Attachment B

MOODY'S
INVESTORS SERVICE

Credit Opinion: American Electric Power Company, Inc.

Global Credit Research - 29 Jun 2011

Columbus, Ohio, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Jr Subordinate	Baa3
Commercial Paper	P-2
AEP Capital Trust I	
Outlook	Stable
Pref. Shelf	(P)Baa3
AEP Capital Trust II	
Outlook	Stable
Pref. Shelf	(P)Baa3
AEP Capital Trust III	
Outlook	Stable
Pref. Shelf	(P)Baa3
Appalachian Power Company	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
Pref. Stock	Ba1

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Key Indicators

[1]American Electric Power Company, Inc.

	LTM 3/31/2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest Expense	**4.1x**	**3.9x**	**4.0x**	**3.4x**
(CFO Pre-W/C) / Debt	**18%**	**17%**	**18%**	**13%**
(CFO Pre-W/C - Dividends) / Debt	**14%**	**13%**	**14%**	**10%**
Debt / Book Capitalization	**50%**	**50%**	**53%**	**58%**

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Holding company for primarily rate-regulated utilities operating in diversified regulatory environments that provide a strong foundation to investment grade credit rating

Near-term liquidity profile appears adequate

Recent improvement to financials appear to be stabilized with mid-to high teens range cash flow metrics

Material exposure to coal-fired generation requires some repositioning of generation fleet

Ohio still a net credit positive with market restructuring in its second decade

Corporate Profile

American Electric Power Company, Inc. (AEP, Baa2 senior unsecured / stable outlook) is a large electric utility holding company with rate-regulated utilities operating in 11 states. AEP owns approximately 37,000 MW of generating assets, primarily coal fired. AEP is headquartered in Columbus, Ohio.

Recent Developments

On March 3, 2011, Moody's changed the rating outlook for CSPCo to negative from stable due to the proposed merger with its affiliate, Ohio Power, as combined metrics are more consistent with Ohio Power's ratings category of Baa1. In terms of timing of any ratings action, Moody's would expect to move CSPCo to a review for possible downgrade once the proposed transaction's procedural schedule is established and testimony is filed, and for any downgrade to occur once the necessary merger approvals are attained. We currently expect the merger to be completed by year-end 2011. On June 9, 2011, AEP announced an initial plan to comply with proposed clean air regulations by (i) reducing coal-fired capacity by 7,000 MW, with 6,000 MW of retirements and 1,000 MW of refueling to natural gas, (ii) building 1,200 MW of new natural gas capacity and (iii) installing emissions reduction equipment on 10,000 MW of coal-fired plants (all numbers are approximate). The cost would be $6-8 billion over the remainder of the decade, and AEP is advocating a delayed implementation of regulation, citing the impact on jobs. Moody's expects the plan will be subject to continued negotiation with rate-makers and politicians, but in our opinion, the costs of environmental compliance will largely be recoverable in rates in regulated jurisdictions.

SUMMARY RATING RATIONALE

AEP's Baa2 senior unsecured rating considers the diversity associated with owning and operating nine rate-regulated electric utilities across 11 states. The rating also considers the consolidated financial profile of AEP, which does not maintain a material amount of parent holding company debt, a credit positive. Over the past two years, AEP's consolidated financial metrics support the Baa2 rating, with the ratio of cash flow from operations adjusted for changes in working capital (CFO pre-w/c) to debt averaging roughly 17% and debt to capitalization near 51%. The Baa2 rating also considers the increasing challenges associated with managing a large fleet of coal-fired generation assets (whose operating costs are expected to rise) and service territories experiencing sluggish recoveries from the 2008/2009 recession.

