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The Bond Buyer

March 24, 2008 Monday

Ohio Power Company Scales Back Sale Citing 'Skittish' Market

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SECTION: NEWS; Pg. 6 Vol. 363 No. 32843

LENGTH: 593 words

DATELINE: CHICAGO

Citing a "skittish" short-term fund market, American Municipal Power-Ohio Inc. last week scaled back a planned \$450 million one-year bond anticipation note sale, opting to sell only \$120 million of the original issue and wait out the market in hopes of returning in a few months with a \$500 million long-term, fixed-rate bond issue.

AMP-Ohio planned last Wednesday to sell \$450 million in revenue bond anticipation notes to finance an ownership share in the Midwest's \$3.7 billion Prairie State coal plant project. But after an afternoon pre-pricing call with underwriter JPMorgan showed more investor concerns than expected, officials opted to sell only \$120 million of the original issue.

"We kept hearing about [the demise of] Bear, Stearns [& Co.], and we thought the funds were very skittish and the yields were too high," said Robert Trippe, chief financial officer of AMP-Ohio, a wholesale power supplier that serves six states.

"They were saying 'well, what if you don't have market access in one year?' " he said. "We said, 'well, we're selling fixed-rate bonds [to refund the notes]' - but there was a real concern about shorter-term paper and market access," he said.

Trippe said the issuer would instead move forward with plans to enter the market in May with a \$500 million fixed-rate bond issue. JPMorgan will act as senior underwriter for that transaction. Officials are still selecting co-managers and considering whether to buy insurance for the bonds, Trippe said.

"We'll be monitoring the market, but we think there are better market access for long-term fixed rate than shorter-rate deals. Of course, that depends on market conditions at time and economic conditions," he said.

Founded in 1971, AMP-Ohio buys wholesale electric power and distributes it to its 68 municipal members. The system will also become an owner of a power generating asset in the future as the Prairie State Project gets up and running.

Moody's Investors Services assigned an MIG -1 rating to the Bonds, as well as an A1 issuer rating to AMP-Ohio, analyst Dan Aschenbach said.

"The strength comes from the contractual obligations of the 68 municipal systems, and the other important credit

factor is the Prairie State Project, which will add a lot of economic value to the AMP-Ohio system," Aschenbach said.

Standard & Poor's assigned the Bonds an SP-1-plus short-term rating.

Proceeds from the upcoming bond sale will be used to refund \$200 million in outstanding commercial paper that was used to finance AMP-Ohio's purchase of a 23.26% ownership stake in the Prairie State Project.

AMP-Ohio is one of eight owners of the Prairie project, a southwestern Illinois-based project that proponents say will be a state of the art plant with advanced scrubbing systems that will produce clean, low-cost electricity to serve more than 1.7 million households and promote business growth in the Midwest. The plant will be adjacent a mine with some 200 million tons of coal reserves. Officials hope to open the first unit in August 2011 and the second in May 2012.

Many of the project's other owners hit the market over the summer and fall with their own financings totaling more than \$2 billion. The other owners are: Lively Grove Energy Partners LLC, Prairie Power Inc., the Southern Illinois Power Cooperative, the Illinois Municipal Electric Agency, the Indiana Municipal Power Agency, the Missouri Joint Municipal Electric Utility Commission, the Kentucky Municipal Power Agency, and the Northern Illinois Municipal Power Agency.

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LOAD-DATE: March 21, 2008

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

JOURNAL-CODE: b

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