above concerning certain interpretations and positions taken by the staff is not intended to constitute legal advice, and prospective investors should consult their own legal advisors with respect to these matters.

Registration Rights While Ohio Power Remains Functionally Separated

We will enter into a registration rights agreement with the initial purchasers for the benefit of the holders of the Notes in which we will agree for the benefit of the holders of the Notes (i) to file with the SEC within 210 calendar days after the issuance of the Notes, a registration statement with respect to Notes identical in all material respects to the Notes (the “Exchange Notes”) (except that the Exchange Notes will be designated as a new series, will not contain transfer restrictions and, except as described under “—Registration and Exchange Rights If Ohio Power Legally Separates,” will not provide for any increase in the interest rate under the circumstances described below) and (ii) to use our reasonable best efforts to cause the registration statement to be declared effective under the Securities Act within 270 calendar days after the issuance of the Notes.

Promptly after the registration statement has been declared effective, the Ohio Power Registered Exchange Offer will commence and we will offer to holders of the Notes the opportunity to exchange all their Notes for Exchange Notes. We will keep the Ohio Power Registered Exchange Offer open for not less than 30 calendar days (or longer if required by applicable law) after the date the registration statement is declared effective. For each Note validly tendered to us pursuant to the Ohio Power Registered Exchange Offer, the holder of that Note will receive an Exchange Note having a principal amount equal to the principal amount of

the tendered Note. Interest on each Exchange Note will accrue from the last interest payment date to which interest was paid on the Note surrendered in exchange or, if no interest has been paid on the Note, from the issuance of the Note.

Based on existing interpretations of the Securities Act by the staff of the SEC set forth in several no-action letters to third parties, and subject to the immediately following sentence, we believe that the Exchange Notes to be issued in the Ohio Power Registered Exchange Offer may be offered for resale, resold and otherwise transferred by the holders thereof (other than holders who are broker-dealers) without further compliance with the registration and prospectus delivery provisions of the Securities Act. However, any purchaser of a Note who is an affiliate of us who acquired the Note, or is acquiring the Exchange Note to be received, other than in the ordinary course of its business, or who intends to participate in the Ohio Power Registered Exchange Offer for the purpose of distributing the Exchange Notes, or any broker-dealer who purchased the Notes from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act (i) will not be able to rely on the interpretations of the staff set forth in these no-action letters, (ii) will not be entitled to tender its Notes in the Ohio Power Registered Exchange Offer, and (iii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the Notes unless such sale or transfer is made pursuant to an exemption from such requirements. We do not intend to seek our own no-action letter, and there can be no assurance that the staff of the SEC would make a similar determination with respect to the Exchange Notes as it has in such no-action letters to third parties.

Each holder of Notes (other than certain specified holders) who wishes to exchange the Notes for Exchange Notes in the Ohio Power Registered Exchange Offer will be required to represent that (i) it is not an affiliate of ours, (ii) the Notes to be exchanged for Exchange Notes in the Ohio Power Registered Exchange Offer were acquired in the ordinary course of its business, (iii) it is not a broker-dealer tendering Notes acquired directly from Ohio Power, and (iv) at the time of the Ohio Power Registered Exchange Offer, it has no arrangement with any person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Notes. In addition, in connection with any resale of Exchange Notes, any broker-dealer who acquired the Exchange Notes for its own account as a result of market-making or other trading activities (a “participating broker-dealer”) must deliver a prospectus meeting the requirements of the Securities Act. The SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to the Exchange Notes, other than a resale of an unsold allotment from the original sale thereof, with the prospectus contained in the exchange offer registration statement. Under the registration rights agreement, we are required to allow participating broker-dealers and other persons, if any, subject to similar prospectus delivery requirements to use the prospectus contained in the exchange offer registration statement in connection with the resale of such Exchange Notes for a period of 300 calendar days from the date the exchange offer registration statement is declared effective.

If: (i) because of any change in law or in currently prevailing interpretations of the staff, we are not permitted to effect the Ohio Power Registered Exchange Offer, (ii) the Ohio Power Registered Exchange Offer is not consummated within 300 calendar days of the issuance of the Notes, or (iii) any holder of a Note notifies us prior to the 20th day following the consummation of the Ohio Power Registered Exchange Offer that (i) such holder was prohibited by applicable law or SEC policy from participating in the Ohio Power Registered Exchange Offer, (ii) that such holder may not resell the Exchange Notes to the public without delivering a prospectus and that the prospectus contained in the Exchange offer registration statement is not appropriate or available for such resale by such holder or (iii) that it is a participating broker-dealer and holds Notes acquired directly from us or one of our affiliates, then in each case, we will (x) promptly deliver to the holders written notice thereof and (y) at our sole expense (a) as promptly as practicable (but in no event more than 210 days after so required or requested pursuant to the registration rights agreement), file a shelf registration statement covering resales of those Notes, (b) use our reasonable best efforts to cause the shelf registration statement to be declared effective under the Securities Act (but in no event more than 270 days after so required or requested pursuant to the registration rights agreement or, if later, 300 days after the Notes are issued) and (c) use our reasonable best efforts to keep effective the shelf registration statement until the earlier of two years

(or, if Rule 144(k) is amended to provide a shorter restrictive period, such shorter period) after the issuance of the Notes or such time as all of the applicable Notes have been sold under the shelf registration statement.

