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Docket No. 150171-EI:

Duke Energy Florida, Inc.

Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy.

Witness: **Direct Testimony of BRIAN A. MAHER,** appearing on behalf of the staff of the Florida Public Service Commission

Date Filed: September 4, 2015

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF BRIAN A. MAHER

DOCKET NO. 150171-EI

September 4, 2015

Q. Please state your name and address.

A. My name is Brian A. Maher. I live at 8787 Bay Colony Drive, Naples, Florida.

Q. What is your position with Saber Partners LLC?

A. I am currently a Senior Advisor to Saber Partners, LLC (Saber Partners or Saber).

Q. Would you briefly provide an overview of your education and professional experience?

A. I graduated from Dartmouth College in 1970 Magna Cum Laude with a degree in Romance Languages. In 1973 I received a Master's degree in International Relations with a concentration in International Business and Finance from The Fletcher School of Law and Diplomacy. That year I joined Exxon Corporation (now Exxon Mobil Corporation) where I worked for over 33 years, principally in the financial area, until my retirement from the company in 2006. Through multiple assignments in the United States and overseas, I progressed to the senior management level, holding positions of Treasurer for all international operations and Assistant Treasurer of the corporation. For over ten years, part of my responsibilities included supervision of all of ExxonMobil's capital markets activities. During that period I managed billions of dollars of financings and presented annual corporate financing plans and periodic financing performance assessments to the ExxonMobil Management Committee, and at various times to the Board Finance Committee. In addition, during my career I served as president of the corporation's worldwide insurance operations and oversaw worldwide pension and benefits funds, including serving on the New York Stock Exchange Corporate Pension Advisory Committee.

1 **Q. Please state your relationship with Saber Partners.**

2 A. Since 2006 I have been a senior advisor to Saber Partners where I have participated in
3 several of Saber's financial advisory transactions.

4 **Q. Are you sponsoring any exhibits in this case?**

5 A. Yes, I am sponsoring the following exhibits:

6 Exhibit No. ____ (BAM-1), Speech by SEC Staff: Fiduciary Duty: Return to First
7 Principles;

8 Exhibit No. ____ (BAM-2), SIFMA Definition of Fiduciary Relationship;

9 Exhibit No. ____ (BAM-3), Form of Underwriting Agreement

10 Exhibit No. ____ (BAM-4), Saber Partners Survey

11 Exhibit No. ____ (BAM-5), Excerpts from Registration Statements

12 Exhibit No. ____ (BAM-6), Credit risk disclosure transmittal from Hunton & Williams
13 and Thelen Reid and Priest, counsel to Oncor, to Saber Partners, LLC

14 **Q. What is the purpose of your testimony?**

15 A. The purpose of my testimony is to give my perspective on the proposed Duke Energy
16 Florida, LLC (DEF) securitization financing. My main focus will be the appropriate
17 relationship between (i) the Florida Public Service Commission (Commission) and its
18 independent experts and advisors, who I believe are best placed to be the main representatives
19 of the ratepayers' economic interests, and (ii) the other key parties in the transaction,
20 essentially DEF, DEF's advisors and the investment banks that will likely underwrite the bond
21 issue.

22 **Q. From your experience, what relationship do you expect between bond issuers and the**
23 **banks that serve as underwriters in typical corporate bond issuance transactions?**

24

25

A. As an employee or officer of ExxonMobil, I always expected to develop a cooperative and collegial relationship with the banks that underwrote the bonds to achieve the lowest overall costs possible for the financings. This required a lot of work on both sides.

In traditional corporate bond transactions, the issuer bears the full economic burden of repaying the bonds. Banks that underwrite the bonds bear none of the economic burdens of repaying the bonds. Consequently, issuers of bonds and the banks that underwrite the bonds share some, but not all, of the same key objectives for the transaction.

On the positive side, the banks very much want to be perceived as being able to execute an efficient, competitive transaction to earn repeat business as well as new business from other issuers that monitor the market. But issuers and banks are often on opposite sides of the table from each other when it comes to (i) profits to be earned by the banks, (ii) the amount of effort and time the banks need to spend to achieve the best possible transaction, and (iii) the desire of the banks' investor clients to earn attractive returns. For these reasons, issuers should always play an active role in the transaction to make sure their own interests are maximized as opposed to remaining passive and depending too heavily on their banks for market information, investor outreach, or other aspects of the financing. It is essential to keep in mind at all times that the underwriting banks are sophisticated and operate in furtherance of their own financial interests. Issuers must do the same.

Q. What relationship do you expect between issuers of traditional corporate bonds and banks that serve as financial advisors to those bond issuers?

A. I would expect their interest to be perfectly aligned. ExxonMobil employs an experienced staff of professionals with deep experience in issuing traditional corporate bonds. Consequently, ExxonMobil generally did not hire outside financial advisors in connection with its traditional bond issuance transactions. But when a financial transaction involved unusual features, ExxonMobil would sometimes hire an investment bank to serve as financial

1 advisor for that transaction. In those transactions, I expected the interests of ExxonMobil's
2 financial advisor to be perfectly aligned with the interests of ExxonMobil.
3 **Q. Do you believe there is a particular concept on which the Commission should focus**
4 **when assessing the relationship with banks that act as either underwriters or financial**
5 **advisors?**
6 A. Yes. It is often, but not exclusively, referred to as a "fiduciary relationship." In broad
7 terms a service provider that has a fiduciary responsibility to its client commits to act in the
8 client's best interests to the exclusion of any contrary interests. Where a fiduciary relationship
9 exists, the client should be comfortable that the service provider is looking out for the client's
10 interests. As I will describe, that alone does not ensure the best result for a given financial
11 transaction. Even where there is a fiduciary relationship, sophisticated clients should work
12 actively with their service providers to ensure alignment is complete in all important aspects
13 of the transaction. Where a fiduciary relationship does not exist, it is extremely important for
14 the client to stay actively involved because the service provider could be subject to
15 motivations in some way contrary to the best interests of the client.
16 There is much debate about when a "fiduciary relationship" arises between parties to
17 commercial contracts. A 2006 speech by Lori A. Richards, Director, Office of Compliance
18 Inspections and Examinations, U.S. Securities and Exchange Commission (SEC), titled
19 "**Fiduciary Duty: Return to First Principles"** described it this way:
20 …Many different types of professions owe a fiduciary duty to someone — for
21 example, lawyers to their clients, trustees to beneficiaries, and corporate
22 officers to shareholders. Fiduciary duty is the *first principle* of the investment
23 adviser — because the duty comes not from the SEC or another regulator, but
24 from common law. Some people think ''fiduciary'' is a vague word that's hard
25 to define, but it's really not difficult to define or to understand. Fiduciary

1 comes from the Latin word for ''trust.'' A fiduciary must act for the benefit of
2 the person to whom he owes fiduciary duties, to the exclusion of any contrary
3 interest.

