KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
ASSETS
September 30, 2005 and December 31, 2004
(Unaudited)
(in thousands)

	2005	2004
ELECTRIC UTILITY PLANT		
Production	$ 470,873	$ 462,641
Transmission	386,461	385,667
Distribution	451,199	438,766
General	59,718	57,929
Construction Work in Progress	23,068	16,544
Total	1,391,319	1,361,547
Accumulated Depreciation and Amortization	421,738	398,455
TOTAL - NET	969,581	963,092
OTHER PROPERTY AND INVESTMENTS		
Nonutility Property, Net	5,433	5,438
Other Investments	350	422
TOTAL	5,783	5,860
CURRENT ASSETS		
Cash and Cash Equivalents	347	127
Other Cash Deposits	8	5
Advances to Affiliates	9,641	16,127
Accounts Receivable:		
Customers	25,239	22,130
Affiliated Companies	23,279	23,046
Accrued Unbilled Revenues	5,933	7,340
Miscellaneous	717	94
Allowance for Uncollectible Accounts	-	(34)
Fuel	12,851	6,551
Materials and Supplies	7,285	9,385
Risk Management Assets	46,373	19,845
Margin Deposits	11,180	1,960
Prepayments and Other	6,793	1,782
TOTAL	149,646	108,358

DEFERRED DEBITS AND OTHER ASSETS

Regulatory Assets:

SFAS 109 Regulatory Asset, Net	98,737	103,849
Other	26,256	14,558
Long-term Risk Management Assets	42,155	19,067
Emission Allowances	12,077	9,666
Deferred Property Taxes	1,803	7,036
Deferred Charges and Other	7,498	11,761
TOTAL	188,526	165,937
TOTAL ASSETS	$ 1,313,536	$ 1,243,247

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES
September 30, 2005 and December 31, 2004
(Unaudited)

	2005	2004
CAPITALIZATION	(in thousands)	
Common Shareholder's Equity:		
Common Stock - $50 par value per share:		
Authorized - 2,000,000 shares		
Outstanding - 1,009,000 shares	$ 50,450	$ 50,450
Paid-in Capital	208,750	208,750
Retained Earnings	90,613	70,555
Accumulated Other Comprehensive Income (Loss)	(11,623)	(8,775)
Total Common Shareholder's Equity	338,190	320,980
Long-term Debt:		
Nonaffiliated	426,657	428,310
Affiliated	20,000	80,000
Total Long-term Debt	446,657	508,310
TOTAL	784,847	829,290
CURRENT LIABILITIES		
Long-term Debt Due Within One Year - Affiliated	40,000	-
Accounts Payable:		
General	29,759	20,080
Affiliated Companies	26,546	24,899
Risk Management Liabilities	44,914	17,205
Taxes Accrued	8,695	9,248
Interest Accrued	9,507	6,754
Customer Deposits	25,085	12,309
Obligations Under Capital Leases	1,294	1,561
Other	8,849	9,038
TOTAL	194,649	101,094
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	222,727	227,536
Regulatory Liabilities:		
Asset Removal Costs	30,247	28,232
Deferred Investment Tax Credits	5,845	6,722
Other Regulatory Liabilities	26,772	15,622
Employee Benefits and Pension Obligations	9,980	17,729

Long-term Risk Management Liabilities	35,688	13,484
Obligations Under Capital Leases	2,123	2,802
Deferred Credits	658	736
TOTAL	334,040	312,863
Commitments and Contingencies (Note 5)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 1,313,536	$ 1,243,247

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2005 and 2004
(Unaudited)
(in thousands)

	2005	2004
OPERATING ACTIVITIES		
Net Income	$ 20,058	$ 21,839
Adjustments to Reconcile Net Income to Net Cash Flows		
From Operating Activities:		
Depreciation and Amortization	33,695	32,768
Deferred Income Taxes	1,836	6,536
Deferred Investment Tax Credits	(877)	(877)
Deferred Property Taxes	5,233	5,091
Pension Contributions	(9,137)	(338)
Pension and Postemployment Benefit Reserves	1,388	(610)
Mark-to-Market of Risk Management Contracts	(5,204)	3,994
Over/Under Fuel Recovery	(4,453)	1,886
(Gain)/Loss on Sale of Assets	(41)	1,062
Change in Other Noncurrent Assets	(5,196)	(10,558)
Change in Other Noncurrent Liabilities	8,700	7,112
Changes in Components of Working Capital:		
Accounts Receivable, Net	(2,592)	9,817
Fuel, Materials and Supplies	(4,200)	3,106
Accounts Payable	12,876	7,788
Taxes Accrued	(553)	4,012
Customer Deposits	12,776	2,828
Interest Accrued	2,753	2,159
Other Current Assets	(14,231)	817
Other Current Liabilities	(456)	(530)
Net Cash Flows From Operating Activities	52,375	97,902
INVESTING ACTIVITIES		
Construction Expenditures	(38,837)	(27,797)
Change in Other Cash Deposits, Net	(3)	11
Proceeds from Sale of Assets	199	1,538
Net Cash Flows Used For Investing Activities	(38,641)	(26,248)
FINANCING ACTIVITIES		
Issuance of Long-term Debt - Affiliated	-	20,000
Retirement of Long-term Debt-Affiliated	(20,000)	-
Changes in Advances to/from Affiliates, Net	6,486	(75,875)

Dividends Paid on Common Stock	-	(16,000)
Net Cash Flows Used For Financing Activities	(13,514)	(71,875)
Net Increase (Decrease) in Cash and Cash Equivalents	220	(221)
Cash and Cash Equivalents at Beginning of Period	127	863
Cash and Cash Equivalents at End of Period	$ 347	$ 642

SUPPLEMENTAL DISCLOSURE:
Cash paid (received) for interest net of capitalized amounts was $17,250,000 and $19,198,000 and for income taxes was $7,466,000 and $(3,233,000) in 2005 and 2004, respectively. Noncash capital lease acquisitions in 2005 and 2004 were $273,000 and $697,000, respectively. Construction Expenditures include the change in construction-related Accounts Payable of $(1,550,000) and $(1,127,000) in 2005 and 2004, respectively.

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

KENTUCKY POWER COMPANY
INDEX TO CONDENSED NOTES TO FINANCIAL STATEMENTS OF REGISTRANT SUBSIDIARIES

The condensed notes to KPCo's condensed financial statements are combined with the condensed notes to financial statements for other subsidiary registrants. Listed below are the condensed notes that apply to KPCo.

OHIO POWER COMPANY CONSOLIDATED

OHIO POWER COMPANY CONSOLIDATED
MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Third Quarter of 2005 Compared to Third Quarter of 2004

Reconciliation of Third Quarter of 2004 to Third Quarter of 2005 Net Income (in millions)

Third Quarter of 2004 Net Income		$ 51
Changes in Gross Margin:		
Retail Margins	12	
Off-system Sales	14	
Transmission Revenues	(5)	
Other Revenues	(2)	
Total Change in Gross Margin		19
Changes in Operating Expenses and Other:		
Other Operation and Maintenance	(20)	
Depreciation and Amortization	(2)	
Taxes Other Than Income Taxes	(9)	
Nonoperating Income and Expenses, Net	19	
Total Change in Operating Expenses and Other		(12)
Income Tax Expense		(2)
Third Quarter of 2005 Net Income		$ 56

Net Income increased $5 million in the third quarter of 2005. The key drivers of the increase were a $19 million increase in gross margin and a $19 million increase in Nonoperating Income and Expenses, Net partially offset by a $20 million increase in Other Operation and Maintenance expense and a $9 million increase in Taxes Other Than Income Taxes.

The major components of our increase in gross margin, defined as revenues net of related fuel and purchased power, were as follows:

- Retail Margins were $12 million higher than the prior period primarily due to:
  - increased retail sales of $25 million due to increased industrial, residential and commercial sales from higher usage and favorable weather conditions,
  - partially offset by decreased fuel margins of $15 million, of which $9 million is related to an amendment to the PJM Services and Cost Allocation Agreement and the Buckeye Station Agreement.

