

SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-28024)

Filings Under the Public Utility Holding Company Act of 1935, as amended (“Act”)

August 31, 2005

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by **September 26, 2005**, to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After **September 26, 2005**, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

American Electric Power Company, Inc., et al. (70-10313)

American Electric Power Company, Inc. ("AEP"), a registered holding company, and its wholly owned indirect nonutility subsidiary AEP Credit, Inc. ("AEP Credit"), both at 1 Riverside Plaza, Columbus, Ohio 43215, have filed an application with the Commission under sections 9(a) and 10 of the Act and rule 54 under the Act.

I. Background

By order dated June 14, 2000 (Holding Company Act Release No. 27186), the Commission authorized AEP to acquire all of the issued and outstanding common stock of Central and South West Corporation ("CSW"), a registered holding company, and all of its subsidiaries, including CSW Credit, Inc. ("CSW Credit"). On August 21, 2000, CSW Credit was renamed AEP Credit, and continued to operate under various grants of authority, some of which are described below.

A. Prior Orders

By order dated July 19, 1985 (Holding Company Act Release No. 23767, "Original Order"), the Commission authorized AEP Utilities, Inc. ("AEP Utilities"), formerly known as Central and South West Corporation, to organize a special-purpose entity, CSW Credit, to factor the accounts receivable of AEP's public-utility company subsidiaries. The Commission also authorized CSW Credit to issue debt securities to finance its accounts receivable purchases and AEP Utilities to make equity investments in CSW Credit. See Original Order.

By order dated July 31, 1986, (Holding Company Act Release No. 24157, "1986 Order"), the Commission authorized, among other things, CSW Credit to expand the scope of the activities to include the factoring receivables of non-associate utilities. As a

condition of the 1986 Order, CSW Credit was required to limit its acquisition of utility receivables from non-associate utilities (“Non-Associate Limit”). Later, as a condition of granting CSW Credit temporary relief from the Non-Associate Limit, the Commission imposed upon the company a quarterly reporting requirement (“Rule 24 Reporting Requirement”). See Holding Co. Act Release No. 26684 (March 11, 1997).

The Commission required that CSW Credit maintain the percentage of its debt to equity at not less than 5% debt and 95% equity (“Debt-Equity Requirement”). See Holding Company Act Release No. 25138 (August 30, 1990).

Most recently, the Commission authorized AEP Credit to continue to factor the accounts receivable of associate and non-associate utility companies, subject to certain conditions, through September 30, 2005.

B. AEP Credit’s Current Operations

AEP Credit has entered into agreements to purchase accounts receivable from the following public-utility company subsidiaries of AEP: Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company, Public Service Company of Oklahoma, Southwestern Electric Company, and Wheeling Power Company (collectively, “Operating Companies”). AEP Credit no longer purchases accounts receivable from non-associate public-utility companies.

Purchases of accounts receivable are at a discount, based on AEP Credit’s cost of funds and collection history.¹ AEP Credit then sells the accounts receivable to third party

¹ Currently, there are two components of the discount calculation: (1) a financing cost component; and (2) a bad debt component. The financing cost component (“Carrying Charge”) is based on AEP Credit’s actual weighted average cost of funds. It includes the

financial institutions. Applicants state that transactions between AEP Credit and the Operating Companies comply with the “at cost” rules under the Act and, consequently, there is no cross-subsidization.

AEP Credit has entered into agency agreements with each of the Operating Companies. Those agreements provide that the Operating Companies act as a collection agent for the receipt of customer payments and collection and remit these payments to AEP Credit. The amount of the receivables bought by AEP Credit varies from month to month, based on the electric usage by the Operating Company’s customers.

These sales are on a non-recourse basis to the Operating Companies. The Operating Companies are not required to sell their accounts receivable to AEP Credit for any specified period of time; an Operating Company may terminate its relationship with AEP Credit on 30 days notice.

AEP Credit funds its purchases of the receivables using funds it obtains under a receivables purchase agreement (“RPA”). Under the RPA, AEP Credit sells a certain undivided ownership interest in the accounts receivable on a revolving basis to a group of financial institutions, mentioned above. The RPA also provides that American Electric Power Service Corporation (“AEP Service”), a service company subsidiary of AEP, administers the collections received by AEP Credit and reports information regarding the

actual cost of amounts borrowed from the external markets (currently bank conduits), a return on equity contribution from Credit’s parent and actual costs of any amounts borrowed through the subordinated loan from AEP. Credit’s actual cost of equity is the State authorized return on common equity of each individual Operating Company. AEP Credit’s interest charges to the Operating Companies used in the Carrying Charge have always been and are anticipated to be less than the “prime rate of interest,” as that term is normally used. The bad debt component is based on AEP Credit’s actual bad debt charge-offs for the receivable pool. It is calculated as a rolling average of the actual historical charge-off statistics for the receivable pools of each Operating Company.

receivables and collections to the agent of the financial institutions. AEP Service is reimbursed for all costs and expenses it incurs in connection with the services it provides under the agreement.

In addition to the funds obtained under the RPA, AEP Credit obtains funds to purchase receivables through equity contributions by AEP and a subordinated revolving loan by AEP.

Sales of the accounts receivable by the Operating Companies qualify for treatment as true sales of assets under Financial Accounting Standards Board Statement No. 140 (rather than as a loan secured by the receivables). AEP Credit is intended to be bankruptcy remote to isolate the receivables from the creditors of the Operating Companies.

Applicants state that the factoring program allows the Operating Companies to reduce their working capital needs by accelerating the receipt of cash from the collection of customer accounts receivable thereby reducing the dependence of the Operating Companies upon more costly sources of working capital. Credit, as a special-purpose financing entity, can borrow money more cheaply than the Operating Companies can individually. Through the use of Credit, the Operating Companies are able to consolidate their accounts receivable into a larger pool and eliminate duplicate administrative costs in administering the program.

II. Requested Authority

Applicants request (1) authority for AEP to retain AEP Credit, whose business consists solely of factoring the accounts receivable of associate public-utility companies;

(2) request that the Commission eliminate the Rule 24 Reporting Requirement; and (3) that the Commission eliminate the Debt-Equity Requirement.

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

Jonathan G. Katz
Secretary