4 Her full speech is available on the SEC's website, and is attached to my testimony as Exhibit
5 No. ____ (BAM-1).

6 The Securities Industry Markets Association (SIFMA), which is the broker-dealer's chief
7 lobbying firm, describes "fiduciary relationship" and "fiduciary duty" on its website this way:
8 "A fiduciary relationship is generally viewed as the highest standard of customer care
9 available under law. Fiduciary duty includes both a duty of care and a duty of loyalty.
10 Collectively, and generally speaking, these duties require a fiduciary to act in the best interest
11 of the customer, and to provide full and fair disclosure of material facts and conflicts of
12 interest." This definition is available on SIFMA's website, and is attached to my testimony as
13 Exhibit No. ____ (BAM-2).

14 **Q. Are you giving an opinion as to whether there is a legal requirement of any party in**
15 **this transaction to have a fiduciary relationship?**

16 A. No. I am discussing the important issues related to whether a fiduciary relationship exists
17 and what the Commission should consider in deciding how to evaluate information it receives
18 from different parties to the proposed transaction.

19 **Q. Do underwriters have a fiduciary relationship with an issuer of securities?**

20 A. Underwriters claim they have no fiduciary relationship to issuers. Underwriting
21 agreements prepared by counsel for the underwriters often include a specific declaration that
22 the underwriters have no fiduciary relationship with the issuer. Issuers frequently are asked to
23 acknowledge this affirmatively in the underwriting agreement. For example, Morgan Stanley
24 served as the lead underwriter in a 2013 investor-owned utility securitization for Appalachian
25

1 Power Company (ApCo) in West Virginia. The form of underwriting agreement filed with the
2 SEC states:
3 "14. Absence of Fiduciary Relationship. Each of the Issuer and APCo
4 acknowledges and agrees that the Underwriters are acting solely in the capacity
5 of an arm's length contractual counterparty to the Issuer and APCo with respect
6 to the offering of the Bonds contemplated hereby (including in connection with
7 determining the terms of the offering) and not as a financial advisor or a
8 fiduciary to, or an agent of, the Issuer or APCo. Additionally, none of the
9 Underwriters is advising the Issuer or APCo as to any legal, tax, investment,
10 accounting or regulatory matters in any jurisdiction. The Issuer and APCo shall
11 consult with their own advisors concerning such matters and shall be
12 responsible for making their own independent investigation and appraisal of the
13 transactions contemplated hereby, and the Underwriters shall have no
14 responsibility or liability to the Issuer or APCo with respect thereto. Any
15 review by the Underwriters of the Issuer or APCo, the transactions
16 contemplated hereby or other matters relating to such transactions will be
17 performed solely for the benefit of the Underwriters and shall not be on behalf
18 of the Issuer or APCo."
19 That underwriting agreement is available on the SEC's website, and is attached to my
20 testimony as Exhibit No. ____ (BAM-3).
21 **Q. Why is this important?**
22 A. On page 36, lines 1-17 of his direct testimony, witness Collins discusses the offering
23 process whereby the underwriters use their "professional judgment" in establishing price
24 guidance, and change that price guidance "solely in their professional judgment." However,
25 as clearly stated in the above excerpt from an underwriting agreement involving Morgan

Stanley (witness Collins' employer): "Any review by the Underwriters of the Issuer or [the sponsoring utility], the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or [the sponsoring utility]." Pricing is arguably the most important component of offering securities in the market. I believe this is a compelling reason why bond issuers need to be very active in the offering process: to protect their own interests.

Q. Is this language found only in the investor-owned utility securitization transaction you cited?

A. No. Saber Partners has prepared a survey of all investor-owned utility securitization filings from 2007 to present. Each form of underwriting agreement had the exact same or similar language. The survey is attached to my testimony as Exhibit No. ____ (BAM-4).

Q. Is this, or similar language contained in DEF's underwriting agreement in this securitization?

A. I do not know because a draft underwriting agreement has not been filed by DEF. I would expect that, given DEF's current plans to include only underwriters of past utility securitizations and based on my Exhibit No. ____ (BAM-4), the Saber Partners' survey of recent transactions that I am sponsoring, that same kind of language will be proposed by those underwriters.

Q. Do financial advisors to issuers have a fiduciary relationship with the issuer?

A. Not necessarily. One has to review the specific contract with the advisor and what the duties of the financial advisor are under state and federal laws. Many times, as a condition of hiring them, financial advisors require the issuer to waive any assertion of a fiduciary relationship. Moreover, financial advisors often require full and complete indemnification from anything arising out of their advice. These indemnifications are often long legal

documents. The basic rule in negotiating financial advisor contracts should be Caveat Emptor or "buyer beware."

Q. Is there any difference if the financial advisor is an advisor to a state or local government or not-for-profit institution instead of an investor-owned utility or one of its subsidiaries?

A. Yes. As a result of the financial crisis of 2008, Congress enacted comprehensive financial reform commonly known as the Dodd-Frank Act. One of the requirements of the Dodd-Frank Act was to impose a federal fiduciary duty on all advisors to state and local governments and on not-for-profit institutions that issue bonds in the municipal bond market.

Q. Does this requirement apply to the corporate bond market?

A. No, it is not a federal mandate in the corporate bond market. However, the fact that the subject of fiduciary responsibility has become a public policy issue highlights its importance for corporate issuers as well.

Q. Who would issue the nuclear asset-recovery bonds proposed by DEF?

A. DEF proposes to form a wholly-owned, special purpose entity (SPE) to issue the nuclear asset-recovery bonds.

Q. Will either DEF or the SPE have the same financial incentives to achieve the lowest overall cost of funds as do more traditional issuers of corporate debt securities?