- Margins from Off-system Sales increased $14 million primarily due to increased AEP Power Pool physical sales and favorable optimization activity.
- Transmission Revenues decreased $5 million primarily due to the loss of through and out rates, net of replacement SECA rates. See "FERC Order on Regional Through and Out Rates" for additional discussion of these FERC rate changes.

Operating Expenses and Other changed between years as follows:

- Other Operation and Maintenance expenses increased $20 million primarily due to $11 million of increased consumption expenses associated with SO_2 and NO_x allowances, $4 million from increased boiler maintenance expenses due to overhaul work from scheduled and forced outages and $3 million from increased maintenance of overhead lines due to storm repair, increased tree trimming expenses and greater expenses for transmission inspection programs.
- Taxes Other Than Income Taxes increased $9 million primarily due to an increase in property tax accruals as a result of increased property values. The increase is also a result of increased state excise taxes due to higher KWH sales.
- Nonoperating Income and Expenses, Net increased $19 million primarily due to the establishment of a regulatory asset for carrying costs on environmental capital expenditures as a result of the rate stabilization plan order and favorable optimization activities.

Income Tax

The effective tax rates for the third quarter of 2005 and 2004 were 31.9% and 32.3%, respectively. The difference in the effective income tax rate and the federal statutory rate of 35% is due to flow-through of book versus tax temporary differences, permanent differences, amortization of investment tax credits and state income taxes. The effective tax rates remained relatively flat for the comparative period.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Reconciliation of Nine Months Ended September 30, 2004 to Nine Months Ended September 30, 2005 Net Income (in millions)

Nine Months Ended September 30, 2004 Net Income		$ 170
Changes in Gross Margin:		
Retail Margins	41	
Off-system Sales	26	
Transmission Revenues	(19)	
Total Change in Gross Margin		48
Changes in Operating Expenses and Other:		
Other Operation and Maintenance	(6)	
Depreciation and Amortization	(13)	
Taxes Other Than Income Taxes	(9)	
Nonoperating Income and Expenses, Net	48	

Interest Charges	11	
Total Change in Operating Expenses and Other		31
Income Tax Expense		(22)
Nine Months Ended September 30, 2005 Net Income		$ 227

Net Income increased $57 million in 2005. The increase is primarily due to a $48 million increase in gross margin, a $48 million increase in Nonoperating Income and Expenses, Net and an $11 million decrease in Interest Charges offset by a $22 million increase in Income Tax Expense and a $13 million increase in Depreciation and Amortization expense.

The major components of our increase in gross margin, defined as revenues net of related fuel and purchased power, were as follows:

- Retail Margins were $41 million higher than the prior period primarily due to:
  - increased retail sales of $39 million due to increased residential, commercial and industrial sales from higher usage and favorable weather conditions,
  - a favorable variance of $18 million from the receipt of SO_2 allowances from Buckeye Power, Inc. under the Cardinal Station Allowance Agreement,
  - and an increase of $8 million from capacity settlements under the Interconnection Agreement related to an increase in an affiliate's peak load,
  - partially offset by decreased fuel margins of $31 million which includes an amendment to the PJM Services and Cost Allocation Agreement and the Buckeye Station Agreement of $9 million.
- Margins from Off-system Sales increased $26 million primarily due to increased AEP Power Pool physical sales and favorable optimization activity.
- Transmission Revenues decreased $19 million primarily due to the loss of through and out rates, net of replacement SECA rates. See "FERC Order on Regional Through and Out Rates" for additional discussion of these FERC rate changes.

Operating Expenses and Other changed between years as follows:

- Other Operation and Maintenance expenses increased $6 million primarily due to increased consumption expenses associated with SO_2 and NO_x allowances and increased maintenance of overhead lines due to storm repair, increased tree trimming expenses and greater expenses for transmission inspection programs offset by the settlement and cancellation of the COLI policy in February 2005 and decreased administrative expenses related to the Gavin scrubber.
- Depreciation and Amortization expense increased $13 million due to the establishment of a $7 million regulatory liability to benefit low income customers and for economic development, as ordered in the rate stabilization plan. The increase is also attributable to a higher depreciation base in electric utility plants.
- Taxes Other Than Income Taxes increased $9 million primarily due to an increase in property tax accruals as a result of increased property values. The increase is also a result of increased state excise taxes due to higher KWH sales.
- Nonoperating Income and Expenses, Net increased $48 million primarily due to the establishment

of a $37 million regulatory asset for carrying costs on environmental capital expenditures as a result of the rate stabilization plan order and favorable optimization activities slightly offset by decreased pension costs in 2004 as a result of a settlement related to the sale of the coal companies prior to 2003.

- Interest Charges decreased by $11 million primarily due to capitalized interest related to construction of the Mitchell Plant and Cardinal Plant scrubbers and the Mitchell Plant SCR project that began after June 2004. Interest Charges also decreased due to refinancing debt maturities and optional redemptions with lower cost debt.

Income Tax

The effective tax rates for the nine months ended September 2005 and 2004 were 32.7% and 34.3%, respectively. The difference in the effective income tax rate and the federal statutory rate of 35% is due to flow-through of book versus tax temporary differences, permanent differences, amortization of investment tax credits and state income taxes. The effective tax rates remained relatively flat for the comparative period.

Financial Condition

Credit Ratings

The rating agencies currently have us on stable outlook. Current ratings are as follows:

	Moody's	S&P	Fitch
Senior Unsecured Debt	A3	BBB	BBB+

Cash Flow

Cash flows for the nine months ended September 30, 2005 and 2004 were as follows:

	2005	2004
	(in thousands)	
Cash and Cash Equivalents at Beginning of Period	$ 9,300	$ 7,233
Cash Flows From (Used For):		
Operating Activities	313,784	448,099
Investing Activities	(451,347)	(151,912)
Financing Activities	129,645	(299,977)
Net Decrease in Cash and Cash Equivalents	(7,918)	(3,790)
Cash and Cash Equivalents at End of Period	$ 1,382	$ 3,443

Operating Activities

Our Net Cash Flows From Operating Activities were $314 million for the first nine months of 2005. We produced income of $227 million during the period and a noncash expense item of $228 million for Depreciation and Amortization. The other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The current period activity in working capital primarily relates to two items Taxes Accrued and Accounts Payable. Taxes Accrued decreased $115 million due primarily to the payment of the 2004 federal income tax liability during 2005 and personal property tax. Accounts Payable increased $60 million due to higher fuel and allowance acquisition costs not paid at September 30, 2005.

Our Net Cash Flows From Operating Activities were $448 million for the first nine months of 2004. We produced income of $170 million during the period and a noncash expense item of $214 million for Depreciation and Amortization. The other changes in assets and liabilities represent items that had a cash flow impact, such as changes in working capital, as well as items that represent future rights or obligations to receive or pay cash, such as regulatory assets and liabilities. The activity in working capital primarily relates to a $52 million increase in Taxes Accrued primarily due to increased accrued federal income taxes offset by decreased accrued personal property taxes.

Investing Activities

Our Net Cash Flows Used for Investing Activities for the first nine months of 2005 were $451 million primarily due to Construction Expenditures for environmental upgrades, as well as projects to improve service reliability for transmission and distribution. For the remainder of 2005, we expect our Construction Expenditures to be approximately $305 million.

Our Net Cash Flows Used For Investing Activities for the first nine months of 2004 were $152 million. The change is primarily due to Construction Expenditures offset by a cash deposit that we used to redeem $50 million of debt in January 2004.

Financing Activities

Our Net Cash Flows From Financing Activities during the first nine months of 2005 were $130 million primarily due to increased borrowings from the Utility Money Pool.

Our Net Cash Flows Used For Financing Activities during the first nine months of 2004 were $300 million primarily due to decreased repayments of borrowings from the Utility Money Pool and dividend payments on Common Stock.