We will, if a shelf registration statement is declared effective, provide to each holder copies of the prospectus that is a part of the shelf registration statement, notify each such holder when the shelf registration statement for the Notes has become effective and take any other actions as are required to permit unrestricted resales of the Notes. A holder that sells Notes pursuant to the shelf registration statement will be required to be named as a selling security holder in the related prospectus, to provide information related thereto and to deliver that prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with the sales and will be bound by the provisions of the registration rights agreement that are applicable to such a holder (including certain indemnification rights and obligations). We will not have any obligation to include in the shelf registration statement holders who do not deliver that information to us.

If we fail to comply with certain provisions of the registration rights agreement, as described below, then a special interest premium will become payable in respect of the Notes.

If: (i) the exchange offer registration statement is not filed with the SEC on or before the 210th calendar day after the issuance of the Notes, (ii) the exchange offer registration statement is not declared effective on or before the 270th calendar day after the issuance of the Notes, or (iii) the Ohio Power Registered Exchange Offer is not consummated or the shelf registration statement is not declared effective on or before the 300th calendar day after the issuance of the Notes, the special interest premium will accrue in respect of the Notes from and including the next calendar day following each of (a) such 210-day period in the case of clause (i) above, (b) such 270-day period in the case of clause (ii) above, and (c) such 300-day period in the case of clause (iii) above, in the case of clauses (i) and (ii) above at a rate equal to 0.25% per annum and in the case of clause (iii) at a rate equal to 0.50% per annum.

If the exchange offer registration statement is not declared effective on or before the 300th calendar day after the issuance of the Notes and we request holders of the Notes to provide the information called for by the registration rights agreement for inclusion in the shelf registration statement, the Notes owned by holders who do not deliver such information to us when required pursuant to the registration rights agreement will not be entitled to any such increase in the interest rate for any day after the 300th day following the issuance of the Notes. Upon (1) the filing of an exchange offer registration statement after the 210-day period described in clause (i) above, (2) the effectiveness of the exchange offer registration statement after the 270-day period described in clause (ii) above or (3) the consummation of the Ohio Power Registered Exchange Offer or the effectiveness of a shelf registration statement, as the case may be, after the 300-day period described in clause (iii) above, the interest rate on the Notes from the day of such filing, effectiveness or consummation, as the case may be, will be reduced to the original interest rate set forth on the cover page of this offering memorandum for the Notes.

If a shelf registration statement is declared effective pursuant to the foregoing paragraphs, and if such shelf registration statement ceases to be continuously effective or the prospectus contained in such shelf registration statement ceases to be usable for resales (x) at any time prior to the earlier of two years (or if Rule 144(k) is amended to provide a shorter restrictive period, such shorter period) after the issuance of the Notes or such time as all of the applicable Notes have been sold under the shelf registration statement or (y) due to corporate developments, public filings with the SEC or similar events, or because the prospectus contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, and such failure continues for more than 90 days (whether or not consecutive and whether or not arising out of a single or multiple circumstances) in any twelve-month period (the day, with respect to (x), or the 91st day, with respect to (y), being referred to as the “default day”), then from the default day until the earlier of (i) the date that the shelf registration statement and the prospectus are again deemed effective and usable for resales, respectively, (ii) the date that is the second anniversary of the issuance of the Notes (or, if Rule 144(k) is amended to provide a shorter restrictive period, such shorter period), or (iii) the date as of which all of the Notes are sold pursuant to the shelf registration statement, the

special interest premium in respect of the Notes will accrue at a rate equal to 0.50% per annum. The aggregate amount of the special interest premium in respect of the Notes payable pursuant to the above provisions will in no event exceed 0.50% per annum.

If we fail to keep the shelf registration statement continuously effective or useable for resales pursuant to the preceding paragraph, we will give the holders notice to suspend the sale of the Notes and will extend the relevant period referred to above during which we are required to keep effective the shelf registration statement (or the period during which participating broker-dealers are entitled to use the prospectus included in an exchange offer registration statement in connection with the resale of exchange Notes) by the number of days during the period from and including the date of the giving of such notice to and including the date when holders will have received copies of the supplemented or amended prospectus necessary to permit resales of the Notes or to and including the date on which we have given notice that the sale of the Notes may be resumed, as the case may be.