DEATAILED RATING CONSIDERATIONS

- DIVERSITY OF RATE REGULATED CASH FLOWS

AEP's businesses and assets are well diversified, although they are concentrated within the electric utility sector. AEP's utility subsidiaries are located in 11 different states, and are therefore regulated by 11 different regulatory authorities (the largest ranked by rate base being Texas, West Virginia, Virginia, Indiana and Ohio). These jurisdictions translate into good diversity in revenues (by state and operating utility), cash flows, assets, debt outstanding, customers and generation capacity. From a credit perspective, Moody's views AEP's size and diversity as a meaningful credit strengths, providing a the parent company a degree of insulation from any unexpected adverse event or other negative development occurring at one of its companies or with one of its state service territories.

- GENERALLY SUPPORTIVE REGULATORY JURISDICTIONS

AEP is exposed to 11 different state regulatory commissions that Moody's generally views favorably due to reasonably transparent rulemaking procedures and good suite of recovery mechanisms. We observe that most of these commissions are appointed (Louisiana and Oklahoma are elected); that a majority of the states did not pursue a legislatively mandated form of deregulation (with the exception of Ohio, Texas, Virginia and Michigan - although the two latter states have more recently pursued re-regulation), that fuel / purchased power costs trackers are allowed in some fashion in all states (except for Ohio, which is subject to a rate cap with a deferral mechanism) and that most have approval authorities over securities issuances and M&A change of control (except Michigan). As a portfolio, these regulatory commissions are viewed as maintaining a relatively constructive relationship with the utilities they regulate and are considered a benefit to AEP's over-all business and risk profile.

- MAINTAINING FINANCIAL PROFILE KEY TO MAINTAINING RATINGS

The vast majority of AEP's revenues, earnings, cash flows and assets are related to its numerous rate-regulated electric utility subsidiaries, which we view, in general, as having a relatively low over-all business and operating risk profile. We would be concerned if AEP finds it increasingly difficult to maintain its consolidated CFO pre-w/c to debt credit metrics at a level that remains comfortably within the mid-teens range. For years ended 2010 and 2009, AEP reported a ratio of CFO pre-w/c to debt of roughly 17%, up from the approximate 14% range produced in 2008 and 2007.

Prospectively, we expect AEP to continue to exhibit stability in its financial profile, despite still lingering recessionary pressures being experienced in many of its service territories and rising costs associated with its generation fleet. We incorporate a view that AEP will continue to produce a ratio of CFO pre-w/c to debt near 17% (15% excluding the impact of bonus depreciation) over the near to intermediate term horizon.

- LARGE CAPITAL EXPENDITURE PROGRAM

Over the next few years, AEP is expecting to invest approximately $10 billion into its infrastructure, including sizeable investments in transmission and environmental compliance. We view investments in regulated rate-base positively for the credit profile, and we incorporate a view that most regulators will provide meaningful and timely recovery for prudently incurred investments. Nevertheless, we remain cautious as to the scale and scope of capital expenditure plans of this size, due to the negative free cash flow that will be incurred over the next few years and the potential regulatory overhang associated with the ultimate impact on end-use customer rates. In our opinion, utilities that are embarking on a capital investment program of this size should also be redoubling their efforts to bolster their balance sheet and cash flow credit metrics, in an effort to create enough financial strength to weather potentially distressful environments related to uncertain economic conditions, volatility in commodity markets, regulatory changes or any other unanticipated developments.

- COAL GENERATING ASSETS REPRESENT SIGNIFICANTLY LONGER-TERM VULNERABILITY

We believe the likelihood for incremental environmental legislation and increasingly stringent mandates as representing a material risk affecting AEP's coal-fired generating assets and overall corporate strategy. However, Moody's incorporates a view that the timing of compliance requirements with any new laws or proposals will be incurred over many years and that the costs associated with any new legislation regarding emissions will generally be recovered through rates (either through existing fuel clause pass-through mechanisms or other incremental rate riders). As a result, recent EPA rules and proposals are not viewed as a material credit negative over the near-term horizon. Nonetheless, eventual plant closures will require replacement capacity and/or additional transmission capacity for imported power.

