SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-28010; 70-10160)

Ohio Valley Electric Corporation

Supplemental Order Authorizing the Issuance of an Additional $100 Million Principal Amount of Short-Term Debt

August 1, 2005

Ohio Valley Electric Corporation ("OVEC"), Piketon, Ohio, an electric public utility subsidiary as defined under the Public Utility Holding Company Act of 1935, as amended ("Act"), of American Electric Power Company, Inc. ("AEP") and FirstEnergy Corporation ("FirstEnergy"), each a registered public utility holding company under the Act, has filed with the Securities and Exchange Commission ("Commission") a post-effective amendment ("Amendment") to its declaration ("Declaration") under sections 6 and 7 of the Act and rule 54 under the Act.

By an order of the Commission dated December 30, 2003 (HCAR No. 35-27791) ("Previous Order"), OVEC was authorized to incur short-term indebtedness through the issuance and sale of notes to banks or other financial institutions in an aggregate amount not to exceed $200,000,000 outstanding at any one time, from time to time through December 31, 2006, as funds might be required, provided that no such notes shall mature later than June 30, 2007. Under the terms of the Previous Order, the Commission reserved jurisdiction, pending completion of the record, over the issuance and sale by OVEC of short-term indebtedness in excess of $100,000,000. OVEC now requests that the Commission release jurisdiction over the request for OVEC to incur short-term indebtedness totaling up to $200,000,000 through the issuance and sale of notes to banks

or other financial institutions through December 31, 2006, as funds might be required, provided that no such notes shall mature later than June 30, 2007.

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 directly or indirectly by several registered holding companies and other utility holding companies that are not registered under the Act (or, in the case of Buckeye Power Generating, LLC ("Buckeye"), a wholly-owned subsidiary of Buckeye Power, Inc., a generation and transmission rural electric cooperative), as set forth below:

. The owners and their respective ownership percentages are: Allegheny Energy, Inc. ("Allegheny"), a registered holding company, 3.5%; AEP (39.17%), Buckeye Power Generating, LLC ("Buckeye"), 9.0%; The Cincinnati Gas & Electric Company, a subsidiary of Cinergy Corp, a registered holding company, 9.0%; Columbus Southern Power Company ("CSPCo"), a subsidiary of AEP, 4.3%; The Dayton Power and Light Company, a subsidiary of DPL Inc., an exempt holding company, 4.9%; Kentucky Utilities Company ("KU"), a subsidiary of E.ON AG, a registered holding company, 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 ("SIGCO"), a subsidiary of Vectren Corporation, an exempt holding company, 1.5%; and The Toledo Edison Company, also a subsidiary of FirstEnergy, 4.0%. These

entities or their affiliates purchase power from OVEC according to the terms of an Inter-Company Power Agreement ("ICPA"), with the exception of Buckeye.[1]

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 the AEC in Pike County, Ohio.

OVEC owns two coal-fired generating stations: the Kyger Creek Plant in Cheshire, Ohio, which has a generating capacity of 1,075 megawatts, and 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, Indiana-Kentucky Electric Corporation. Upon its formation, OVEC entered into two principal power sales agreements: (i) the DOE Power Agreement, between OVEC and the United States of America, currently acting by and through the AEC's successor, the Secretary of Energy, the statutory head of the United States Department of Energy ("DOE") and (ii) the ICPA, among OVEC and each of the owners of OVEC's stock or an affiliate of such an owner (those owners and affiliates, the "Sponsoring Companies")[2].

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[1] According to the Application, Buckeye will become a party to the ICPA no later than March 13, 2006 as a result of a pending assignment from a subsidiary of Allegheny.

[2] The Sponsoring Companies are: Allegheny Energy Supply Company, LLC, a subsidiary of Allegheny; Appalachian Power Company, a subsidiary of AEP; CG&E; CSPCo; DP&L; FirstEnergy Generation Corp., a subsidiary of FirstEnergy; Indiana Michigan Power Company, a subsidiary of AEP; KU; LG&E; Monongahela Power Company, a subsidiary of Allegheny; Ohio Power Company, a subsidiary of AEP; and SIGCO.