Registration and Exchange Rights If Ohio Power Legally Separates

In the case of an exchange offer by Ohio Wires as the result of legal separation prior to consummation of the Ohio Power Registered Exchange Offer by Ohio Power, Ohio Wires will be subject to the same requirements with respect to filing, effectiveness and consummation of the exchange offer as described above, except that if legal separation occurs more than 150 days after the issuance of the Notes, the 210, 270 and 300 day periods commencing with the date of issuance of the Notes will be replaced by 60, 120 and 150 day periods commencing with the date of legal separation. Premium special interest will accrue on the Notes at the expiration of such 60, 120 and 150 day periods at the same rates as was the case for the 210, 270 and 300 day periods. If premium special interest is in effect on the date of legal separation, it shall cease to be in effect until the expiration of the 60, 120 and 150 day periods.

In the case of an exchange offer by Ohio Wires as the result of legal separation after consummation of the Ohio Power Registered Exchange Offer by Ohio Power, Ohio Wires will be subject, with respect to timing, to only the requirement that it consummate the exchange offer within 150 days from the date of legal separation. Premium special interest will accrue on the Notes at the rate of 0.50% per annum if Ohio Wires fails to consummate the exchange offer within such 150 days.

NOTICE TO INVESTORS

The Notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act) except in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) in the United States to qualified institutional buyers under Rule 144A under the Securities Act, (2) in the United States to institutional "accredited investors," as defined in Rule 501(a) (1), (2), (3) or (7) under the Securities Act, in private sales exempt from the registration requirements of the Securities Act, and (3) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act. Each institutional investor that is a purchaser of Notes from an initial purchaser will be required to sign a letter in the form attached as Annex A to this offering memorandum provided by such initial purchaser and containing certain representations and agreements. The only Notes that will be eligible to be deposited with DTC are Notes held by qualified institutional buyers or sold to foreign purchasers in reliance upon Regulation S under the Securities Act.

Each purchaser of the Notes, by accepting such Notes, will be deemed to have acknowledged, represented and agreed as follows:

- (1) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of such

investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Notes pursuant to Rule 144A, Regulation S or any exemption from registration available under the Securities Act;

(2) It is:

(i) a “qualified institutional buyer” as defined in Rule 144A who is aware that the sale to it is being made in reliance on Rule 144A and who is acquiring the Notes for its own account or for the account of a qualified institutional buyer; or

(ii) an institutional “accredited investor” within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act who is purchasing Notes with a principal amount of at least \$250,000 and, if the Notes are to be purchased for one or more accounts (the “investor accounts”) for which it is acting as fiduciary or agent, each such account is an institutional accredited investor who is purchasing the Notes with a principal amount of at least \$250,000. In the normal course of business or its investing activities, it invests in or purchases securities similar to the Notes and it has such knowledge and experience in financial business matters that it is capable of evaluating the merits and risks of purchasing the Notes. It is aware that it (or any investor account) may be required to bear the economic risk of an investment in the Notes for an indefinite period of time and it (or such investor account) is able to bear such risk for an indefinite period; or

(iii) a non-U.S. person acquiring the Notes in an offshore transaction outside the United States complying with the provisions of Regulation S;

(3) It acknowledges that none of ourselves, the initial purchasers or any persons representing any of us has made any representation to it with respect to any such entity or the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. Accordingly, it acknowledges that no representation or warranty is made by the initial purchasers as to the accuracy or completeness of such materials. It has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase any of our Notes, including an opportunity to ask questions of, and request information from, us and the initial purchasers;

(4) It understands and agrees that the offer and sale of the Notes have not been registered under the Securities Act and that such Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that (A) if it decides to resell, pledge or otherwise transfer such Notes on which the legend set forth below appears, such Notes may be resold, pledged or otherwise transferred only (i) to us, (ii) in a transaction entitled to an exemption from registration provided by Rule 144 under the Securities Act, (iii) so long as such Notes are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A, (iv) outside the United States in a transaction meeting the requirements of Regulation S, (v) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to us), in each case in accordance with any applicable securities laws of any state of the United States or (vi) pursuant to a registration statement which has been declared effective under the Securities Act and (B) the purchaser will, and each subsequent holder is required to, notify any purchaser of Notes from it of the resale restrictions referred to in (A) above, if then applicable. It acknowledges that the foregoing transfer restrictions apply to holders of beneficial interests in the

Notes, as well as to holders of the Notes. With respect to any transfer of Notes by an institutional accredited investor, such holder will deliver to us and the trustee such certificates and other information as we or they may reasonably require to confirm that the transfer by it complies with the foregoing restrictions;