- OHIO REGULATORY ENVIRONMENT A NET CREDIT POSITIVE

Ohio is both a unique state from a regulatory perspective and very important to AEP. The state pursued deregulation to a point and permitted some stranded cost recovery, but also allowed utilities to remain vertically integrated and pursued a form of quasi regulation via an ongoing requirement for Electric Security Plan (ESPs, which can vary considerably from utility to utility). Although AEP's (distribution-only) rate base in Ohio is its fifth largest at approximately $1.9 billion, the combined assets of its Ohio operating companies, at over $13 billion, are the largest within the AEP system.

Despite the continuing uncertainty associated with a decade old restructuring initiative, we continue to view the Ohio regulatory environment as a relatively supportive and transparent jurisdiction. The PUCO provides a good suite of recovery mechanisms and flexible, company-specific restructuring frameworks for the utilities in the state, a credit positive. We consider Ohio to be a quasi-regulated environment, similar to Texas, but we note that the Ohio model is untested with respect to plant abandonments. We do not view the current round of market restructuring as a credit negative due to our view that the matter will be resolved, at a minimum, in a credit neutral basis.

Our positive views of the Ohio regulatory environment are based in part on the existing regulatory framework. For example, AEP's current ESP (expiring 12/31/2011) provides near term clarity for cost and investment recovery and allows companies to maintain reasonably good cash flows and financial profiles, in our opinion. Ohio provides fuel pass-through mechanisms, which specifically permit the recoverability of potential future carbon costs, a credit positive. In addition, special riders allow for recovery of other costs and investments such as transmission costs, future carrying cost of environmental investments incurred from 2001 through 2008, gridSmart programs and provider-of-last-resort (POLR) expenses, although some of these costs are being re-evaluated by the PUCO due to an Ohio Supreme Court remand.

Liquidity

AEP's liquidity is good. As of March 31, 2011, AEP had syndicated credit facilities totaling $2.954 billion, expiring in April 2012 and June 2013. These facilities contain an adjusted debt to capitalization limit of 67.5%, and AEP reports that it remains in compliance, with an adjusted ratio of 53% at March 31, 2011. There is a combined $1.35 billion of letter of credit sub-limits under the facilities, a $500 million accordion feature for each facility (for a total accordion of $1.0 billion). There are no material adverse change or material litigation restrictions on drawings. Default provisions exclude payment defaults and insolvency/bankruptcy of subsidiaries that are not significant subsidiaries per the SEC definition (AEP Texas Central is also effectively excluded as a significant subsidiary due to a definitional adjustment).

For year 2010, AEP generated approximately $3.2 billion in Moody's-adjusted cash from operations, made approximately $2.5 billion in capital investments and paid roughly $824 million in dividends, resulting in roughly $220 million of negative free cash flow.

Including securitization bonds, AEP has approximately $600 million of long-term debt due in 2011, $630 million due in 2012 and $1.9 billion due in 2013. Over the next two years, we estimate that AEP will spend approximately $2.9 billion annually in capital expenditures and approximately $850 million in dividends annually. At March 31, 2011, AEP's credit facilities had approximately $813 million utilized in support of commercial paper outstanding and $125 million of LCs posted, leaving approximately $2.1 billion of capacity available. Combined with $625 million of cash, total liquidity amounted to roughly $2.7 billion.

Structural Considerations

After considering the ratings for a number of AEP's utility operating subsidiaries, several of which are also rated in the Baa2 ratings category, there could be some structural subordination pressure for AEP to defend its Baa2 senior unsecured rating, at least over the longer-term horizon. However, we see good diversity and a low-risk business profile among its numerous operating utility subsidiaries, which should continue to mitigate this potential issue. A downgrade of Columbus Southern Power would not be considered as material enough to change our views regarding AEP's Baa2 rating at this time. Nevertheless, rating upgrades at certain other subsidiaries, including Appalachian Power and Indiana-Michigan Power (both rated Baa2 senior unsecured) would materially benefit the credit positioning of AEP.