Financing Activity

In January 2005, we redeemed $5 million of 5.90% Cumulative Preferred Stock Subject to Mandatory Redemption. Additionally, long-term debt issuances and retirements during the nine months ended September 30, 2005 were:

Issuances

Type of Debt	Principal Amount	Interest Rate	Due Date
	(in thousands)	(%)	

Installment Purchase Contracts	$ 54,500	Variable	2029
Installment Purchase Contracts	163,500	Variable	2028
Installment Purchase Contracts	50,000	Variable	2016
Installment Purchase Contracts	50,000	Variable	2014
Installment Purchase Contracts	35,000	Variable	2022

Retirements and Principal Payments

Type of Debt	Principal Amount	Interest Rate	Due Date
	(in thousands)	(%)	
Installment Purchase Contracts	$ 102,000	6.375	2029
Installment Purchase Contracts	80,000	Variable	2028
Installment Purchase Contracts	36,000	Variable	2029
Installment Purchase Contracts	50,000	5.45	2014
Installment Purchase Contracts	50,000	5.45	2016
Installment Purchase Contracts	35,000	5.90	2022
Notes Payable	4,390	6.81	2008
Notes Payable	6,500	6.27	2009

Liquidity

We have solid investment grade ratings, which provide us ready access to capital markets in order to issue new debt, refinance short-term debt or refinance long-term debt maturities. In addition, we participate in the Utility Money Pool, which provides access to AEP's liquidity.

Summary Obligation Information

A summary of our contractual obligations is included in our 2004 Annual Report and has not changed significantly from year-end other than the issuances and retirements discussed above.

Significant Factors

See the "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section for additional discussion of factors relevant to us.

Critical Accounting Estimates

See "Critical Accounting Estimates" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" in the 2004 Annual Report for a discussion of the estimates and judgments required for regulatory accounting, revenue recognition, the valuation of long-lived assets, the accounting for pension and other postretirement benefits and the impact of new accounting pronouncements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK MANAGEMENT ACTIVITIES

Market Risks

Our risk management policies and procedures are instituted and administered at the AEP Consolidated level. See complete discussion within AEP's "Quantitative and Qualitative Disclosures About Risk Management Activities" section. The following tables provide information about AEP's risk management activities' effect on us.

Roll-Forward of MTM Risk Management Contract Net Assets

This table provides detail on changes in our MTM net asset or liability balance sheet position from one period to the next.

MTM Risk Management Contract Net Assets
Nine Months Ended September 30, 2005
(in thousands)

Total MTM Risk Management Contract Net Assets at December 31, 2004	$ 47,777
(Gain) Loss from Contracts Realized/Settled During the Period (a)	(13,828)
Fair Value of New Contracts When Entered During the Period (b)	835
Net Option Premiums Paid/(Received) (c)	(1,372)
Change in Fair Value Due to Valuation Methodology Changes	-
Changes in Fair Value of Risk Management Contracts (d)	18,093
Changes in Fair Value of Risk Management Contracts Allocated to Regulated Jurisdictions (e)	314
Total MTM Risk Management Contract Net Assets	51,819
Net Cash Flow Hedge Contracts (f)	(10,778)
DETM Assignment (g)	(12,267)
Total MTM Risk Management Contract Net Assets at September 30, 2005	$ 28,774

(a) "(Gain) Loss from Contracts Realized/Settled During the Period" includes realized risk management contracts and related derivatives that settled during 2005 where we entered into the contract prior to 2005.

(b) "Fair Value of New Contracts When Entered During the Period" represents the fair value at inception of long-term contracts entered into with customers during 2005. Most of the fair value comes from longer term fixed price contracts with customers that seek to limit their risk against fluctuating energy prices. Inception value is only recorded if observable market data can be obtained for valuation inputs for the entire contract term. The contract prices are valued against market curves associated with the delivery location and delivery term.

(c) "Net Option Premiums Paid/(Received)" reflects the net option premiums paid/(received) as they relate to unexercised and unexpired option contracts that were entered in 2005.

(d) "Changes in Fair Value of Risk Management Contracts" represents the fair value change in the risk management portfolio due to market fluctuations during the current period. Market fluctuations are attributable to various factors such as supply/demand, weather, storage, etc.

(e) "Changes in Fair Value of Risk Management Contracts Allocated to Regulated Jurisdictions" relates to the net gains (losses) of those contracts that are not reflected in the Condensed Consolidated Statements of Income. These net gains (losses) are recorded as regulatory assets/liabilities for those subsidiaries that operate in regulated jurisdictions.

(f) "Net Cash Flow Hedge Contracts" (pretax) are discussed below in Accumulated Other Comprehensive Income (Loss).

(g) See "Natural Gas Contracts with DETM" section in Note 17 of the 2004 Annual Report.

Reconciliation of MTM Risk Management Contracts to Condensed Consolidated Balance Sheets As of September 30, 2005 (in thousands)

	MTM Risk Management Contracts (a)	Cash Flow Hedges	DETM Assignment (b)	Total (c)
Current Assets	$ 157,786	$ 5,007	$ -	$ 162,793
Noncurrent Assets	143,373	316	-	143,689
Total MTM Derivative Contract Assets	301,159	5,323	-	306,482
Current Liabilities	(140,353)	(15,761)	(2,914)	(159,028)
Noncurrent Liabilities	(108,987)	(340)	(9,353)	(118,680)
Total MTM Derivative Contract Liabilities	(249,340)	(16,101)	(12,267)	(277,708)
Total MTM Derivative Contract Net Asset (Liabilities)	$ 51,819	$ (10,778)	$ (12,267)	$ 28,774

(a) Does not include Cash Flow Hedges.

(b) See "Natural Gas Contracts with DETM" section in Note 17 of the 2004 Annual Report.

(c) Represents amount of total MTM derivative contracts recorded within Risk Management Assets, Long-term Risk Management Assets, Risk Management Liabilities and Long-term Risk Management Liabilities on our Condensed Consolidated Balance Sheets.

Maturity and Source of Fair Value of MTM Risk Management Contract Net Assets

The table presenting maturity and source of fair value of MTM risk management contract net assets provides two fundamental pieces of information:

- The source of fair value used in determining the carrying amount of our total MTM asset or liability (external sources or modeled internally).
- The maturity, by year, of our net assets/liabilities, giving an indication of when these MTM amounts will settle and generate cash.

Maturity and Source of Fair Value of MTM
Risk Management Contract Net Assets
Fair Value of Contracts as of September 30, 2005
(in thousands)

	Remainder of 2005	2006	2007	2008	2009	After 2009 (c)	Total (d)
Prices Actively Quoted - Exchange Traded Contracts	$ (1,960)	$ 9,429	$ 793	$ 434	$ -	$ -	$ 8,696
Prices Provided by Other External Sources - OTC Broker Quotes (a)	15,336	8,420	15,527	5,755	841	-	45,879
Prices Based on Models and Other Valuation Methods (b)	(1,544)	(9,259)	(5,306)	2,832	6,312	4,209	(2,756)
Total	$ 11,832	$ 8,590	$11,014	$9,021	$7,153	$4,209	$51,819

(a) "Prices Provided by Other External Sources - OTC Broker Quotes" reflects information obtained from over-the-counter brokers, industry services, or multiple-party on-line platforms.
(b) "Prices Based on Models and Other Valuation Methods" is in absence of pricing information from external sources. Modeled information is derived using valuation models developed by the reporting entity, reflecting when appropriate, option pricing theory, discounted cash flow concepts, valuation adjustments, etc. and may require projection of prices for underlying commodities beyond the period that prices are available from third-party sources. In addition, where external pricing information or market liquidity are limited, such valuations are classified as modeled. The determination of the point at which a market is no longer liquid for placing it in the modeled category varies by market.
(c) There is mark-to-market value in excess of 10 percent of our total mark-to-market value in individual periods beyond 2009. $6 million of this mark-to-market value is in 2010.
(d) Amounts exclude Cash Flow Hedges.