(5) It understands that the notification requirement referred to in (4)(B) above will be satisfied, in the case only of transfers by physical delivery of certificated Notes other than a global certificate, by virtue of the fact that the following legend will be placed on the Notes unless otherwise agreed by us:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF THE COMPANY THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OTHER THAN (A)(1) TO THE COMPANY, (2) IN A TRANSACTION ENTITLED TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT, (3) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (RULE 144A), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (4) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT, (5) IN ACCORDANCE WITH ANOTHER APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY) OR (6) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND (B) IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF EACH STATE OF THE UNITED STATES. AN INSTITUTIONAL ACCREDITED INVESTOR HOLDING THIS SECURITY AGREES IT WILL FURNISH TO THE COMPANY AND THE TRUSTEE SUCH CERTIFICATES AND OTHER INFORMATION AS THEY MAY REASONABLY REQUIRE TO CONFIRM THAT ANY TRANSFER BY IT OF THIS SECURITY COMPLIES WITH THE FOREGOING RESTRICTIONS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A OR (2) AN INSTITUTION THAT IS AN “ACCREDITED INVESTOR” AS DEFINED IN RULE 501(A)(1), (2),(3) OR (7) UNDER THE SECURITIES ACT AND THAT IT IS HOLDING THIS SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION OR (3) A NON- U.S. PERSON OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT.”

(6) It acknowledges that we, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify us, the trustee and the initial purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each account; and that each such investor account is eligible to purchase the Notes; and

(7) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S under the Securities Act, it acknowledges that until the expiration of the “40-day distribution compliance period” within the meaning of Rule 903 of Regulation S under the Securities Act, any offer or sale of the securities shall not be made by it to a U.S. person or for

the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act, other than pursuant to Rule 144A of the Securities Act.

CERTAIN UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES

The following summary describes the material United States federal income tax consequences of the ownership of Notes as of the date hereof. Except where noted, it deals only with Notes purchased in the original issuance at the initial issue price and held as capital assets and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, tax-exempt entities, insurance companies, persons holding Notes as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons liable for alternative minimum tax, investors in pass-through entities or U.S. Holders (as defined below) of the Notes whose “functional currency” is not the United States dollar. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. If a partnership holds our Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our Notes, you should consult your tax advisors. **Persons considering the purchase, ownership or disposition of Notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.**

As used herein, a “U.S. Holder” of a Note means a holder that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust if it (x) is subject to the supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (y) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person. A “Non-U.S. Holder” is a holder that is not a U.S. Holder.

Payments of Interest

Stated interest on a Note will generally be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder’s method of accounting for tax purposes.

Sale, Exchange and Retirement of Notes

A U.S. Holder’s tax basis in a Note will, in general, be the U.S. Holder’s cost therefor. Upon the sale, exchange, retirement or other disposition of a Note, a U.S. Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less any accrued and unpaid interest, which will be treated as a payment of interest for United States federal income tax purposes) and the adjusted tax basis of the Note. Such gain or loss will be capital gain or loss. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Exchange of Notes

The exchange of Notes for Exchange Notes will not constitute a taxable event to U.S. Holders. Consequently, no gain or loss will be recognized by a U.S. Holder upon receipt of an Exchange Note, the holding period of the Exchange Note will include the holding period of the Note and the basis of the Exchange Note will be the same as the basis of the Note immediately before the exchange.

Registration Rights; Optional Redemption

As more fully described under “EXCHANGE OFFERS AND REGISTRATION RIGHTS,” we may be required to pay a special interest premium to U.S. Holders of the Notes in certain prescribed circumstances. Although the matter is not free from doubt, we intend to take the position that a U.S. Holder of a Note should be required to report any such additional interest as ordinary income for United States federal income tax purposes at the time it accrues or is received in accordance with such holder’s method of accounting. It is possible, however, that the IRS may take a different position, in which case the timing and amount of income may be different.

Under certain circumstances exercise of the option to redeem the Notes will require us to pay a “make-whole” premium to a holder of the Notes. We intend to take the position that the Notes should not be treated as contingent payment debt instruments because of this additional payment. If the IRS successfully challenges this position, and the Notes are treated as contingent payment debt instruments, the tax consequences of holding and disposing of the Notes will differ materially from those discussed herein.

You are urged to consult your own tax advisors regarding the United States federal income tax treatment of the special interest premium and the “make-whole” premium and the consequences thereof.

Legal Separation

Tax consequences to U.S. Holders who retain their Notes

If we complete the legal separation, as more fully described under “DESCRIPTION OF THE NOTES—Exchange of Notes upon Legal Separation,” the legal separation will not result in a taxable event to those U.S. Holders who elect to retain their Notes.

Tax consequences to U.S. Holders who do not retain their Notes

If we complete the legal separation, as more fully described under “DESCRIPTION OF THE NOTES—Exchange of Notes upon Legal Separation,” U.S. Holders who do not elect to retain their Notes will exchange the Notes for Ohio Wires Notes. Although no ruling has been requested or received from the IRS on the treatment of the exchange of the Notes, subject to the discussion below of “excess principal amount,” we believe that in the case of the 2033 Ohio Wires Notes such exchange should qualify for tax-free treatment for United States federal income tax purposes. The treatment of the exchange of the 2013 Ohio Wires Notes is less certain, but we currently intend to take the position that, subject to the discussion below of “excess principal amount,” such an exchange should also qualify for tax-free treatment if the exchange occurs before 2008.