Rating Outlook

The stable rating outlook reflects the good credit profiles of AEP's diverse portfolio of electric utility operating subsidiaries. We believe AEP will continue to demonstrate a reasonably conservative approach towards its financial policies, leading to continued improvements in its cash flow generation in relation to debt. A stronger balance sheet is viewed as a material credit positive for AEP, as it helps mitigate numerous challenges over the longer-term horizon. These challenges include managing a diverse group of service territories which are all still experiencing some severe post economic recessionary pressures, along with a sizeable coal-fired generating fleet (including one plant in advanced stages of construction) and a single nuclear generating plant.

What Could Change the Rating - Up

Ratings upgrades appear unlikely over the near term, primarily due to the rating positions of AEP's numerous subsidiary operating utilities. While the diversification of these numerous subsidiaries benefits the over-all credit profile, we observe that a majority of the utility subsidiaries appear to be well positioned within the Baa1 and Baa2 rating categories. Nevertheless, if AEP were successful in producing a stronger set of key financial credit metrics, including a ratio of CFO pre-w/c to debt near 20% on a sustainable basis, ratings could be upgraded. The recent performance of achieving almost 18 % in 2009 and 17% in 2010 (15% after adjusting for bonus depreciation) has been noted.

What Could Change the Rating - Down

AEP's ratings could be downgraded based on the structural subordination risks associated with the ratings of its subsidiaries, particularly its larger subsidiaries in Virginia and Ohio. In addition, the ratings could be downgraded if AEP were to produce financial metrics that appear too weak for its existing rating category, including a ratio of CFO pre-w/c to debt in the low teens range. The ratings could also be downgraded if AEP were to experience material set-backs with its various regulatory proceedings, or if a more contentious regulatory / political relationship materialized or if its capital investment program were financed aggressively with debt, which in turn would likely impact its consolidated cash flow generation financial metrics.

Rating Factors

American Electric Power Company, Inc.

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of June 2011	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (5%)		A		A
b) Generation and Fuel Diversity (5%)		B		B
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	3.8x	Baa	3.0 - 4.0x	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	16.1%	Baa	14 - 18%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	12.6%	Baa	10 - 13%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	53.6%	Baa	45 - 50%	Baa
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa2		Baa2

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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STANDARD & POOR'S

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Summary:

American Electric Power Co. Inc.

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Summary:
American Electric Power Co. Inc.

Credit Rating: BBB/Stable/A-2

Rationale

Standard & Poor's Ratings Services' ratings on American Electric Power Co. Inc. (AEP) reflect its consolidated credit profile, which includes regulated and unregulated operations. We consider the company's business risk profile excellent and its financial risk profile aggressive. (For more on business risk and financial risk, see "Business Risk/Financial Risk Matrix Expanded," published May 27, 2009, on RatingsDirect on the Global Credit Portal.) Columbus, Ohio-based AEP has $18.5 billion of outstanding debt, including junior subordinated notes and securitized debt.

The excellent business profile primarily reflects AEP's status as a large public utility holding company that owns regulated electric utility subsidiaries operating in 11 states in the Midwest and Southwest. The company operates low-risk transmission and distribution wires-only businesses in Texas; fully integrated regulated utilities in places such as Indiana and West Virginia; and higher-risk hybrid utilities in Ohio. Although a portion of generation assets are outside rate base, most of the consolidated generating capacity is under stabilizing regulatory oversight. The company's generating and transmission facilities are interconnected, and its operations are coordinated as an integrated electric utility system.

Electric utility operations are slightly above average, characterized by competitive rates, good reliability, a strong collection of low-cost, coal-fired generation in the eastern part of the system, and mostly supportive regulatory relationships. Service territories vary widely, ranging from manufacturing and rural areas with lower-growth economies to higher-growth, service-oriented economies, like Columbus, Ohio's, that are more stable. The diversity in markets and in regulation somewhat elevates credit quality, but managing the complex variety of regulatory environments can be challenging and requires constant vigilance. This is evident in Arkansas, where the company is continuing to build the Turk coal unit while multiple legal challenges are pending, including litigation in connection with the unit's water intake. Over the longer term, with roughly 25,000 megawatts (MW) of coal-fired generation, including those in Ohio, material compliance costs related to numerous environmental rules could pressure credit quality. In addition to these coal assets, there are 9,000 MW of gas generation and 2,200 MW of nuclear.