Cash Flow Hedges Included in Accumulated Other Comprehensive Income (Loss) (AOCI) on the Condensed Consolidated Balance Sheets

We are exposed to market fluctuations in energy commodity prices impacting our power operations. We monitor these risks on our future operations and may employ various commodity instruments and cash flow hedges to mitigate the impact of these fluctuations on the future cash flows from assets. We do not hedge all commodity price risk.

We employ the use of interest rate forward and swap transactions in order to manage interest rate exposure on anticipated borrowings of fixed-rate debt. We do not hedge all interest rate risk.

We employ forward contracts as cash flow hedges to lock-in prices on certain transactions which have been denominated in foreign currencies where deemed necessary. We do not hedge all foreign currency exposure.

The table provides detail on designated, effective cash flow hedges included in the Condensed Consolidated Balance Sheets. The data in the table indicates the magnitude of cash flow hedges we have in place. Only contracts designated as cash flow hedges are recorded in AOCI; therefore, economic hedge contracts which are not designated as effective cash flow hedges are marked-to-market and are included in the previous risk management tables.

Total Accumulated Other Comprehensive Income (Loss) Activity
Nine Months Ended September 30, 2005
(in thousands)

	Power	Interest Rate	Foreign Currency	Total
Beginning Balance December 31, 2004	$ 1,599	$ -	$ (358)	$ 1,241
Changes in Fair Value (a)	(7,540)	1,047	-	(6,493)
Reclassifications from AOCI to Net Income (b)	(2,319)	-	10	(2,309)
Ending Balance September 30, 2005	$ (8,260)	$ 1,047	$ (348)	$ (7,561)

(a) "Changes in Fair Value" shows changes in the fair value of derivatives designated as cash flow hedges during the reporting period that are not yet settled at September 30, 2005. Amounts are reported net of related income taxes.

(b) "Reclassifications from AOCI to Net Income" represents gains or losses from derivatives used as hedging instruments in cash flow hedges that were reclassified into net income during the reporting period. Amounts are reported net of related income taxes above.

The portion of cash flow hedges in AOCI expected to be reclassified to earnings during the next twelve months is a $7,924 thousand loss.

Credit Risk

Our counterparty credit quality and exposure is generally consistent with that of AEP.

VaR Associated with Risk Management Contracts

The following table shows the end, high, average, and low market risk as measured by VaR for the period indicated:

Nine Months Ended September 30, 2005 (in thousands)				Twelve Months Ended December 31, 2004 (in thousands)			
End	High	Average	Low	End	High	Average	Low
$691	$942	$444	$237	$464	$1,513	$652	$223

VaR Associated with Debt Outstanding

The risk of potential loss in fair value attributable to our exposure to interest rates primarily related to long-term debt with fixed interest rates was $121 million and $146 million at September 30, 2005 and December 31, 2004, respectively. We would not expect to liquidate our entire debt portfolio in a one-year holding period. Therefore, a near term change in interest rates should not negatively affect our results of operation or consolidated financial position.

OHIO POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three and Nine Months Ended September 30, 2005 and 2004
(Unaudited)
(in thousands)

	Three Months Ended		Nine Months Ended	
	2005	**2004**	**2005**	**2004**
OPERATING REVENUES				
Electric Generation, Transmission and Distribution	$ 471,175	$ 417,176	$ 1,377,528	$ 1,260,440
Sales to AEP Affiliates	164,341	147,602	472,787	429,503
TOTAL	635,516	564,778	1,850,315	1,689,943
OPERATING EXPENSES				
Fuel for Electric Generation	199,965	164,353	548,919	476,127
Purchased Electricity for Resale	20,247	14,456	61,432	40,794
Purchased Electricity from AEP Affiliates	36,012	26,007	86,723	68,479
Other Operation	110,666	94,643	277,399	281,963
Maintenance	44,990	41,047	142,100	131,831
Depreciation and Amortization	73,799	71,857	227,687	214,027
Taxes Other Than Income Taxes	53,374	44,681	144,202	135,517
Income Taxes	21,684	26,897	92,319	89,099
TOTAL	560,737	483,941	1,580,781	1,437,837
OPERATING INCOME	74,779	80,837	269,534	252,106
Nonoperating Income	59,107	46,180	164,310	115,635
Carrying Costs Income	8,882	182	38,430	539
Nonoperating Expenses	53,251	50,809	146,305	108,109
Nonoperating Income Tax Expense (Credit)	4,693	(2,660)	18,180	(693)
Interest Charges	28,416	28,365	80,417	91,232
NET INCOME	56,408	50,685	227,372	169,632
Preferred Stock Dividend Requirements (Including Other Expense)	183	184	723	550
EARNINGS APPLICABLE TO COMMON STOCK	$ 56,225	$ 50,501	$ 226,649	$ 169,082

The common stock of OPCo is wholly-owned by AEP.

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

OHIO POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Nine Months Ended September 30, 2005 and 2004
(Unaudited)
(in thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
DECEMBER 31, 2003	$ 321,201	$462,484	$ 729,147	$ (48,807)	$1,464,025
Common Stock Dividends			(144,114)		(144,114)
Preferred Stock Dividends			(550)		(550)
TOTAL					1,319,361
COMPREHENSIVE INCOME					
Other Comprehensive Loss, Net of Taxes:					
Cash Flow Hedges, Net of Tax of $1,820				(3,380)	(3,380)
Minimum Pension Liability, Net of Tax of $2,123				(3,942)	(3,942)
NET INCOME			169,632		169,632
TOTAL COMPREHENSIVE INCOME					162,310
SEPTEMBER 30, 2004	$ 321,201	$462,484	$ 754,115	$ (56,129)	$1,481,671
DECEMBER 31, 2004	$ 321,201	$462,485	$ 764,416	$ (74,264)	$1,473,838
Common Stock Dividends			(22,499)		(22,499)
Preferred Stock Dividends			(549)		(549)
Other		4,151	(174)		3,977
TOTAL					1,454,767
COMPREHENSIVE INCOME					
Other Comprehensive Loss, Net of Taxes:					
Cash Flow Hedges, Net of Tax of $4,739				(8,802)	(8,802)

NET INCOME			227,372		227,372
TOTAL COMPREHENSIVE INCOME					218,570
SEPTEMBER 30, 2005	$ 321,201	$466,636	$ 968,566	$ (83,066)	$1,673,337

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

OHIO POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
September 30, 2005 and December 31, 2004
(Unaudited)
(in thousands)

	2005	2004
ELECTRIC UTILITY PLANT		
Production	$ 4,251,784	$ 4,127,284
Transmission	999,475	978,492
Distribution	1,245,883	1,202,550
General	236,900	248,749
Construction Work in Progress	491,411	240,957
Total	7,225,453	6,798,032
Accumulated Depreciation and Amortization	2,689,961	2,617,238
TOTAL - NET	4,535,492	4,180,794
OTHER PROPERTY AND INVESTMENTS		
Nonutility Property, Net	44,690	44,774
Other	8,836	13,409
TOTAL	53,526	58,183
CURRENT ASSETS		
Cash and Cash Equivalents	1,382	9,300
Other Cash Deposits	28	37
Advances to Affiliates	-	125,971
Accounts Receivable:		
Customers	118,233	98,951
Affiliated Companies	175,843	144,175
Accrued Unbilled Revenues	15,144	10,641
Miscellaneous	7,490	7,626
Allowance for Uncollectible Accounts	(991)	(93)
Fuel	93,008	70,309
Materials and Supplies	58,710	55,569
Emissions Allowances	34,072	95,303
Risk Management Assets	162,793	79,541
Margin Deposits	37,899	7,056
Prepayments and Other	16,328	10,492
TOTAL	719,939	714,878

DEFERRED DEBITS AND OTHER ASSETS

Regulatory Assets:		
SFAS 109 Regulatory Asset, Net	174,821	169,866
Transition Regulatory Assets	161,050	225,273
Unamortized Loss on Reacquired Debt	13,866	11,046
Other	72,795	22,189
Long-term Risk Management Assets	143,689	66,727
Deferred Property Taxes	22,412	70,214
Deferred Charges and Other Assets	62,341	74,095
TOTAL	650,974	639,410
TOTAL ASSETS	$ 5,959,931	$ 5,593,265