Even if the exchange qualifies for tax-free treatment, a U.S. Holder must nonetheless recognize gain to the extent of that portion of the Ohio Wires Note’s fair market value that is attributable to the “excess principal amount,” if any. If neither the Notes nor the Ohio Wires Notes are “publicly traded” (as discussed below), there will be no excess principal amount. However, if the Notes and/or the Ohio Wires Notes are publicly traded, the calculation of excess principal amount is not clear under current United States federal income tax law. In particular, such calculation might be based upon the issue prices of the Notes and the Ohio Wires Notes, rather than on their stated principal amounts. You should consult your own tax advisor regarding alternative interpretations of excess principal amount and the United States federal income tax consequences thereof.

If, contrary to our position, the exchange of Notes is not treated as a tax-free transaction, the amount of gain or loss recognized by a U.S. Holder will generally be equal to the difference between the amount realized on the exchange and the U.S. Holder’s adjusted tax basis in the Notes. The amount realized will be equal to the stated principal amount of the Ohio Wires Notes if neither the Notes nor the Ohio Wires Notes are

treated as publicly traded. In such case, a U.S. Holder that purchased Notes at their stated principal amount will not realize gain or loss on the exchange. If, however, the Ohio Wires Notes are treated as publicly traded, the amount realized on the exchange will be equal to the fair market value of the Ohio Wires Notes at the time of the exchange. Alternatively, if the Notes but not the Ohio Wires Notes are treated as publicly traded, the amount realized on the exchange will be equal to the fair market value of the Notes at the time of the exchange. Except to the extent treated as ordinary income under the market discount rules, recognized gain or loss will generally be capital gain or loss; provided, however, that any amounts attributable to accrued but unpaid interest on the Notes will be taxable as ordinary interest income. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Your initial tax basis in the Ohio Wires Notes will be the issue price of the Ohio Wires Notes on the date of the exchange, and the holding period of the Ohio Wires Notes will begin on the day after the exchange.

Currently, we are unsure if the Notes or the Ohio Wires Notes will be publicly traded. The initial purchasers have informed us that they intend to make a market in the Notes. See “PLAN OF DISTRIBUTION.” However, the determination of whether the Notes or the Ohio Wires Notes will be publicly traded at the time of the exchange is a question of fact that depends on circumstances at or near such time, including whether or not a market has actually been created for the Notes and/or the Ohio Wires Notes and whether or not recent price quotations of brokers, dealers or traders or actual prices of recent sales transactions are readily available.

Regardless of whether the exchange of Notes is treated as a tax-free transaction, if either the Notes or the Ohio Wires Notes are treated as publicly traded, the Ohio Wires Notes may be considered as issued with a premium or original issue discount (OID). If the Ohio Wires Notes are issued with a premium, you may elect to amortize such premium over the life of the Ohio Wires Notes. If the Ohio Wires Notes are issued with OID, the tax consequences of holding and disposing of the Ohio Wires Notes will differ materially from those discussed herein. You are urged to consult your own tax advisor regarding the potential application of the OID rules and the consequences thereof.

Non-U.S. Holders

Under current United States federal income and estate tax law, and subject to the discussion below concerning backup withholding:

(a) no withholding of United States federal income tax will be required with respect to the payment by us or any paying agent of principal or interest on a Note owned by a Non-U.S. Holder under the “portfolio interest” rule, provided that (i) interest paid on the Notes is not effectively connected with the beneficial owner’s conduct of a trade of business in the United States, (ii) the beneficial owner does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of section 871(h)(3) of the Code and the regulations thereunder, (iii) the beneficial owner is not a controlled foreign corporation that is related to us through stock ownership, (iv) the beneficial owner is not a bank whose receipt of interest on a Note is described in section 881(c)(3)(A) of the Code and (v) the beneficial owner satisfies the statement requirement (described generally below) set forth in section 871(h) and section 881(c) of the Code and the regulations thereunder.

(b) no withholding of United States federal income tax generally will be required with respect to any gain realized by a Non-U.S. Holder upon the sale, exchange, retirement or other disposition of a Note; and

(c) a Note beneficially owned by an individual who at the time of death is not a citizen or resident of the United States will not be subject to United States federal estate tax as a result of such individual’s death, provided that any payment to such holder on the Note, would be eligible for exemption from the 30% federal withholding tax under the “portfolio interest” rule described in paragraph (a) above without regard to the statement requirement described in (a)(v) above.

To satisfy the requirement referred to in (a)(v) above, the beneficial owner of such Note, or a financial institution holding the Note on behalf of such owner, must provide, in accordance with specified procedures, a paying agent of us with a statement to the effect that the beneficial owner is not a United States person. Currently, these requirements will be met if (1) the beneficial owner provides its name and address, and certifies, under penalties of perjury, that it is not a United States person (which certification may be made on an IRS Form W-8BEN) or (2) a financial institution holding the Note on behalf of the beneficial owner certifies, under penalties of perjury, that such statement has been received by it, and furnishes a paying agent with a copy thereof. The statement requirement referred to in (a)(v) above may also be satisfied with other documentary evidence with respect to Notes held through an offshore account or through certain foreign intermediaries.