A. No. The securitization transaction is different from normal corporate debt issues in which the issuer has a direct interest in minimizing the cost of the transaction in order to maximize economics for its shareholders. For traditional utility debt issues, as well, incentives exist to minimize the costs of the transaction, as described in Hyman Schoenblum's testimony. Here DEF proposes that the nuclear asset-recovery bonds will be issued by the SPE. This is simply a mechanism to facilitate the transfer of funds from the ratepayers to DEF, while the ratepayers alone will ultimately bear all transaction costs and all costs of repaying the bonds.

DEF will receive net proceeds of the bonds to recover previously incurred costs. While I do not doubt that DEF would desire that its ratepayers incur low costs, DEF's main motivation is to receive the debt proceeds in a timely, efficient manner so DEF does not share the same incentives to achieve the lowest overall cost of funds. This is really just a matter of common sense and human nature. If I were going to borrow money and someone else agreed to repay it for me, then I would not be as concerned about the interest rate and other terms of the loan as I would be if I were on the hook to repay the loan myself. Therefore, it is left to the Commission to ensure that the ratepayers achieve the lowest overall cost of funds for the nuclear asset-recovery bonds. Under the current DEF proposal, in my opinion, ratepayer interests would not be maximized at the negotiating table. In other jurisdictions, the independent financial advisor to the Commission has the responsibility, along with the Commission, to help make that happen. This is what I propose should happen here.

Q. Can you expand on your opinion that ratepayer interests would not be maximized under DEF's proposal?

A. I believe that DEF's proposal would rely too heavily on DEF, its advisors and the underwriters, none of which has a fiduciary responsibility to the Commission or the ratepayers in the proposed nuclear recovery asset bond transaction. As I said above, I do not doubt that DEF has an interest in achieving low costs for the ratepayer but DEF does not share the same incentives to achieve the lowest cost of funds for this transaction.

Q. In a broad sense, how can the Commission and its independent financial advisor successfully achieve the objective of ensuring that ratepayer interests are effectively maximized with respect to this transaction?

A. The Commission and its independent financial advisor need to be fully involved in working in a cooperative way with DEF and DEF's advisor to achieve that objective. That will require optimal structuring of the bond issue, which includes:

(a) ensuring that disclosure documents and marketing materials accurately reflect the credit and risks of the nuclear asset-recovery bonds;

(b) selecting the bank(s) to be used and defining the role the banks will play and fees the banks will earn;

(c) actively monitoring the market to choose the most advantageous timing of the transaction;

(d) developing independent pricing expectations;

(e) participating in execution of the transaction to ensure the size of the investor population is maximized and thoroughly educated about the extremely high credit quality of the nuclear asset-recovery bonds; and

(f) at the time of pricing of the nuclear asset-recovery bonds, ensuring that the Commission and its financial advisor monitor and provide input to the pricing process so that the lowest overall cost of funds is captured.

As part of the process, banks should commit, in writing, to achieving the lowest overall cost financing for the ratepayers, and the banks should certify after pricing that they have done so. There are many examples in the financial world where written certifications have become the standard. When a person is required to pledge something in writing, rather than just orally, and has to account for results later, that person is more likely to take that pledge seriously.

In his testimony, Paul Sutherland provides a more granular description of the "Best Practices" that I believe should be employed to achieve a lowest overall cost financing. His testimony, along with that of Hyman Schoenblum, documents the savings that have been achieved in previous utility securitization transactions when an active and independent financial advisor has been involved and when that active and independent financial advisor has employed the above approach.

Q. How is it really possible to know in absolute terms that the lowest overall cost transaction has been achieved?

A. Achieving a "lowest overall cost" financing is not an absolute standard but rather a conceptual target to which issuers should always aspire. When issuers ask underwriters for such a commitment, issuers are really asking underwriters to state that, in the underwriters' opinion, all actions the underwriters believe would minimize the overall cost of the financing have been taken. In practice, that opinion should be supported by corroborating data, such as how the actual pricing compared to the expectations developed by the underwriters, as well as expectations developed independently by the issuer, how actual pricing compared to secondary market pricing of other similar issues at the time of pricing, and how successful the iterative price talk process was in lowering the interest rate to the optimal point of balancing investor demand with the supply of bonds being offered.

Q. Should the lowest overall cost standard apply to all costs associated with the transaction?

A. Yes. However, in considering how the lowest overall cost standard should be applied, there is a difference between buying services and agreeing to pay interest. Services should not be determined solely on the basis of a dollar cost, but also the quality of the services, with the goal of obtaining the best overall value. In contrast, when an issuer borrows money there is no reason to agree to pay more interest (in present value terms) than is absolutely necessary. It is only logical that this should be the decision-making standard for pricing a borrowing. Without such a standard, a bond issuer might save a lot of time and effort by just accepting whatever interest rate the underwriters and investors want.

Q. If the nuclear asset-recovery bonds are rated "AAA," does that not ensure that the lowest overall costs will be achieved?

A. Unfortunately not. In my many years overseeing ExxonMobil's capital markets activities, I learned that bond issues could almost always be done at lower rates than the best market indications given by the banks. This was true despite the fact that ExxonMobil was a well-

1 known and coveted "AAA" - rated debt issuer. Active involvement by ExxonMobil to create
2 competition among the banks and to demand the best execution consistently added value.
3 It is also true that all "AAA" debt is not viewed alike by investors in the debt capital markets.
4 For example, "AAA" - rated ExxonMobil or Federal Agency credits would command better
5 pricing than most "AAA" rated structured debt securities which were backed solely by a pool
6 of intangible contract rights such as mortgages or credit card receivables.
7 **Q. Are the nuclear asset-recovery bonds proposed to be issued in this case likely to**
8 **perform strongly in the "AAA" market?**
9 A. Yes. In my view, the proposed nuclear asset-recovery bonds are likely to achieve a very
10 strong "AAA" performance because they will be backed by a state regulatory guarantee to
11 irrevocably provide for the timely payment of principal and interest from essential service
12 (i.e., electricity) revenues. However, even though there is a fairly long history of this type of
13 utility securitization transaction, the features of these proposed nuclear asset-recovery bonds
14 are sufficiently complex that I believe an intensive investor education effort and an aggressive
15 offering process are warranted to ensure that the nuclear asset-recovery bonds achieve the
16 tight pricing they deserve.
17 **Q. On page 4 of Mr. Buckler's testimony, Mr. Buckler states that the proposed nuclear**
18 **asset-recovery bond issue will be "based on utility securitization bond transaction**
19 **norms." Is this the best way to achieve the lowest overall cost for the ratepayers?**
20 A. Not necessarily, although I agree with Mr. Buckler's testimony in part. We do not want
21 this transaction to be perceived as unusually complex and/or different from a so-called
22 "normal" utility securitization in key respects so that investors are confused and do not bid
23 aggressively for the bonds. I believe the proposed nuclear asset-recovery bonds are well
24 structured and should not give rise to investor confusion. Nevertheless, one of the issues to
25 investigate and address is whether there are any misunderstandings or misperceptions about

