SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-28001; 70-10187)

Ohio Valley Electric Corporation, et al.

Order Authorizing Associate Company to Provide Services at Cost

July 13, 2005

Ohio Valley Electric Corporation ("OVEC"), Piketon, Ohio, a public utility subsidiary owned by American Electric Power, Inc., ("AEP") and FirstEnergy Corp. ("FirstEnergy"), each a registered holding company under the Public Utility Holding Company Act of l935, as amended ("Act"), and other investor-owned utilities;[1] and AEP MEMCo LLC, ("MEMCo"), of Columbus, Ohio, a wholly-owned nonutility subsidiary of AEP (collectively, "Applicants") have filed an application with the Securities and Exchange Commission ("Commission") under section 13(b) of the Act and rules 54, 90 and 91 under the Act. The Commission issued a notice of the application on April 29, 2005.

OVEC and its wholly-owned subsidiary, Indiana-Kentucky Electric Corporation ("IKEC"), own two generating stations located in Ohio and Indiana with a combined electric production capability of approximately 2,256 megawatts. OVEC is owned by

[1] The owners and their respective ownership percentages are: Allegheny Energy (3.5%) , AEP (39.17%), Buckeye Power Generating, LLC (9.0%), The Cincinnati Gas & Electric Company, a subsidiary of Cinergy Corp. (9.0%), Columbus Southern Power Company, a subsidiary of AEP (4.3%), The Dayton Power and Light Company, a subsidiary of DPL Inc. (4.9%), Kentucky Utilities Company, a subsidiary of E.ON AG (2.5%), Louisville Gas and Electric Company, also a subsidiary of E.ON AG (5.63%), Ohio Edison Company, a subsidiary of FirstEnergy (16.5%), Southern Indiana Gas and Electric Company, a subsidiary of Vectren Corporation (1.5%), and The Toledo Edison Company, also a subsidiary of FirstEnergy (4.0%).

AEP, FirstEnergy and other investor-owned utilities. These entities or their affiliates (collectively, "Sponsoring Companies") purchase power from OVEC.

OVEC was formed in the early 1950s by a group of holding companies and utilities located in the Ohio Valley region in response to the request of the United States Atomic Energy Commission ("AEC") to supply the electric power and energy necessary to meet the needs of a uranium enrichment plant being built by AEC in Pikes County, Ohio. The Department of Energy ("DOE") subsequently became the successor to AEC.

OVEC owns two coal-fired generating stations: (i) the Kyger Creek Plant in Cheshire, Ohio, which has a generating capacity of 1,075 megawatts, and (ii) the Clifty Creek Plant in Madison, Indiana, which has a generating capacity of 1,290 megawatts and is owned by OVEC's wholly-owned subsidiary, IKEC. Upon its formation, OVEC entered into two power sales agreements: (i) the DOE power agreement between OVEC and the United States (through the DOE) and (ii) the inter-company power agreement among OVEC and the Sponsoring Companies. Each of the Sponsoring Companies is either an owner of OVEC's stock or an affiliate of an owner. Under the power agreement with the United States, the DOE was entitled to essentially all of the generating capacity of OVEC's generating facilities. The Sponsoring Companies were granted certain rights to surplus energy not needed to service the DOE"s Ohio enrichment facility. The DOE terminated its power agreement as of April 30, 2003. As a result, each of the Sponsoring Companies is currently entitled to its specified share of all net power and energy produced by OVEC's two generating stations, and the Sponsoring Companies are required to pay their share of all of OVEC's costs resulting from the ownership, operation

and maintenance of its generating and transmission facilities, except those costs that were paid by the DOE.

MEMCo is an inland marine transporter operating approximately 1,700 barges and 40 towboats on the Ohio, Mississippi and Illinois Rivers and along the inter-coastal canal of the Gulf Coast. In addition to other services, MEMCo provides barge transportation services to associates and non-affiliated companies.

OVEC states that the operation of OVEC's generating stations require the movement and storage of substantial quantities of coal to ensure the availability of power to its customers, and that barging has been, and continues to be, the cheapest mode of transporting bulk commodities such as coal.

OVEC and IKEC were under contract for barge services from American Commercial Barge Line, LLC ("ACBL") through December 31, 2003. ACBL declared bankruptcy in January, 2003, and MEMCo began providing barge services to OVEC and IKEC at cost in March 2003 pursuant to rule 87(b)(2). MEMCo continued to provide services while OVEC and IKEC solicited bids for barge services from several non-affiliates, as well as MEMCo. MEMCo's bid at cost was lower than bids received from non-affiliates. Accordingly, Applicants seek approval in this filing for MEMCo to provide barge services to OVEC and IKEC at cost in accordance with rules 90 and 91.

The proposed transaction is also subject to the requirements of Rule 54. Rule 54 provides that in determining whether to approve an application by a registered holding company which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any subsidiary which is an EWG or a FUCO upon the

registered holding company if paragraphs (a), (b) and (c) of Rule 53 are satisfied. FirstEnergy currently meets all of the conditions of Rule 53(a), except for clause (1).[2]

AEP currently meets all of the conditions of Rule 53(a), and none of the circumstances specified in Rule 53(b) have occurred.[3]

Applicants state that the fees, commission and expenses incurred or to be incurred in connection with the authority sought in this filing will not exceed $2,000. Applicants maintain that no state or federal regulatory agency, other than the Commission, has jurisdiction over the proposed transaction.

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[2] Under the terms of the Commission's order approving FirstEnergy's acquisition of GPU, Inc. (HCAR No. 27459, dated October 29, 2001) (the "Merger Order"), as modified by the order dated June 30, 2003 (HCAR No. 27694) (the "2003 FirstEnergy Financing Order"), the Commission, among other things, authorized FirstEnergy to invest in EWGs and FUCOs so long as FirstEnergy's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs does not exceed $5 billion. The Merger Order, as modified by the 2003 FirstEnergy Financing Order, also specifies that this $5 billion amount may include amounts invested in EWGs and FUCOs by FirstEnergy and GPU at the time of the Merger Order ("Current Investments") and amounts relating to possible transfers to EWGs of certain generating facilities owned by certain of FirstEnergy's operating utilities ("GenCo Investments"). FirstEnergy has made the commitment that through December 31, 2005, its aggregate investment in EWGs and FUCOs other than the Current Investments and GenCo Investments ("Other Investments") will not exceed $1.5 billion (the "Modified Rule 53 Test").

As of March 31, 2005, FirstEnergy's "aggregate investment" in EWGs and FUCOs was approximately $1 billion, an amount significantly below the $5 billion amount authorized in the Merger Order, as modified by the 2003 Financing Order. Additionally, as of March 31, 2005, "consolidated retained earnings" were $1.9 billion.

FirstEnergy satisfies all of the other conditions of paragraphs (a) and (b) of Rule 53, and none of the circumstances enumerated in subparagraphs (1), (2) and (3) of Rule 53(b) have occurred.

[3] At March 31, 2005, AEP's "aggregate investment", as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $211 million, or about 11% of AEP's "consolidated retained earnings", also as defined in Rule 53(a)(1), for the four quarters ended March 31, 2005 ($1.962 billion).

Due notice of the filing of this application has been given in the manner prescribed in rule 23 under the Act, and no hearing has been requested of ordered by the Commission. Based on the facts in the record, the Commission finds that the applicable standards of the Act and rules are satisfied and that no adverse findings are necessary.

IT IS ORDERED, under the applicable provisions of the Act and the rules under the Act, that the application, as amended, be granted, subject to the terms and conditions prescribed in rule 24 under the Act

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland
Deputy Secretary