In order to supply the significant power and energy needs of the DOE's Ohio enrichment facility, the DOE Power Agreement entitled the DOE to essentially all of the generating capacity of OVEC's generating facilities. The ICPA was intended to complement OVEC's supply of power and energy under the DOE Power Agreement. It grants to the Sponsoring Companies certain rights to surplus energy not needed to serve the uranium enrichment plant. As a result of the DOE's termination of the DOE Power Agreement as of April 30, 2003, each of the Sponsoring Companies currently is entitled to its specified share of all net power and energy produced by OVEC's two generating stations. In return, the ICPA requires the Sponsoring Companies to pay their share of all of OVEC's costs resulting from the ownership, operation and maintenance of its generation and transmission facilities, including the costs of financings, except those costs that were paid by the DOE.

The operation of OVEC's generating stations requires the storage of substantial quantities of coal to ensure the availability of power to its customers. OVEC has used short-term debt to finance the coal inventory at its generating stations. OVEC requested $200 million of authority in 2003 in anticipation of increased costs of inventories (fuel, SO2 and NOX allowances) and future capital improvement projects that would necessitate interim financing prior to the issuance of long term debt. OVEC states that it will incur additional expenses in 2005-2006 including: (1) up to $80 million for OVEC's 80% Powder River Basin/20% Eastern fuel switch project at its Kyger Creek Plant; (2) preliminary analysis and engineering and design work on Clean Air Act Title IV and Clean Air Interstate Rule/Clean Air Mercury Rule compliance plans needed by 2010; and (3) the need for 50,000 additional SO2 allowances per year during 2006-2009, at current

prices approaching $900 per allowance. These additional short-term debt needs will exceed the present $100 million authorization. The proceeds of the short-term debt incurred by OVEC will be added to its general funds and used to pay for these and other general obligations and for other corporate purposes.

Notes will mature not more than 365/366 days after the date of issuance or renewal, provided that no note will mature later than June 30, 2007. Notes will be offered at terms consistent with those of similar companies, and will bear interest at an annual rate not greater than the prime commercial rate of Citibank, N.A. (or any successor) in effect from time to time. Any credit arrangements may require payment of a fee that is not greater than 1/2 of 1% of the size of the line of credit made available by the bank and the maintenance of additional balances of not greater than 20% of the line of credit. Any other line of credit fees will be consistent with fees paid for like transactions. The maximum effective annual interest cost under the above arrangements, assuming full use of the line of credit, will not exceed 125% of the prime commercial rate in effect from time to time, or not more than 7.5% on the basis of a prime commercial rate of 6%.

The proposed transaction is subject to rule 54 under the Act, and meets the requirements set forth in that rule. Rule 54 provides that, in determining whether to approve the issue or sale of any securities for purposes other than the acquisition of any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO") or other transactions unrelated to EWGs or FUCOs, the Commission shall not consider the effect

of the capitalization or earnings of subsidiaries of a registered holding company that are EWGs or FUCOs if the requirements of rule 53(a), (b) and (c) are satisfied.[3]

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[3] FirstEnergy currently meets all of the conditions of rule 53(a), except for clause (1). Under the terms of the Commission's order approving FirstEnergy's acquisition of GPU, Inc. (HCAR No. 27459, dated October 29, 2001) ("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, which $5 billion amount is greater than the amount which would be permitted by clause (1) of rule 53(a) which, based on FirstEnergy's "consolidated retained earnings," also as defined in rule 53(a)(1), of $1.9 billion as of March 31, 2005, would be $950 million. 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. Under the Merger Order and 2003 FirstEnergy Financing Order, the Commission reserved jurisdiction over Other Investments that exceed that $1.5 billion amount.

As of March 31, 2005, FirstEnergy's "aggregate investment" in EWGs and FUCOs was approximately $1 billion (representing Current Investments only; as of that date FirstEnergy had no GenCo Investments), 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. By way of comparison, FirstEnergy's consolidated retained earnings as of March 31, 2002 were $1.52 billion.