1 the nuclear asset-recovery bonds due to the way other issuers and underwriters may have
2 presented their credit and the investment analysis. It may be necessary to address these issues
3 with better disclosure that more accurately reflects the credit quality of the bonds compared to
4 other "AAA"-rated debt securities.
5 Moreover, structuring a normal utility securitization transaction that investors understand is
6 only the starting point to ensure the lowest overall cost. Sophisticated "AAA"-"-rated issuers
7 are rigorous in following the market and developing their own view of the value of the
8 particular credit from multiple sources. For example, ExxonMobil does this by constantly
9 monitoring bond issuances and trading of "AAA"-rated debt securities issued by
10 ExxonMobil's peers. Sophisticated issuers also are active in educating investors on uniquely
11 favorable aspects of their own "AAA"-rated debt securities. They understand how
12 comparable issues are trading both in the new-issue market and in the secondary market.
13 Being well informed with that information, they aggressively manage the relationship with the
14 banks selected to work with them on the transaction in order to maximize competition among
15 the banks, ensure that target investors are properly educated and choose the optimal structure
16 and timing of the bond issue. This is a fluid process that should not be set in stone too far in
17 advance or turned over to a bank to execute and price without close oversight. Otherwise, in
18 my experience, crucial judgment calls in connection with pricing might be left to bankers who
19 do not share all of the issuer's pricing motivations or experience with the issuer's specific
20 credit.
21 **Q. Are there any examples of ways an issuer could assist in capturing the full value of the**
22 **securities to be offered here?**
23 A. Yes. The SEC registration statements pursuant to which a number of prior utility
24 securitization bonds have been offered have provided detail about the unusual and superior
25 credit quality of the securities. The SEC materials are the primary way of informing investors

of the benefits and risks of the securities in a fair and balanced manner. For example, SEC registration statements for investor-owned utility securitized bonds issued in 2007 and 2009 for the benefit of Monongahela Power Company and for the Potomac Edison Company include the following language:

> Credit Risk: PSC-Guaranteed True-Up Mechanism and State Pledge Will Limit Credit Risk. In the Financing Act, the State of West Virginia pledges to and agrees with the bondholders, any assignee and any financing parties that the state will not take or permit any action that impairs the value of environmental control property or, except as part of the true-up process, reduce, alter or impair environmental control charges that are imposed, collected and remitted for the benefit of the bondholders, any assignee, and any financing parties, until any principal, interest and redemption premium in respect of environmental control bonds, all financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full.

Exhibit No. ____ (BAM-5) attached to my testimony contains exerpts from these registration statements showing this language.

The broad-based nature of the true-up mechanism and the State Pledge serve to effectively eliminate, for all practical purposes and circumstances, any credit risk to the payment of the bonds (i.e., that sufficient funds will be available and paid to discharge the principal and interest of each issue of bonds when due).

The kind of language used in the above example is stronger than that which has been used in some other securitizations and can be helpful to achieve the financial benefits of the superior credit characteristics of the nuclear asset-recovery bonds.

Q. Was this disclosure language concerning the "credit risk" of utility securitization developed through a collaborative and collegial process with the utility?

A. Yes. Saber's records have been shared with me concerning this disclosure language. I have reviewed those records and have found they indicate that this "credit risk" language was developed for an earlier utility securitization in Texas for Oncor/TXU where Saber served as the independent financial advisor to the Commission in a similar capacity that we propose here. As shown on my Exhibit No. ____ (BAM-6), Sabers' records show that this disclosure language was proposed by Hunton & Williams, legal counsel to the investor-owned utility in collaboration and discussion with the independent advisor so as to best inform investors of the unique credit qualities of that utility securitization. Hunton & Williams also represents DEF in this case.

Q. Would the proposed Bond Team play the role you are advocating so that ratepayers are assured the lowest overall cost?

A. That should be the case. However, it all depends on who is on the Bond Team and how the role of the Bond Team is defined and executed. I believe that the Bond Team should consist of DEF, DEF's advisor (provided such advisor is not one of the banks acting as underwriter for the transaction), the Commission, either directly or through a designated staff member(s), and the independent advisor and counsel. I believe it is important that the Bond Team operate independently and entirely in the interest of the ratepayers and not include any of the underwriting banks due to their inherent conflict of interest discussed above. All members of the Bond Team should have a fiduciary relationship with either DEF or the Commission. Decisions of the Bond Team should be a shared responsibility of its members, with the Commission's representatives in a position to make the final decision on a timely basis, often in real time, in the event of any disagreements among team members. The Bond Team should rigorously follow the market and provide strong input to the banks with regard to bond structure, timing of the issue, the education of target investors and the pricing process. After the bonds are sold, the Bond Team should follow the trading of the bonds in the

1 secondary market and thoroughly evaluate the execution of the transaction to be comfortable
2 that the best results were obtained for ratepayers, and to learn any lessons for future nuclear
3 asset-recovery bond issues.

4 **Q. Is it clear at this point in the process how the nuclear asset-recovery bond issue**
5 **should be structured?**

6 A. Not at this point. We know that approximately $1.3 billion of nuclear asset-recovery
7 bonds will be sold sometime in 2016. However, many important details will be determined as
8 the sale date approaches and the market continues to develop. For example, the exact timing
9 of the bond issue should be flexible and responsive to market conditions. This can be
10 demonstrated by recent events. On August 24, 2015, the equity markets incurred a rapid and
11 significant downturn in a matter of hours. That kind of turmoil typically would not be a good
12 time to offer new equity or debt securities to the market. There also should be flexibility in
13 deciding whether to offer and sell all the authorized nuclear asset-recovery bonds at the same
14 time, as a single series, or to offer and sell the authorized nuclear asset-recovery bonds at
15 different times, as more than one series. Another example is the possible desire for flexibility
16 in breaking a series of nuclear asset-recovery bonds into different segments, often referred to
17 as tranches, designed to appeal to different investor bases at the time of sale; e.g., 10-15 year
18 and 2-5 year weighted average life tranches.