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

OHIO POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES
September 30, 2005 and December 31, 2004
(Unaudited)

	2005	2004
CAPITALIZATION	(in thousands)	
Common Shareholder's Equity		
Common Stock - No par value:		
Authorized - 40,000,000 shares		
Outstanding - 27,952,473 shares	$ 321,201	$ 321,201
Paid-in Capital	466,636	462,485
Retained Earnings	968,566	764,416
Accumulated Other Comprehensive Income (Loss)	(83,066)	(74,264)
Total Common Shareholder's Equity	1,673,337	1,473,838
Cumulative Preferred Stock Not Subject to Mandatory Redemption	16,641	16,641
Total Shareholders' Equity	1,689,978	1,490,479
Long-term Debt:		
Nonaffiliated	1,589,860	1,598,706
Affiliated	200,000	400,000
Total Long-term Debt	1,789,860	1,998,706
TOTAL	3,479,838	3,489,185
Minority Interest	12,289	14,083
CURRENT LIABILITIES		
Short-term Debt - Nonaffiliated	15,365	23,498
Long-term Debt Due Within One Year - Affiliated	200,000	-
Long-term Debt Due Within One Year - Nonaffiliated	12,354	12,354
Cumulative Preferred Stock Subject to Mandatory Redemption	-	5,000
Advances from Affiliates	55,508	-
Accounts Payable:		
General	219,079	143,247
Affiliated Companies	139,432	116,615
Customer Deposits	63,684	22,620
Taxes Accrued	118,028	233,026
Interest Accrued	20,912	39,254
Risk Management Liabilities	159,028	70,311
Obligations Under Capital Leases	8,951	9,081
Other	79,608	74,977
TOTAL	1,091,949	749,983

DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	913,308	943,465
Regulatory Liabilities:		
Asset Removal Costs	111,376	102,875
Deferred Investment Tax Credits	10,255	12,539
Other	51,215	-
Long-term Risk Management Liabilities	118,680	46,261
Deferred Credits	17,358	24,377
Employee Benefits and Pension Obligations	68,615	126,825
Obligations Under Capital Leases	31,375	31,652
Asset Retirement Obligations	48,328	45,606
Other	5,345	6,414
TOTAL	1,375,855	1,340,014
Commitments and Contingencies (Note 5)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 5,959,931	$ 5,593,265

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

OHIO POWER COMPANY CONSOLIDATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2005 and 2004
(Unaudited)
(in thousands)

	2005	2004
OPERATING ACTIVITIES		
Net Income	$ 227,372	$ 169,632
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities:		
Depreciation and Amortization	227,687	214,027
Accretion Expense	2,722	2,548
Deferred Income Taxes	11,492	2,080
Deferred Investment Tax Credits	(2,284)	(2,283)
Deferred Property Taxes	47,802	46,804
Pension and Postemployment Benefit Reserves	1,810	1,903
Mark-to-Market of Risk Management Contracts	(10,840)	11,632
Pension Contributions	(60,020)	(574)
Carrying Costs Income	(38,430)	(539)
Change in Other Noncurrent Assets	(8,972)	(22,471)
Change in Other Noncurrent Liabilities	(1,296)	(4,719)
Changes in Components of Working Capital:		
Accounts Receivable, Net	(54,419)	17,891
Fuel, Materials and Supplies	(25,840)	(6,930)
Accounts Payable	60,224	4,378
Taxes Accrued	(114,998)	51,710
Customer Deposits	41,064	10,600
Interest Accrued	(18,342)	(19,340)
Other Current Assets	24,551	(27,550)
Other Current Liabilities	4,501	(700)
Net Cash Flows From Operating Activities	313,784	448,099
INVESTING ACTIVITIES		
Construction Expenditures	(460,282)	(205,799)
Change in Other Cash Deposits, Net	9	50,967
Proceeds from Sale of Assets	8,926	2,920
Net Cash Flows Used For Investing Activities	(451,347)	(151,912)
FINANCING ACTIVITIES		
Change in Short-term Debt, Net	(8,133)	(6,379)
Issuance of Long-term Debt - Nonaffiliated	348,237	-
Issuance of Long-term Debt - Affiliated	-	400,000
Retirement of Long-term Debt - Nonaffiliated	(363,890)	(382,390)

Retirement of Cumulative Preferred Stock	(5,000)	(2,250)
Changes in Advances to/from Affiliates, Net	181,479	(164,294)
Dividends Paid on Common Stock	(22,499)	(144,114)
Dividends Paid on Cumulative Preferred Stock	(549)	(550)
Net Cash Flows From (Used For) Financing Activities	129,645	(299,977)
Net Decrease in Cash and Cash Equivalents	(7,918)	(3,790)
Cash and Cash Equivalents at Beginning of Period	9,300	7,233
Cash and Cash Equivalents at End of Period	$ 1,382	$ 3,443

SUPPLEMENTAL DISCLOSURE:

Cash paid (received) for interest net of capitalized amounts was $92,073,000 and $107,177,000 and for income taxes was $158,627,000 and $(21,600,000) in 2005 and 2004, respectively. Noncash capital lease acquisitions were $7,591,000 and $13,896,000 in 2005 and 2004, respectively. Construction Expenditures include the change in construction-related Accounts Payable of $38,425,000 and $(1,051,000) in 2005 and 2004, respectively.

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

OHIO POWER COMPANY CONSOLIDATED
INDEX TO CONDENSED NOTES TO FINANCIAL STATEMENTS OF REGISTRANT SUBSIDIARIES

The condensed notes to OPCo's condensed consolidated financial statements are combined with the condensed notes to financial statements for other subsidiary registrants. Listed below are the condensed notes that apply to OPCo.

PUBLIC SERVICE COMPANY OF OKLAHOMA

PUBLIC SERVICE COMPANY OF OKLAHOMA
MANAGEMENT'S NARRATIVE FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Third Quarter of 2005 Compared to Third Quarter of 2004

Reconciliation of Third Quarter of 2004 to Third Quarter of 2005 Net Income
(in millions)

Third Quarter of 2004 Net Income		$ 39
Changes in Gross Margin:		
Retail and Off-system Sales Margins	19	
Transmission Revenues	2	
Total Change in Gross Margin		21
Changes in Operating Expenses and Other:		
Other Operation and Maintenance	(9)	
Depreciation and Amortization	2	
Nonoperating Income and Expenses, Net	1	
Total Change in Operating Expenses and Other		(6)
Income Tax Expense		(5)
Third Quarter of 2005 Net Income		$ 49

Net Income increased $10 million to $49 million in the third quarter of 2005. The key drivers of the increase were a $21 million increase in gross margin, partially offset by a $9 million increase in Other Operation and Maintenance expense and a $5 million increase in Income Tax Expense.

The major components of our increase in gross margin, defined as revenues net of related fuel and purchased power, were as follows:

- Retail and Off-system Sales Margins increased $19 million primarily due to an increase in base margins for higher sales volumes resulting from a 27% increase in cooling degree days.

Operating Expenses and Other increased between years as follows:

- Other Operation and Maintenance expense increased $9 million primarily due to $4 million of plant operation and maintenance and $3 million of overhead line maintenance.