The company's unregulated operations consist mostly of a large portfolio of quasi-regulated electric generating plants, mainly in Ohio, that have been primarily serving AEP's retail utility customers. We expect AEP's long track record of solid operating performance in its unregulated business operations to continue. Stricter environmental regulation will place financial stress on the company and erode the fleet's competitiveness, but we don't expect these pressures to completely eliminate the advantages of AEP's coal fleet. AEP has indicated that it may ultimately retire a significant number of coal-fired assets in addition to 1,925 MW of coal-fired units in the eastern system that are already in extended startup mode. Although AEP's Ohio-based generation accounts for only a portion of the company's credit profile, absent more robust financial measures, any strategic move that quickly leads to a greater reliance on wholesale market prices to generate cash would increase business risk and could ultimately weaken credit quality.

We consider AEP's financial risk profile aggressive. This reflects financial measures that are in line with the rating, along with large capital expenditures. The company's considerable capital spending is mostly for environmental compliance programs and for new generation and transmission. The elevated spending levels and dividend payments could result in negative discretionary cash flow for several years, and will require vigilant cost recovery to maintain cash flow measures. For the 12 months ended March 31, 2011, funds from operations (FFO) to total debt was 15.5%, total debt to total capital was around 60%, and debt to EBITDA was 4.8x. The ratios are in line with the rating. FFO interest coverage was 3.5x, net cash flow (FFO after dividends) to capital expenditures exceeded 1x, and the dividend payout ratio was 70%. Adjustments reflect capital and operating leases, pension-related items, intermediate equity treatment of the junior subordinated notes, and securitized debt. To comfortably maintain the current ratings given AEP's business risks, we would expect debt leverage to be under 60% and FFO to debt to approach 20%.

Liquidity

The short-term rating on AEP is 'A-2'. Liquidity is adequate under Standard & Poor's liquidity methodology, which categorizes liquidity in five standard descriptors. (For more on our liquidity assessments, see "Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers," published July 2, 2010.) AEP's adequate liquidity supports the 'BBB' issuer credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by about 1.2x. AEP has the ability to absorb high-impact, low-probability events with limited need for refinancing, the flexibility to lower capital spending, sound bank relationships, solid standing in credit markets, and generally prudent risk management. As of March 31, 2011, the company had cash of $625 million and 68% availability under its $2.954 billion of credit facilities, excluding outstanding commercial paper and letters of credit. These facilities consist of a $1.45 billion facility expiring in 2012 and a $1.5 billion facility expiring in 2013. Long-term debt maturities are manageable in 2011 ($616 million) and 2012 ($630 million), but there may be refinancing risk in 2013, with $1.73 billion maturing.

Outlook

The stable outlook for the ratings on AEP and its subsidiaries assumes timely recovery of rate base investments for environmental compliance, system reliability, and continued strategic emphasis on regulated operations. Maintaining the company's balance sheet and other key credit measures will be necessary for continued ratings stability. Our base forecast includes adjusted FFO to total debt of at least 15%, debt to EBITDA under 5x, and debt leverage to total capital of no more than 60%, all of which are consistent with our expectations for the 'BBB' rating. We could lower the ratings if financial measures fall short of our base forecast on a sustained basis, which could occur if construction projects are not completed on time and budget, a series of harmful regulatory decisions impede the company's recovery of capital expenditures and other costs, or the company raises funds in a less creditworthy manner. We could raise the ratings if there is greater certainty regarding business risks and if financial measures exceed our baseline forecast, including FFO to total debt in excess of 20%, debt to EBITDA below 4x, and debt to total capital under 55%.

Related Criteria And Research

- Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers, July 2, 2010
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Ratios And Adjustments, April 15, 2008
- Analytical Methodology, April 15, 2008