19 **Q. Do you have an opinion as to whether the nuclear recovery bond issue should be**
20 **executed on a competitive or negotiated basis?**

21 A. Yes, although I think a final decision should be made closer to the time that the bonds
22 could be offered for sale to investors as was the case with the 2007 FPL transaction.
23 Regarding the role the banks will play, as of now this transaction probably is not ideal for a
24 rigid competitive approach where the issue date is set in advance and the qualifying banks bid
25 on pricing close to that date. This is because, in addition to wanting to remain flexible on

timing of the issue, a longer marketing period is warranted to effectively sell the credit to investors. A negotiated approach appears preferable, where a highly competitive process is used to select one or more highly qualified banks to lead the transaction. In a negotiated sale, there are a variety of techniques that can be used to induce the selected banks to compete on final pricing. In the end, if the marketing of the bonds is effective, I believe there should be a lot of strong orders from a broad cross section of institutional and retail investors, both from the U.S. domestic and international markets, seeking safety and security to purchase nuclear asset-recovery bonds from the selected underwriters. Then it is crucial that the market price talk (the indications made to investors about what the possible interest rate will be before actual pricing) be conducted in a manner so that demand and supply are matched at the lowest interest rate possible. As I have said previously, these are areas where a well-informed, aggressive Bond Team can add significant value.

Q. Does this conclude your testimony?

A. Yes.

U.S. Securities and Exchange Commission

Speech by SEC Staff:
Fiduciary Duty: Return to First Principles

by

Lori A. Richards

Director, Office of Compliance Inspections and Examinations
U.S. Securities and Exchange Commission

Eighth Annual Investment Adviser Compliance Summit
Washington, D.C.
February 27, 2006

As a matter of policy, the SEC disclaims responsibility for any private statement by an employee. The views expressed here today are my own and do not necessarily reflect those of the Commission, the Commissioners or other members of the staff.

Good morning. I am pleased to be here, as you consider practical methods to address the range of compliance issues that you face. Nothing could be more important to us at SEC than helping to ensure that advisers prevent, detect and correct compliance problems. I want to thank David Tittsworth and Hugh Kennedy for inviting me to speak with you today.

As we look at the compliance environment today, there are some facts worth noting. First, there are a significant number of newly-registered investment advisers. In fact, there are approximately 10,000 advisers registered with the SEC. About 2,000 of these firms, or 20% of the total, have just registered in the last year. These firms vary — they may be recently formed, have simply grown to exceed the 25$ million assets under management threshold, or have been operational for some time, but are registering with the SEC now because of the Commission's new rules requiring the registration of hedge fund advisers. As new registrants, these firms may be new to the Investment Advisers Act of 1940.

A second fact worth noting is that all advisory firms, whatever their size, type or history in the business, owe their advisory clients a fiduciary duty. Many firms are acutely aware of their fiduciary obligation and ensure that it informs, educates and guides their dealings and decisions. But, one only has to look at our enforcement actions and deficiencies found in exams to draw the conclusion that the application of fiduciary duty is not as embedded in many firms' cultures as it could be. In fact, I'm far from certain that all advisory firms understand their fiduciary obligations, and how they apply in the context of their own operations. Some advisers have seemed to be aware of the fiduciary duty in kind of an ethereal way — "I know it's out there but I don't really know what it is." Others have looked at fiduciary duty as strictly a compliance or legal function — not fully

appreciating its significance to all employees of the firm. Either view is dangerous.

Fiduciary Duty

Understanding "fiduciary duty" is critical, because it is at the core of being a good investment adviser. In a very practical sense, if an adviser and the adviser's employees understand the meaning of fiduciary duty and incorporate this understanding into daily business operations and decision-making, clients should be well served, and the firm should avoid violations and scandal. Indeed, I believe that, even if advisory staff are not aware of specific legal requirements, if their decisions large and small and everyday are motivated and informed by doing what's right by the client, in all likelihood, the decision will be right under the securities laws.

This is why, as an examiner, I care about advisers' fiduciary duties. I think that knowledge and familiarity with one's fiduciary duty can help firms avoid compliance violations. And, avoidance of violations is in everyone's best interests — yours, your clients and our markets. As examiners, we prefer to find highly compliant firms with strong compliance controls that prevent violations. To demonstrate this point, I wanted to share with you some of the most common deficiencies that we find in our examinations of investment advisers, each of which have fiduciary implications.

But first, I'd like to look more closely at the concept of fiduciary duty. Many different types of professions owe a fiduciary duty to someone — for example, lawyers to their clients, trustees to beneficiaries, and corporate officers to shareholders. Fiduciary duty is the first principle of the investment adviser — because the duty comes not from the SEC or another regulator, but from common law. Some people think "fiduciary" is a vague word that's hard to define, but it's really not difficult to define or to understand. Fiduciary comes from the Latin word for "trust." A fiduciary must act for the benefit of the person to whom he owes fiduciary duties, to the exclusion of any contrary interest.[1]

Now, some might wonder why the concept of fiduciary duty came to be applied to advisers. The Investment Advisers Act does not call an adviser a fiduciary. In fact, that word does not appear in the Act. But, the Supreme Court recognized congressional intent and held that the Advisers Act: "reflects a congressional recognition of the delicate fiduciary nature of an investment advisory relationship, as well as a congressional intent to eliminate, or at least to expose, all conflicts of interest which might incline an investment adviser - consciously or unconsciously - to render advice which was not disinterested."[2] And, the Court said that: investment advisers are fiduciaries with "an affirmative duty of 'utmost good faith and full and fair disclosure of all material facts,' as well as an affirmative obligation 'to employ reasonable care to avoid misleading' … clients."[3]

I would suggest that an adviser, as that trustworthy fiduciary, has five major responsibilities when it comes to clients. They are:

1. to put clients' interests first;
2. to act with utmost good faith;
3. to provide full and fair disclosure of all material facts;
4. not to mislead clients; and
5. to expose all conflicts of interest to clients.

These responsibilities overlap in many ways. If an adviser is putting clients' interests first, then the adviser will not mislead clients. And, if the adviser is not misleading clients, then it is providing full and fair disclosure, including disclosure of any conflicts of interest.