Income Taxes

The effective tax rates for the third quarter of 2005 and 2004 were 37.3% and 37.6%, respectively. The difference in the effective income tax rate and the federal statutory rate of 35% is due to permanent differences, amortization of investment tax credits, state income taxes and federal income tax adjustments. The effective tax rates remained relatively flat for the comparative period.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Reconciliation of Nine Months Ended September 30, 2004 to Nine Months Ended September 30, 2005 Net Income (in millions)

Nine Months Ended September 30, 2004 Net Income		$ 37
Changes in Gross Margin:		
Retail and Off-system Sales Margins	19	
Transmission Revenues	2	
Total Change in Gross Margin		21
Changes in Operating Expenses and Other:		
Other Operation and Maintenance	16	
Depreciation and Amortization	1	
Taxes Other Than Income Taxes	4	
Interest Charges	3	
Nonoperating Income and Expenses, Net	2	
Total Change in Operating Expenses and Other		26
Income Tax Expense		(16)
Nine Months Ended September 30, 2005 Net Income		$ 68

Net Income increased $31 million to $68 million for the nine months ended September 30, 2005. The key drivers of the increase were a $21 million increase in gross margin, a $16 million decrease in Other Operation and Maintenance expense and a $4 million decrease in Taxes Other Than Income Taxes, partially offset by a $16 million increase in Income Tax Expense.

The major components of our increase in gross margin, defined as revenues net of related fuel and purchased power, were as follows:

- Retail and Off-system Sales Margins increased $19 million primarily due to an increase in base margins for higher volumes resulting from an 8% increase in degree days.

Operating Expenses and Other decreased between years as follows:

- Other Operation and Maintenance expenses decreased $16 million. Transmission-related expenses decreased $5 million primarily due to adjustments in 2004 for affiliated OATT and ancillary services resulting from revised ERCOT data for the years 2001 through 2003. Distribution expenses decreased $4 million resulting primarily from a 2004 labor settlement. Administrative and general expenses decreased approximately $10 million due to lower outside services and employee-related expenses, offset in part by increased customer-related expense of $5 million. Plant operation expense increased $3 million. Maintenance decreased $4 million primarily due to the higher cost of scheduled power plant maintenance and overhead line maintenance, both in 2004.

- Taxes Other Than Income Taxes decreased $4 million primarily due to an adjustment for property related-taxes recorded in 2005.
- Interest Charges decreased $3 million primarily due to the retirement of higher rate First Mortgage Bonds and Trust Preferred Securities in 2004 which were replaced by lower rate Senior Unsecured Notes and affiliated notes.

Income Taxes

The effective tax rates for the nine months ended September 30, 2005 and 2004 were 33.0% and 32.2%, respectively. The difference in the effective income tax rate and the federal statutory rate of 35% is due to permanent differences, amortization of investment tax credits, state income taxes and federal income tax adjustments. The effective tax rates remained relatively flat for the comparative period.

Financial Condition

Credit Ratings

The rating agencies currently have us on stable outlook. Current ratings are as follows:

	Moody's	S&P	Fitch
First Mortgage Bonds	A3	A-	A
Senior Unsecured Debt	Baa1	BBB	A-

Financing Activity

Long-term issuances and retirements during the first nine months of 2005 were:

Issuances

Type of Debt	Principal Amount	Interest Rate	Due Date
	(in thousands)	(%)	
Senior Unsecured Notes	$ 75,000	4.70	2011

Retirements

Type of Debt	Principal Amount	Interest Rate	Due Date
	(in thousands)	(%)	

First Mortgage Bonds	$	50,000	6.50	2005

Liquidity

We have solid investment grade ratings, which provide us ready access to capital markets in order to issue new debt, refinance short-term debt or refinance long-term debt maturities. In addition, we participate in the Utility Money Pool, which provides access to AEP's liquidity.

Summary Obligation Information

A summary of our contractual obligations is included in our 2004 Annual Report and has not changed significantly from year-end other than the issuances and retirements discussed above.

Significant Factors

Oklahoma Regulatory Activity

Rate Review

We have been involved in a commission staff-initiated base rate review before the OCC which began in 2003. In March 2005, a settlement was negotiated and approved by the ALJ. The settlement provides for a $7 million annual base revenue reduction offset by a $6 million reduction in annual depreciation expense and recovery through fuel revenues of certain transmission expenses previously recovered in base rates. In addition, the settlement eliminates a $9 million annual merger savings rate reduction rider at the end of December 2005. The settlement also provides for recovery over 24 months of $9 million of deferred fuel costs associated with a renegotiated coal transportation contract and the continuation of a $12 million vegetation management rider, both of which are earnings neutral. Finally, the settlement stipulates that we may not file for a base rate increase before April 1, 2006. The OCC issued an order approving the stipulation on May 2, 2005, and new base rates were implemented in June 2005. We anticipate that this order will favorably impact results of operations and cash flows beginning in 2006.

Fuel and Purchased Power

In 2002, we experienced a $44 million under-recovery of fuel costs resulting from a reallocation among AEP West companies of purchased power costs for periods prior to January 1, 2002. In July 2003, we offered to the OCC to collect those reallocated costs over 18 months. In August 2003, the OCC Staff filed testimony recommending we recover $42 million of the reallocation over three years. Subsequently, the OCC expanded the case to include a full prudence review of our 2001 fuel and purchased power practices and off-system sales margin sharing between AEP East and AEP West companies for the year 2002. On July 25, 2005, the OCC Staff and two intervenors filed testimony in which they quantified the alleged improperly allocated off-system sales margins between AEP East and AEP West companies. Their overall recommendations would result in an increase in off-system sales margins and thus, a reduction in our recoverable fuel costs through June 2005 of an amount between $38 million and $47 million. We do not agree with the intervenors' and the OCC Staff's recommendations and will defend vigorously our position. In addition, PSO believes the amount of such alleged improper allocations is significantly overstated.

As noted in the 2004 Annual Report, an Oklahoma ALJ found that the OCC lacks authority to examine whether we deviated from the FERC-approved allocation methodology and held that any such complaints should be addressed at the FERC. On September 29, 2005, the United States District Court, Western District of Texas, issued an order in the TNC fuel proceeding, preempting the PUCT from deciding this same allocation issue in Texas. Based on the position taken by the Federal court in Texas, it would appear that the OCC would be preempted from finding a disallowance in Oklahoma.

On June 10, 2005, the OCC decided to have its staff conduct a prudence review of our fuel and purchased power practices for 2003.

Management is unable to predict the ultimate effect of these proceedings on revenues, results of operations, cash flows and financial condition.

Generation

In September 2005, we began seeking proposals for up to 500 MW of new peaking and up to 600 MW of new base load generation to supplement existing power supply resources to effectively meet customers' power demand requirements. We are soliciting purchase power agreements or plant acquisitions and they will be evaluated along with our self-build options. The target for commercial operation is June 1, 2008 for the peaking generation and June 1, 2011 for the base load generation.

See the "Combined Management's Discussion and Analysis of Registrant Subsidiaries" section for additional discussion of factors relevant to us.

Critical Accounting Estimates

See "Critical Accounting Estimates" section of "Combined Management's Discussion and Analysis of Registrant Subsidiaries" in the 2004 Annual Report for a discussion of the estimates and judgments required for regulatory accounting, revenue recognition, the valuation of long-lived assets, the accounting for pension and other postretirement benefits and the impact of new accounting pronouncements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK MANAGEMENT ACTIVITIES

Market Risks

Our risk management policies and procedures are instituted and administered at the AEP Consolidated level. See complete discussion within AEP's "Quantitative and Qualitative Disclosures About Risk Management Activities" section. The following tables provide information about AEP's risk management activities' effect on us.

MTM Risk Management Contract Net Assets

This table provides detail on changes in our MTM net asset or liability balance sheet position from one period to the next.

MTM Risk Management Contract Net Assets
Nine Months Ended September 30, 2005
(in thousands)

Total MTM Risk Management Contract Net Assets at December 31, 2004	$ 14,771
(Gain) Loss from Contracts Realized/Settled During the Period (a)	(98)
Fair Value of New Contracts When Entered During the Period (b)	-
Net Option Premiums Paid/(Received) (c)	(222)
Change in Fair Value Due to Valuation Methodology Changes	-
Changes in Fair Value of Risk Management Contracts (d)	-
Changes in Fair Value of Risk Management Contracts Allocated to Regulated Jurisdictions (e)	3,274
Total MTM Risk Management Contract Net Assets	17,725
Net Cash Flow Hedge Contracts (f)	(5,764)
Total MTM Risk Management Contract Net Assets at September 30, 2005	$ 11,961

(a) "(Gain) Loss from Contracts Realized/Settled During the Period" includes realized risk management contracts and related derivatives that settled during 2005 where we entered into the contract prior to 2005.