The Application states that with respect to capitalization, since the date of the Merger Order, there has been no material adverse impact on FirstEnergy's consolidated capitalization resulting from FirstEnergy's investments in EWGs and FUCOs. As of March 31, 2005, FirstEnergy's consolidated capitalization consisted of 43.4% common equity, 1.2% cumulative preferred stock, 53.8% long-term debt and 1.6% notes payable. As of December 31, 2001, those ratios were as follows: 30.3% common equity, 3.1% cumulative preferred stock, 2.2% subsidiary-obligated mandatorily redeemable preferred securities, 60.9% long term debt and 3.5% notes payable. Additionally, the proposed transactions will not have any material impact on FirstEnergy's capitalization. Further, since the date of the Merger Order, FirstEnergy's investments in EWGs and FUCOs have contributed positively to its level of earnings, other than for the negative impact on earnings due to FirstEnergy's writedowns of its

investments in Avon Energy Partners Holdings and GPU Empresa Distribuidora Electrica Regional S.A. Further, since the date of the Merger Order, and, after taking into account the effects of the merger, there has been no material change in FirstEnergy's level of earnings from EWGs and FUCOs.

The Application states that FirstEnergy's operating public-utility subsidiaries remain financially sound companies as indicated by their investment grade ratings from the nationally recognized rating agencies for their senior secured debt. The following chart includes a breakdown of the senior, secured credit ratings for those public-utility subsidiaries of FirstEnergy that have ratings:

Subsidiary	Standard & Poor's	Moody's	Fitch
Ohio Edison	BBB	Baa1	BBB+
Cleveland Electric	BBB-	Baa2	BBB-
Toledo Edison	BBB-	Baa2	BBB-
Penn Power	BBB	Baa1	BBB+
JCP&L	BBB+	Baa1	BBB+
Met-Ed	BBB	Baa1	BBB+
Penelec	BBB	Baa1	BBB+

The Application states that FirstEnergy satisfies all of the other conditions of paragraphs (a) and (b) of rule 53. With respect to rule 53(a)(2), FirstEnergy maintains books and records in conformity with, and otherwise adheres to, the requirements of that rule. With respect to rule 53(a)(3), no more than 2% of the employees of FirstEnergy's domestic public utility companies render services, at any one time, directly or indirectly, to EWGs or FUCOs in which FirstEnergy directly or indirectly holds an interest. With respect to rule 53(a)(4), FirstEnergy will continue to provide a copy of each application and certificate relating to EWGs and FUCOs and relevant portions of its Form U5S to each regulator referred to in that rule, and will otherwise comply with its requirements concerning the furnishing of information. With respect to rule 53(b), none of the circumstances enumerated in subparagraphs (1), (2) and (3) thereunder have occurred.

AEP consummated a merger with Central and South West Corporation, now AEP Utilities, Inc. ("CSW"), on June 15, 2000 in accordance with an order of the Commission dated June 14, 2000 (HCAR No. 27186) that further authorized AEP to invest up to 100% of its consolidated retained earnings, with consolidated retained earnings to be calculated on the basis of the combined consolidated retained earnings of AEP and CSW (the "Rule 53(c) Order").

AEP currently meets all of the conditions of rule 53(a). 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).

Fees and expenses in the estimated amount of $2000 are expected to be incurred in connection with the proposed transactions. OVEC states that no state or federal commission, other than this Commission, has jurisdiction over the proposed transactions.

Due notice of the filing of the Declaration has been given in the manner prescribed in rule 23 under the Act, and no hearing has been requested of or ordered by the Commission. On the basis of the facts in the record, it is found that the applicable standards of the Act and rules under the Act are satisfied, and no adverse findings are necessary.

IT IS ORDERED, under the applicable provisions of the Act and the rules under the Act, that jurisdiction is released and the Amendment is permitted to become effective immediately, 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