How do the responsibilities of a fiduciary translate into an adviser's obligations to clients each and every day? This is a key question. Probably no statute or set of rules could contemplate the variety of factual situations and decisions that an advisory firm faces. Can you imagine the number of rules and releases and regulations that this would require? Instead, the Advisers Act incorporates an adviser's fiduciary duty under Section 206, and envisions that, in whatever factual scenario, the adviser will act in the best interests of his clients.

This is a simple statement to make, but one that is more difficult to apply. In thinking about compliance with your fiduciary obligation as an adviser, start by thinking about the areas where there is a conflict of interest — between one's own interests, the interests of the firm, and/or the interests of advisory clients. These are the areas in which compliance with fiduciary obligations are likely to be most challenging. The Compliance Rule envisions this analysis, and the Commission suggested in the release adopting the rule that advisers conduct a risk assessment to identify areas of conflicts of interest.[4]

This is not a one-time effort — the nature of an adviser's relationship with its clients is full of conflicts, and those conflicts change when an adviser's business changes. Addressing and disclosing conflicts of interest is an ongoing process. While some conflicts of interest stand out, others can be very subtle, so an adviser must look, with more than a casual glance, at every aspect of its business, and its relationship with clients, and carefully consider whether it has a conflict of interest. Importantly, at this stage, the question is not whether the adviser acts appropriately in the conflicted situation, but merely whether the conflict itself exists.

The next step, of course, is to disclose material conflicts of interest in a "full and fair" manner and to ensure your clients understand any material conflicts of interest before taking action. Because you are a fiduciary, you should not allow your client to enter the advisory relationship without a clear understanding of all material conflicts.

As I said, and in keeping with the theme of this conference — to provide practical and not just theoretical information on compliance issues — I wanted today to describe the top 5 deficiencies that we find in our exams. It's my hope also that this information may be helpful to newly-registered advisers who are seeking to better understand common compliance pitfalls, conflicts of interest and fiduciary duties. Last year, we examined over 1,500 investment advisers. In those exams, the most common deficiencies were the following:

- Deficient disclosure — I'll spend more time talking about disclosure in a minute.
- Deficiencies in portfolio management — Problems in this area included inadequate controls to ensure that investments for clients are consistent with their mandates, risk tolerance and goals, and to ensure that required records are kept. Fiduciary duty is implicated in this area because advisers have a duty to ensure that they are

managing their clients' money in a manner that is consistent with the clients' direction.

- Deficiencies with respect to advisory employees' personal trading — Problems in this area included a lack of controls, a lack of required codes of ethics, and failure to implement stated procedures to monitor employees' personal trades to prevent employees from placing their own interests above those of their clients, by for example, front-running clients' trades, trading on non-public information, taking investment opportunities for themselves over clients — to ensure that the fiduciary is acting with the loyalty and "utmost good faith" envisioned by the Supreme Court.

- Deficiencies in performance calculations — Problems in this area included overstated performance results, comparing results to inappropriate indices, failing to disclose material information about how the performance results were calculated, using prohibited testimonials, and advertising past results in a misleading manner. In this area, a fiduciary must calculate and set forth its past performance in an honest way, and must provide information that is not misleading.

- Deficiencies in brokerage arrangements and execution — Deficiencies in this area included poor or no controls to ensure that the adviser obtains "best execution," and secretly using clients' money to pay for client referrals, and for other goods and services that benefit the adviser. Simply stated, because brokerage money belongs to the client and not to the adviser, the adviser has a fiduciary duty to ensure that it is used appropriately and that the client is aware of how his/her money will be and is being spent by the adviser.

Inadequate Disclosure

Inadequate disclosure has been on the "top 5" list of most frequent deficiencies for some time. And, as it is the most frequently-found deficiency, it's an area that clearly deserves more attention by advisory firms. As such, I'd like to spend some time this morning talking about disclosure and the adviser's fiduciary duty.

Approximately half of the deficiencies that we find in this area relate to inaccurate, incomplete, and even misleading information in Forms ADV, and half include problematic disclosure of business practices and fees charged to clients. Whether you use Form ADV or other disclosure techniques, you should take care to ensure that you are in fact providing full, accurate and complete disclosure, and written in a comprehensible language, designed to be understood by your clients.

So what should you not do? Let me illustrate with a few examples from recent examinations.

- Clients were not informed of the real method used to calculate the adviser's fee. Fees appeared to be lower than they were in fact.

- An adviser failed to disclose that he recommends securities to clients in which he has a proprietary interest.

- An adviser failed to disclose the risks to clients that existed by having their assets invested in private investments.
- An adviser failed to disclose that clients with directed brokerage arrangements may not achieve best execution.
- An adviser does not accurately describe the types of products and services it obtains with clients' soft dollars.
- Clients whose assets were invested in mutual funds were not told that they pay both a direct management fee to their adviser and an indirect management fee to the adviser of their mutual funds.
- An adviser stated that it did not have custody of client assets when in fact it did.
- An adviser did not disclose that it receives economic benefit from a non-client in connection with giving advice to clients.
- An adviser did not disclose that even if clients direct that their securities transactions be executed through a certain broker-dealer, the adviser did not actually execute most transactions through that firm.
- An adviser had not amended its ADV for several years although the rules require that it be amended at least annually and more frequently if required, information was therefore out-of-date.
- An adviser incorrectly stated that it did not have discretion to direct trades to specific broker-dealers, when in fact it did.
- Clients were provided with incorrect information about the adviser's review of their accounts, and the frequency of those reviews.

Some of the disclosure deficiencies that we find seem to come from inattention — the failure of the adviser to make sure its Form ADV reflects its current business operations. To my mind, this type of problem stems from lax controls and perhaps from an underfunded infrastructure. Other disclosure deficiencies, however, occur because the adviser either failed to identify a conflict of interest or, having spotted it, chose not to disclose it. In the former case, some advisers appear not to be giving adequate thought to what constitutes a conflict of interest. Importantly, all material conflicts of interest must be disclosed, even if the adviser has taken steps to mitigate those conflicts to ensure that it acts appropriately. And, whether intentional, inattentive or inept, the result is the same — advisory clients are not being provided with accurate information about the adviser.