(b) "Fair Value of New Contracts When Entered During the Period" represents the fair value at inception of long-term contracts entered into with customers during 2005. Most of the fair value comes from longer term fixed price contracts with customers that seek to limit their risk against fluctuating energy prices. Inception value is only recorded if observable market data can be obtained for valuation inputs for the entire contract term. The contract prices are valued against market curves associated with the delivery location and delivery term.

(c) "Net Option Premiums Paid/(Received)" reflects the net option premiums paid/(received) as they relate to unexercised and unexpired option contracts that were entered in 2005.

(d) "Changes in Fair Value of Risk Management Contracts" represents the fair value change in the risk management portfolio due to market fluctuations during the current period. Market fluctuations are attributable to various factors such as supply/demand, weather, storage, etc.

(e) "Changes in Fair Value of Risk Management Contracts Allocated to Regulated Jurisdictions" relates to the net gains (losses) of those contracts that are not reflected in the Condensed Statements of Operations. These net gains (losses) are recorded as regulatory assets/liabilities for those subsidiaries that operate in regulated jurisdictions.

(f) "Net Cash Flow Hedge Contracts" (pretax) are discussed below in Accumulated Other Comprehensive Income (Loss).

Reconciliation of MTM Risk Management Contracts to Condensed Balance Sheets As of September 30, 2005 (in thousands)

	MTM Risk Management Contracts (a)	Cash Flow Hedges	Total (b)
Current Assets	$ 53,434	$ 150	$ 53,584
Noncurrent Assets	32,440	166	32,606
Total MTM Derivative Contract Assets	85,874	316	86,190
Current Liabilities	(47,060)	(5,902)	(52,962)
Noncurrent Liabilities	(21,089)	(178)	(21,267)
Total MTM Derivative Contract Liabilities	(68,149)	(6,080)	(74,229)
Total MTM Derivative Contract Net Assets (Liabilities)	$ 17,725	$ (5,764)	$ 11,961

(a) Does not include Cash Flow Hedges.

(b) Represents amount of total MTM derivative contracts recorded within Risk Management Assets, Long-term Risk Management Assets, Risk Management Liabilities and Long-term Risk Management Liabilities on our Condensed Balance Sheets.

Maturity and Source of Fair Value of MTM Risk Management Contract Net Assets

The table presenting maturity and source of fair value of MTM risk management contract net assets provides two fundamental pieces of information:

- The source of fair value used in determining the carrying amount of our total MTM asset or liability (external sources or modeled internally).
- The maturity, by year, of our net assets/liabilities, giving an indication of when these MTM amounts will settle and generate cash.

Maturity and Source of Fair Value of MTM Risk Management Contract Net Assets Fair Value of Contracts as of September 30, 2005

(in thousands)

	Remainder of 2005	2006	2007	2008	2009	After 2009	Total (c)
Prices Actively Quoted - Exchange Traded Contracts	$ (1,027)	$ 4,942	$ 416	$ 228	$ -	$ -	$ 4,559
Prices Provided by Other External Sources - OTC Broker Quotes (a)	7,629	2,634	6,404	2,282	-	-	18,949
Prices Based on Models and Other Valuation Methods (b)	(1,027)	(5,938)	(4,207)	596	2,284	2,509	(5,783)
Total	$ 5,575	$ 1,638	$ 2,613	$3,106	$2,284	$2,509	$17,725

(a) "Prices Provided by Other External Sources - OTC Broker Quotes" reflects information obtained from over-the-counter brokers, industry services, or multiple-party on-line platforms.

(b) "Prices Based on Models and Other Valuation Methods" is in absence of pricing information from external sources. Modeled information is derived using valuation models developed by the reporting entity, reflecting when appropriate, option pricing theory, discounted cash flow concepts, valuation adjustments, etc. and may require projection of prices for underlying commodities beyond the period that prices are available from third-party sources. In addition, where external pricing information or market liquidity are limited, such valuations are classified as modeled. The determination of the point at which a market is no longer liquid for placing it in the modeled category varies by market.

(c) Amounts exclude Cash Flow Hedges.

Cash Flow Hedges Included in Accumulated Other Comprehensive Income (Loss) (AOCI) on the Condensed Balance Sheets

We are exposed to market fluctuations in energy commodity prices impacting our power operations. We monitor these risks on our future operations and may employ various commodity instruments and cash flow hedges to mitigate the impact of these fluctuations on the future cash flows from assets. We do not hedge all commodity price risk.

We employ the use of interest rate forward and swap transactions in order to manage interest rate exposure on anticipated borrowings of fixed-rate debt. We do not hedge all interest rate risk.

The table provides detail on designated, effective cash flow hedges included in the Condensed Balance Sheets. The data in the table indicates the magnitude of cash flow hedges we have in place. Only contracts designated as cash flow hedges are recorded in AOCI; therefore, economic hedge contracts which are not designated as effective cash flow hedges are marked-to-market and are included in the previous risk management tables.

Total Accumulated Other Comprehensive Income (Loss) Activity
Nine Months Ended September 30, 2005
(in thousands)

	Power	Interest Rate	Total
Beginning Balance December 31, 2004	$ 1,000	$ (600)	$ 400
Changes in Fair Value (a)	(4,656)	48	(4,608)
Reclassifications from AOCI to Net Income (b)	(227)	41	(186)
Ending Balance September 30, 2005	$ (3,883)	$ (511)	$ (4,394)

(a) "Changes in Fair Value" shows changes in the fair value of derivatives designated as cash flow hedges during the reporting period that are not yet settled at September 30, 2005. Amounts are reported net of related income taxes.

(b) "Reclassifications from AOCI to Net Income" represents gains or losses from derivatives used as hedging instruments in cash flow hedges that were reclassified into net income during the reporting period. Amounts are reported net of related income taxes.

The portion of cash flow hedges in AOCI expected to be reclassified to earnings during the next twelve months is a $3,985 thousand loss.

Credit Risk

Our counterparty credit quality and exposure is generally consistent with that of AEP.

VaR Associated with Risk Management Contracts

The following table shows the end, high, average, and low market risk as measured by VaR for the period indicated:

Nine Months Ended September 30, 2005 (in thousands)				Twelve Months Ended December 31, 2004 (in thousands)			
End	High	Average	Low	End	High	Average	Low
$362	$494	$233	$124	$238	$778	$335	$115

VaR Associated with Debt Outstanding

The risk of potential loss in fair value attributable to our exposure to interest rates, primarily related to long-term debt with fixed interest rates, was $35 million at September 30, 2005 and December 31, 2004. We would not expect to liquidate our entire debt portfolio in a one-year holding period. Therefore, a near term change in interest rates should not negatively affect our results of operation or financial position.

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED STATEMENTS OF INCOME
For the Three and Nine Months Ended September 30, 2005 and 2004
(Unaudited)
(in thousands)

	Three Months Ended		Nine Months Ended	
	2005	**2004**	**2005**	**2004**
OPERATING REVENUES				
Electric Generation, Transmission and Distribution	$ 416,005	$ 355,260	$ 939,066	$ 788,167
Sales to AEP Affiliates	16,032	1,371	32,314	7,467
TOTAL	432,037	356,631	971,380	795,634
OPERATING EXPENSES				
Fuel for Electric Generation	192,955	139,693	456,662	315,773
Fuel from Affiliates for Electric Generation	-	19	-	30
Purchased Energy for Resale	39,186	41,059	84,111	55,810
Purchased Electricity from AEP Affiliates	26,643	24,083	64,877	79,182
Other Operation	39,630	36,882	106,102	117,256
Maintenance	17,809	11,777	43,321	47,774
Depreciation and Amortization	20,842	22,762	65,708	67,097
Taxes Other Than Income Taxes	9,769	9,483	25,507	29,027
Income Taxes	28,793	23,671	33,598	18,767
TOTAL	375,627	309,429	879,886	730,716
OPERATING INCOME	56,410	47,202	91,494	64,918
Nonoperating Income	1,460	640	2,462	1,011
Nonoperating Expenses	412	356	1,348	1,660
Nonoperating Income Tax Expense (Credit)	127	(162)	(294)	(1,021)
Interest Charges	8,677	8,668	25,173	27,922
NET INCOME	48,654	38,980	67,729	37,368
Preferred Stock Dividend Requirements	53	53	159	159
EARNINGS APPLICABLE TO COMMON STOCK	$ 48,601	$ 38,927	$ 67,570	$ 37,209

The common stock of PSO is owned by a wholly-owned subsidiary of AEP.