If a Non-U.S. Holder cannot satisfy the requirements of the “portfolio interest” exception described in (a) above, payments of interest made to such Non-U.S. Holder will be subject to a 30% withholding tax unless the beneficial owner of the Note provides us or any paying agent, as the case may be, with a properly executed (1) IRS Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI stating that interest paid on the Note is not subject to withholding tax because it is effectively connected with the beneficial owner’s conduct of a trade or business in the United States. Alternative documentation may be applicable in certain situations.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on the Note is effectively connected with the conduct of such trade or business, the non-U.S. Holder, although exempt from the withholding tax discussed above, will be subject to United States federal income tax on such interest on a net income basis in the same manner as if it were a U.S. Holder. In addition, if such holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or a lesser rate under an applicable income tax treaty) of such amount, subject to adjustments.

Any gain realized upon the sale, exchange, retirement or other disposition of a Note generally will not be subject to United States federal income tax unless (i) such gain or income is effectively connected with a trade or business in the United States of the Non-U.S. Holder, or (ii) in the case of a Non-U.S. Holder who is an individual, such individual is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition, and certain other conditions are met.

The exchange of Notes for Exchange Notes in the exchange offer will not constitute a taxable event to Non-U.S. Holders.

As more fully described under “EXCHANGE OFFERS AND REGISTRATION RIGHTS,” upon the occurrence of certain enumerated events we may be required to make additional payments on the Notes to you. It is possible that such payments might be subject to United States federal withholding tax.

Special rules may apply to certain Non-U.S. Holders, such as “controlled foreign corporations,” “passive foreign investment companies,” “foreign personal holding companies” and certain expatriates that are subject to special treatment under the Code. Such entities should consult their own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

Information Reporting and Backup Withholding

U.S. Holders

In general, information reporting requirements will apply to payments of principal and interest paid on Notes and to the proceeds upon the sale of a Note paid to U.S. Holders other than certain exempt recipients (such as corporations). A backup withholding tax will apply to such payments if the U.S. Holder fails to provide a taxpayer identification number or certification of exempt status or fails to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against such holder's United States federal income tax liability provided the required information is furnished to the IRS.

Non-U.S. Holders

Information reporting will generally apply to payments of interest and the amount of tax, if any, withheld with respect to such payments to Non-U.S. Holders of the Notes. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

In general, no backup withholding will be required with respect to payments made by us or any paying agent to Non-U.S. Holders if a statement described in (a)(v) under "Non-U.S. Holders" has been received (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person).

In addition, information reporting and, depending on the circumstances, backup withholding, will apply to the proceeds of the sale of a Note within the United States or conducted through United States-related financial intermediaries unless the statement described in (a)(v) under "Non-U.S. Holders" has been received (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person) or the holder otherwise establishes an exemption.

PLAN OF DISTRIBUTION

Lehman Brothers Inc. and Salomon Smith Barney Inc., as representatives (the “representatives”) of the initial purchasers named below (the “initial purchasers”) have severally agreed, subject to the terms and conditions of the purchase agreement, dated the date hereof, among the initial purchasers and us, to purchase from us, and we have agreed to sell to the initial purchasers, the respective principal amounts of Notes set forth opposite their respective names below:

Initial Purchasers	Principal Amount of 2013 Notes	Principal Amount of 2033 Notes
Lehman Brothers Inc.	\$ 75,000,000	\$ 75,000,000
Salomon Smith Barney Inc.	75,000,000	75,000,000
Banc of America Securities LLC.....	21,250,000	21,250,000
ABN AMRO Incorporated.....	11,250,000	11,250,000
Banc One Capital Markets, Inc.....	11,250,000	11,250,000
Barclays Capital Inc.....	11,250,000	11,250,000
BNY Capital Markets, Inc.....	11,250,000	11,250,000
McDonald Investments Inc.....	11,250,000	11,250,000
TD Securities (USA) Inc.....	11,250,000	11,250,000
UBS Warburg LLC.....	<u>11,250,000</u>	<u>11,250,000</u>
Total	<u>\$ 250,000,000</u>	<u>\$ 250,000,000</u>

The purchase agreement provides that the obligation of the initial purchasers to pay for and accept delivery of the Notes is subject to certain conditions, including delivery of certain legal opinions by legal counsel.

Under the terms and conditions of the purchase agreement, the initial purchasers are committed to take and pay for all of the Notes if any are taken and have agreed to resell such Notes to purchasers as described herein and under “NOTICE TO INVESTORS.”