Disclosure is at the heart of our securities regulatory framework, and as you would assume, it is also at the heart of our examination process. At the start of every exam, SEC examiners review the information that the adviser disseminates about its business, which includes Form ADV, parts I and II. They look at this information to see how an adviser describes its business as well as any business practices that pose potential conflicts of interest between the adviser and its clients. Throughout the exam, the examiners will continue seeking information about how an adviser's business works and what services are provided to clients. When discrepancies or omissions between the firm's written disclosures and its

actual practice are identified, this will trigger heightened scrutiny by the exam staff. As a fiduciary, it is fundamental that what you tell your clients is, in fact, how you conduct your business.

How does an adviser guard against disclosure problems? As you know, the Compliance Rule requires an adviser to adopt and implement policies and procedures to prevent violations, including disclosure violations. To implement this, some firms conduct a periodic in-depth review of the adviser's ADV, along with all other written materials provided to clients and to the public — and then, they compare these disclosures against the firm's actual business operations. The review is conducted by a group of knowledgeable employees who represent all aspects of the firm — from compliance to portfolio management to trading desk to business operations. This is important, because disclosures must reflect actual practice, and who better to know the nature of the firm's actual practices than those who are actually doing it. This practice also helps keep disclosures "real," and not simply aspirational or marketing literature. Then, any required changes to disclosures are made promptly. Some firms also perform this same sort of review of client portfolios to ensure that portfolio transactions are consistent with disclosures to and instructions from the client.

Whatever compliance technique is used, because disclosure is so important in ensuring that advisers meet their fiduciary obligations, I would hope that all advisers spend a considerable amount of time ensuring that they have provided accurate, full and fair information to clients.

Now, and particularly for newly-registered advisers, some "tips" on SEC examinations:

- It warrants saying that the SEC conducts examinations as part of its statutory mandate to protect investors. We conduct exams to help ensure that investors are being treated fairly and that firms operate consistently with the securities laws. Understanding our purpose — and that we're not out to "get you" — may help advisory staff understand the exam process better. Probably no one will ever like being examined, but the process is important for the protection of investors. And, it can help firms to identify and take steps to fix smaller problems before they can escalate!

- The best way to "prepare for an exam" is not really to prepare for an exam at all — it is to have a strong compliance infrastructure that is used effectively to prevent, detect and correct problems every day.

- A critical part of our examination process includes gaining an understanding of the firm's compliance history: 1) to evaluate the firm's compliance with the "Compliance Rule," which requires effective compliance programs to prevent, detect and correct violations; and 2) to determine the strengths and weaknesses of the firm's compliance controls to aid examiners' determination of areas to focus on in the examination. Areas where compliance controls are strong will receive relatively less scrutiny than areas that appear to be weak. To understand this, we ask the firm about any material compliance issues that the firm has faced during the examination period. Because in the past we had encountered situations where firms were less than candid in providing this information, we asked that a senior employee of the firm provide this information in writing. With CCOs at all firms now, we will seek this information from the

firm during the examination process.

- While our work on-site will be visible to you, our work off-site will not be. Our exam teams do quite a lot of analysis and other exam work after they return to SEC offices. This includes communicating with relevant SEC staff about any novel facts or interpretive issues to ensure that our findings appropriately reflect the Commission's legal interpretations. In these cases, our deficiency letters reflect the input of relevant legal staff. If you disagree with a deficiency letter, of course, say so in your response!

- Finally, and in the same vein, we urge firms to communicate openly and honestly with exam staff about the firm's operations, its compliance program and any issues or concerns they have about the exam process. We find that most issues, from document production to deficiencies found, can be understood with some honest dialogue. There are lots of opportunities for this at every stage of the exam process, and certainly at the exit interview. If you have questions or concerns, we urge you to talk with the exam staff about them. And, we also have an ExamHotline for you to express concerns, anonymously or not. The phone number is: 202-551-3926, or ExamHotline@sec.gov.

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In closing, and returning to first principles again — if an adviser incorporates the qualities of a fiduciary as I've discussed here today, and puts the clients' interests first, the adviser will indeed be someone its clients can trust.

Thank you for your time and attention.

Endnotes

[1] "Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the market place. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior." Meinhard v. Salmon, 249 N.Y. 458, 464 (1928) (Cardozo, B).

[2] S.E.C. v. Capital Gains Research Bureau, 375 U.S. 180 (1963).

[3] Id.

[4] See 68 FR 74714, 74716 (Dec. 24, 2003), http://www.sec.gov/rules/final/ia-2204.htm.

http://www.sec.gov/news/speech/spch022706lar.htm

Fiduciary Standard Resource Center

Overview

A fiduciary relationship is generally viewed as the highest standard of customer care available under law.

Fiduciary duty includes both a duty of care and a duty of loyalty. Collectively, and generally speaking, these duties require a fiduciary to act in the best interest of the customer, and to provide full and fair disclosure of material facts and conflicts of interest.

Today, financial advisers and broker-dealers are regulated by different laws. The current system, established in the 1940s, leaves states free to develop their own often conflicting definitions of fiduciary standards. This can confuse investors and lead to inconsistent definitions and interpretations under existing state law.

As part of its comprehensive financial regulatory proposal in 2009, the Obama Administration proposed to standardize the care that investors receive from financial professionals, whether financial advisers or broker-dealers at the federal level.

Under the Dodd-Frank Act, Congress directed the Securities and Exchange Commission (SEC) to study the need for establishing a new, uniform, federal fiduciary standard of care for brokers and investment advisers providing personalized investment advice. The Act further authorized the SEC to establish such a standard if it saw fit.

Separate from and conflicting with the definition of fiduciary being contemplated under Dodd-Frank, the Department of Labor (DOL) has proposed a wholesale revision to its regulation that redefines what it means to be a fiduciary under the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code.

See SIFMA's resource center on the DOL Fiduciary Standard ›

Position

Since early 2009, SIFMA has consistently advocated for the establishment of a new uniform fiduciary standard, and not application of the Advisers Act fiduciary standard to broker-dealers.

The new standard envisioned by SIFMA would: put retail customers' interests first; provide adequate flexibility to preserve and enhance customer choice of and access to financial products and services, and capital formation; provide for conflicts management; apply only to, and be tailored for, those services and activities that involve providing personalized investment advice about securities to retail customers; and not subject financial professionals to other fiduciary obligations (for example, the Advisers Act fiduciary standard, or other statutory standards).

SIFMA, through our member committees and otherwise, continues to engage policymakers and regulators with comprehensive empirical and legal analysis to help inform the process. We are hopeful that our substantive engagement and input will positively impact any rulemaking or other actions on this issue.