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Nine Months Ended September 30, 2005 and 2004
(Unaudited)
(in thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
DECEMBER 31, 2003	$ 157,230	$230,016	$ 139,604	$ (43,842)	$483,008
Gain on Reacquired Preferred Stock			2		2
Common Stock Dividends			(26,250)		(26,250)
Preferred Stock Dividends			(159)		(159)
TOTAL					456,601
COMPREHENSIVE INCOME					
Other Comprehensive Loss, Net of Taxes:					
Cash Flow Hedges, Net of Tax of $1,335				(2,479)	(2,479)
NET INCOME			37,368		37,368
TOTAL COMPREHENSIVE INCOME					34,889
SEPTEMBER 30, 2004	$ 157,230	$230,016	$ 150,565	$ (46,321)	$491,490
DECEMBER 31, 2004	$ 157,230	$230,016	$ 141,935	$ 75	$529,256
Common Stock Dividends			(27,000)		(27,000)
Preferred Stock Dividends			(159)		(159)
TOTAL					502,097
COMPREHENSIVE INCOME					
Other Comprehensive Loss, Net of Taxes:					
Cash Flow Hedges, Net of Tax of $2,581				(4,794)	(4,794)
NET INCOME			67,729		67,729
TOTAL COMPREHENSIVE INCOME					62,935
SEPTEMBER 30, 2005	$ 157,230	$230,016	$ 182,505	$ (4,719)	$565,032

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED BALANCE SHEETS
ASSETS
September 30, 2005 and December 31, 2004
(Unaudited)
(in thousands)

	2005	2004
ELECTRIC UTILITY PLANT		
Production	$ 1,069,327	$ 1,072,022
Transmission	477,425	468,735
Distribution	1,132,326	1,089,187
General	200,740	200,044
Construction Work in Progress	61,112	41,028
Total	2,940,930	2,871,016
Accumulated Depreciation and Amortization	1,163,806	1,117,113
TOTAL - NET	1,777,124	1,753,903
OTHER PROPERTY AND INVESTMENTS		
Nonutility Property, Net	4,594	4,401
Other Investments	-	81
TOTAL	4,594	4,482
CURRENT ASSETS		
Cash and Cash Equivalents	1,911	91
Other Cash Deposits	6	188
Accounts Receivable:		
Customers	21,078	34,002
Affiliated Companies	58,524	46,399
Miscellaneous	7,759	6,984
Allowance for Uncollectible Accounts	(12)	(76)
Fuel	13,306	14,268
Materials and Supplies	40,320	35,485
Risk Management Assets	53,584	21,388
Regulatory Asset for Under-Recovered Fuel Costs	82,174	366
Margin Deposits	19,002	2,881
Prepayments and Other	10,576	1,378
TOTAL	308,228	163,354
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory Assets:		
Unamortized Loss on Reacquired Debt	13,018	14,705

Other	40,703	17,246
Long-term Risk Management Assets	32,606	14,477
Prepaid Pension Obligations	82,356	82,419
Deferred Property Taxes	8,123	-
Deferred Charges and Other Assets	16,267	18,232
TOTAL	193,073	147,079
TOTAL ASSETS	$ 2,283,019	$ 2,068,818

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED BALANCE SHEETS
CAPITALIZATION AND LIABILITIES
September 30, 2005 and December 31, 2004
(Unaudited)

	2005	2004
CAPITALIZATION	(in thousands)	
Common Shareholder's Equity:		
Common Stock - $15 par value per share:		
Authorized - 11,000,000 shares		
Issued - 10,482,000 shares		
Outstanding - 9,013,000 shares	$ 157,230	$ 157,230
Paid-in Capital	230,016	230,016
Retained Earnings	182,505	141,935
Accumulated Other Comprehensive Income (Loss)	(4,719)	75
Total Common Shareholder's Equity	565,032	529,256
Cumulative Preferred Stock Not Subject to Mandatory Redemption	5,262	5,262
Total Shareholders' Equity	570,294	534,518
Long-term Debt:		
Nonaffiliated	521,056	446,092
Affiliated	-	50,000
Total Long-term Debt	521,056	496,092
TOTAL	1,091,350	1,030,610
CURRENT LIABILITIES		
Long-term Debt Due Within One Year - Nonaffiliated	-	50,000
Long-term Debt Due Within One Year - Affiliated	50,000	-
Advances from Affiliates	22,601	55,002
Accounts Payable:		
General	140,811	71,442
Affiliated Companies	58,069	58,632
Customer Deposits	58,161	33,757
Taxes Accrued	19,315	18,835
Interest Accrued	3,498	4,023
Risk Management Liabilities	52,962	13,705
Obligations Under Capital Leases	581	537
Other	24,859	30,477
TOTAL	430,857	336,410
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	415,897	384,090
Long-term Risk Management Liabilities	21,267	7,455

Regulatory Liabilities:		
Asset Removal Costs	215,325	220,298
Deferred Investment Tax Credits	27,530	28,620
SFAS 109 Regulatory Liability, Net	20,236	21,963
Unrealized Gain on Forward Commitments	41,820	19,676
Obligations Under Capital Leases	1,021	747
Deferred Credits and Other	17,716	18,949
TOTAL	760,812	701,798
Commitments and Contingencies (Note 5)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 2,283,019	$ 2,068,818

See Condensed Notes to Financial Statements of Registrant Subsidiaries.

PUBLIC SERVICE COMPANY OF OKLAHOMA
CONDENSED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2005 and 2004
(Unaudited)
(in thousands)

	2005	2004
OPERATING ACTIVITIES		
Net Income	$ 67,729	$ 37,368
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities:		
Depreciation and Amortization	65,708	67,097
Deferred Property Taxes	(8,123)	(8,648)
Deferred Income Taxes	32,661	10,519
Deferred Investment Tax Credits	(1,090)	(1,343)
Pension and Postemployment Benefit Reserves	(777)	2,142
Mark-to-Market of Risk Management Contracts	(2,954)	4,034
Pension Contributions	(198)	(2,630)
Change in Other Noncurrent Assets	(32,286)	(15,667)
Change in Other Noncurrent Liabilities	28,380	10,035
Changes in Components of Working Capital:		
Accounts Receivable, Net	(40)	(6,754)
Fuel, Materials and Supplies	(3,873)	(249)
Fuel Recovery	(81,808)	(1,874)
Accounts Payable	67,802	(4,132)
Customer Deposits	24,404	7,929
Taxes Accrued	480	27,363
Interest Accrued	(525)	(73)
Other Current Assets	(25,319)	3,194
Other Current Liabilities	(5,574)	(12,955)
Net Cash Flows From Operating Activities	124,597	115,356
INVESTING ACTIVITIES		
Construction Expenditures	(87,804)	(57,654)
Change in Other Cash Deposits, Net	182	10,520
Proceeds from Sale of Assets	-	458
Net Cash Flows Used For Investing Activities	(87,622)	(46,676)
FINANCING ACTIVITIES		
Issuance of Long-term Debt	74,405	83,129
Retirement of Long-term Debt	(50,000)	(112,020)
Reacquired Preferred Stock	-	(3)
Changes in Advances to/from Affiliates, Net	(32,401)	(13,605)