The initial purchasers propose initially to offer the Notes in part to investors at the offering prices set forth on the cover page of this offering memorandum and in part to certain dealers at the respective offering prices less a concession not in excess of 0.400% of the principal amount of the 2013 Notes and 0.500% of the principal amount of the 2033 Notes. Any initial purchaser may allow, and any dealer may reallow, a concession not in excess of 0.250% of the principal amount of the Notes to certain other dealers. After the initial offering of the Notes, the initial purchasers may from time to time vary the offering price and other selling terms.

Each initial purchaser and certain of its affiliates have engaged, and may in the future engage, in transactions with and perform services for Ohio Power and certain of Ohio Power’s affiliates in the ordinary course of business, including as lenders under certain of their credit facilities, for which they have received or will receive customary fees and expenses. In addition, a significant portion of the net proceeds of the offering of the Notes will likely be used by affiliates of Ohio Power to repay a significant portion of AEP’s \$1.725 billion corporate separation credit facility, of which \$1.3 billion was outstanding as of December 31, 2002. Assuming the proceeds are used for this purpose, affiliates of each of the initial purchasers, as lenders to our affiliates, would ultimately receive a significant portion of the net proceeds of the offering of the Notes.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act or contribute to payments that each initial purchaser may be required to make in respect thereof. In addition, we also agree to pay the reasonable expenses of the initial purchasers in connection with the offering of the Notes, except the fees and disbursements of counsel to the initial purchasers.

We have been advised by the initial purchasers that the initial purchasers propose to resell the Notes purchased by them (a) to qualified institutional buyers in reliance on Rule 144A under the Securities Act, (b) outside the United States to certain persons in reliance on Regulation S under the Securities Act and in accordance with applicable law and (c) to a limited number of institutional “accredited investors,” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act. See “NOTICE TO INVESTORS.” Any offer or sale of the Notes in reliance on Rule 144A or to institutional accredited investors will be made by broker-dealers who are registered as such under the Securities Exchange Act. Terms used above have the meanings assigned to them in Regulation S under the Securities Act.

The initial purchasers have acknowledged and agreed that, except as permitted by the purchase agreement, they will not offer, sell or deliver the Notes (1) as part of their distribution at any time or (2) otherwise until 40 days after the later of the commencement of the offering and the original issue date of the Notes, within the United States to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A under the Securities Act or to institutional accredited investors, and that they will send to each distributor, dealer, or other person receiving a selling concession or similar fee to which they sell the Notes in reliance on Regulation S during the 40-day restricted period, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used above have the meanings assigned to them in Regulation S under the Securities Act.

In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

Each of the initial purchasers has represented and agreed that (1) it has not offered or sold and, prior to the expiry of the period of six months after the date of issue of the Notes, will not offer or sell any Notes to the persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulation 1995; (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2002 (the FSMA)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us; and (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

None of the Notes have been registered under the Securities Act or any state securities laws and, unless so registered, they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to the requirements of, the Securities Act and applicable state securities laws. See “NOTICE TO INVESTORS.” There is no established trading market for the Notes. We do not intend to list the Notes on any national securities exchange. We have been advised by the initial purchasers that they currently intend to make a market in the Notes. The initial purchasers are not obligated to do so, however, and market-making activities with respect to the Notes may be discontinued at any time without notice in their sole discretion. In addition, any market-making activities will be subject to the limits imposed by the Securities Act and the Securities Exchange Act, and may be limited during the exchange offer and the pendency of any shelf registration statement. Accordingly, no assurance can be given that an active public or other market will develop for the Notes or as to the liquidity of the trading market for the Notes.

In connection with the offering, the representatives, on behalf of the initial purchasers, may engage in certain transactions that stabilize the price of the Notes. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Notes. If the representatives, on behalf of the initial purchasers, create a short position in the Notes in connection with the offering, by selling more Notes than are listed on the cover page of this offering memorandum, then the representatives, on behalf of the initial

purchasers, may reduce that short position by purchasing Notes in the open market. In general, the purchase of a security for the purpose of stabilization or reducing a short position could cause the price of that security to be higher than it might otherwise be in the absence of these purchases.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the initial purchasers make any representation that anyone will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

LEGAL OPINIONS

Our counsel, Simpson Thacher & Bartlett, New York, NY, and one of our lawyers will each issue an opinion about the legality of the Notes for us. Dewey Ballantine LLP, New York, NY will issue an opinion for the initial purchasers. From time to time, Dewey Ballantine LLP acts as counsel to our affiliates for some matters.

INDEPENDENT AUDITORS

The financial statements and the related financial statement schedule incorporated in this offering memorandum by reference from Ohio Power's Annual Report on Form 10-K for the year ended December 31, 2001, as updated by our Current Report on Form 8-K dated November 18, 2002, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports, which are incorporated herein by reference.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges for each of the periods indicated is as follows:

<u>Twelve Months Period Ended</u>	<u>Ratio</u>
December 31, 1997	3.42
December 31, 1998	3.28
December 31, 1999	3.43
December 31, 2000	2.75
December 31, 2001	2.77
September 30, 2002	3.66

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. You may also examine our SEC filings through the SEC's web site at <http://www.sec.gov>.

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this offering memorandum, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until we sell all the Notes.

- Annual Report on Form 10-K for the year ended December 31, 2001;
- Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002; and
- Current Reports on Form 8-K dated November 18, 2002 and February 4, 2003.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Mr. R. Todd Rimmer
American Electric Power Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215
614-223-1000

You should rely only on the information incorporated by reference or provided in this offering memorandum. We have not authorized anyone else to provide you with different information. We are not making an offer of these Notes in any state where the offer is not permitted. You should not assume that the information in this offering memorandum or any supplement is accurate as of any date other than the date on the front of those documents.

ACCREDITED INVESTOR LETTER

Ladies and Gentlemen:

In connection with our proposed purchase of the 5.50% Senior Notes, Series D due 2013 and 6.60% Senior Notes, Series E due 2033 (the Notes) issued by Ohio Power Company, an Ohio corporation (Issuer), we confirm that:

1. We are purchasing the Notes for our own account, or for one or more investor accounts for which we are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, subject to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and subject to our or their ability to resell the Notes pursuant to Rule 144A, Regulation S or any exemption from registration available under the Securities Act.
2. We are an institutional “accredited investor” within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act who is purchasing Notes with a principal amount of at least \$250,000 and, if the Notes are to be purchased for one or more accounts (the “investor accounts”) for which we are acting as fiduciary or agent, each such account is an institutional accredited investor who is purchasing Notes with a principal amount of at least \$250,000. In the normal course of business or our investing activities, we invest in or purchase securities similar to the Notes and we have such knowledge and experience in financial business matters that we are capable of evaluating the merits and risks of purchasing the Notes. We are aware that we (or any investor account) may be required to bear the economic risk of an investment in the Notes for an indefinite period of time and we (or such investor account) are able to bear such risk for an indefinite period.
3. We acknowledge that none of the Issuer, the initial purchasers or any persons representing any of them has made any representation to us with respect to any such entity or the offering or sale of any Notes, other than the information contained in the Issuer’s offering memorandum dated February 11, 2003, related to the Notes, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. Accordingly, we acknowledge that no representation or warranty is made by the initial purchasers as to the accuracy or completeness of such materials. We have had access to such financial and other information concerning the Issuer and the Notes as we have deemed necessary in connection with our decision to purchase any of the Notes including an opportunity to ask questions of, and request information from, the Issuer and the initial purchasers.
4. We understand and agree that the offer and sale of the Notes have not been registered under the Securities Act and that such Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that (A) if we decide to resell, pledge or otherwise transfer such Notes on which a legend setting forth these restrictions appears, such Notes may be resold, pledged or otherwise transferred only (i) to the Issuer, (ii) in a transaction entitled to an exemption from registration provided by Rule 144 under the Securities Act, (iii) so long as such Notes are eligible for resale pursuant to Rule 144A, to a person whom we reasonably believe is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A, (iv) outside the United States in a transaction meeting the requirements of Regulation S, (v) in accordance with another exemption from the registration requirements of the

Securities Act (and based upon an opinion of counsel acceptable to the Issuer), in each case in accordance with any applicable securities laws of any state of the United States or (vi) pursuant to a registration statement which has been declared effective under the Securities Act and (B) we will, and each subsequent holder is required to, notify any purchaser of Notes from us or it of the resale restrictions referred to in (A) above, if then applicable. We acknowledge that the foregoing restrictions apply to holders of beneficial interest in the Notes, as well as to holders of the Notes.

5. We understand that, on any proposed resale of any Notes, we will be required to furnish to the trustee and the Issuer such certifications, legal opinions and other information as the trustee and the Issuer may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect.
6. We acknowledge that the Issuer, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the foregoing acknowledgements, representations or agreements are no longer accurate, we shall promptly notify the Issuer, the trustee and the initial purchasers. If we are acquiring the Notes as a fiduciary or agent for one or more investor accounts, we represent that we have sole investment discretion with respect to each such account and we have full power to make the foregoing acknowledgements, representations and agreements on behalf of each account and that each such investor account is eligible to purchase the Notes.
7. The Issuer, the trustee and the initial purchasers are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

By:
Name:
Title:

\$500,000,000
Ohio Power Company

\$250,000,000 5.50% Senior Notes, Series D due 2013
\$250,000,000 6.60% Senior Notes, Series E due 2033

OFFERING MEMORANDUM
February 11, 2003

Joint Book-Running Lead Managers

Lehman Brothers

Salomon Smith Barney

Joint Lead Manager

Banc of America Securities LLC

ABN AMRO Incorporated

Banc One Capital Markets, Inc.

Barclays Capital

BNY Capital Markets, Inc.

McDonald Investments Inc.

TD Securities

UBS Warburg