EXHIBIT 1.1

APPALACHIAN CONSUMER RATE RELIEF FUNDING LLC

APPALACHIAN POWER COMPANY

$[ ] CONSUMER RATE RELIEF BONDS

UNDERWRITING AGREEMENT

[ ], 2013

To the Representatives named in Schedule I hereto
of the Underwriters named in Schedule II hereto

Ladies and Gentlemen:

1. Introduction. Appalachian Consumer Rate Relief Funding LLC, a Delaware limited liability company (the "Issuer"), proposes to issue and sell $[ ] aggregate principal amount of its Consumer Rate Relief Bonds, (the "Bonds"), identified in Schedule I hereto. The Issuer and Appalachian Power Company, a Virginia corporation and the Issuer's direct parent ("APCo"), hereby confirm their agreement with the several Underwriters (as defined below) as set forth herein.

The term "Underwriters" as used herein shall be deemed to mean the entity or several entities named in Schedule II hereto and any underwriter substituted as provided in Section 7 hereof and the term "Underwriter" shall be deemed to mean any one of such Underwriters. If the entity or entities identified in Schedule I hereto as representatives (the "Representatives") are the same as the entity or entities listed in Schedule II hereto, then the terms "Underwriters" and "Representatives", as used herein, shall each be deemed to refer to such entity or entities. All obligations of the Underwriters hereunder are several and not joint. If more than one entity is named in Schedule I hereto, any action under or in respect of this underwriting agreement ("Underwriting Agreement") may be taken by such entities jointly as the Representatives or by one of the entities acting on behalf of the Representatives and such action will be binding upon all the Underwriters.

Capitalized terms used and not otherwise defined in this Underwriting Agreement shall have the meanings given to them in the Indenture (as defined below).

2. Description of the Bonds. The Bonds will be issued pursuant to an indenture to be dated as of November [1], 2013, as supplemented by one or more series supplements thereto (as so supplemented, the "Indenture"), between the Issuer and U.S. Bank National Association as indenture trustee (the "Indenture Trustee"). The Bonds will be senior secured obligations of the Issuer and will be supported by consumer rate relief property (as more fully described in the Financing Order relating to the Bonds, "CRR Property"), to be sold to the Issuer by APCo pursuant to the CRR Property Purchase and Sale Agreement, to be dated on or

about November [1], 2013, between APCo and the Issuer (the "Sale Agreement"). The CRR Property securing the Bonds will be serviced pursuant to the CRR Property Servicing Agreement, to be dated on or about November [1], 2013, between APCo, as servicer, and the Issuer, as owner of the CRR Property sold to it pursuant to the Sale Agreement (the "Servicing Agreement").

3. Representations and Warranties of the Issuer. The Issuer represents and warrants to the several Underwriters that:

(a) The Issuer and the Bonds meet the requirements for the use of Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"). The Issuer, in its capacity as co-registrant and issuing entity with respect to the Bonds, and APCo, in its capacity as co-registrant and as sponsor for the Issuer, have filed with the Securities and Exchange Commission (the "Commission") a registration statement on such form on September 26, 2013 (Registration Nos. 333-191392 and 333-191392-01), as amended by Amendment No. 1 thereto dated October [ ], 2013 [and Amendment No. 2 thereto dated [ ], 2013], including a prospectus and a form of prospectus supplement, for the registration under the Securities Act of up to $382,000,000 aggregate principal amount of the Bonds. Such registration statement, as amended ("Registration Statement Nos. 333-191392 and 333-191392-01"), has been declared effective by the Commission and no stop order suspending such effectiveness has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Issuer, threatened by the Commission. No consumer rate relief bonds registered with the Commission under the Securities Act pursuant to Registration Statement Nos. 333-191392 and 333-191392-01 have been previously issued. References herein to the term "Registration Statement" shall be deemed to refer to Registration Statement Nos. 333-191392 and 333-191392-01, including any amendment thereto, all documents incorporated by reference therein pursuant to Item 12 of Form S-3 ("Incorporated Documents") and any information in a prospectus or a prospectus supplement deemed or retroactively deemed to be a part thereof pursuant to Rule 430B ("Rule 430B") under the Securities Act that has not been superseded or modified. "Registration Statement" without reference to a time means the Registration Statement as of the Applicable Time (as defined below), which the parties agree is the time of the first contract of sale (as used in Rule 159 under the Securities Act) for the Bonds, and shall be considered the "Effective Date" of the Registration Statement relating to the Bonds. For the purpose of this definition, information contained in a form of prospectus or prospectus supplement that is deemed retroactively to be a part of the Registration Statement pursuant to Rule 430B shall be considered to be included in the Registration Statement as of the time specified in Rule 430B. The final prospectus and the final prospectus supplement relating to the Bonds, as filed with the Commission pursuant to Rule 424(b) under the Securities Act, are referred to herein as the "Final Prospectus"; and the most recent preliminary prospectus and prospectus supplement that omitted information to be included upon pricing in a form of prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act and that was used after the initial effectiveness of the Registration Statement and prior to the Applicable Time (as defined below) is referred to herein as the "Pricing Prospectus". The Pricing Prospectus and the Issuer Free

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Writing Prospectuses identified in Section B of Schedule III hereby considered together, are referred to herein as the "Pricing Package".

(b) (i) At the earliest time after the filing of the Registration Statement that the Issuer or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) of the Securities Act) of the Bonds and (ii) at the date hereof, the Issuer was and is not an "ineligible issuer," as defined in Rule 405 under the Securities Act.

(c) At the time the Registration Statement initially became effective, at the time of each amendment (whether by post-effective amendment, incorporated report or form of prospectus) and on the Effective Date relating to the Bonds, the Registration Statement, fully complied, and the Final Prospectus, both as of its date and at the Closing Date, and the Indenture, at the Closing Date, will fully comply in all material respects with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and, in each case, the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement, at each of the aforementioned dates, did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; the Final Prospectus, both as of its date and at the Closing Date, will not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading; and on said dates the Incorporated Documents, taken together as a whole, fully complied or will fully comply in all material respects with the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the applicable rules and regulations of the Commission thereunder; provided that the foregoing representations and warranties in this paragraph (c) shall not apply to statements or omissions made in reliance upon and in conformity with any Underwriter Information as defined in Section 11(b) below or to any statements in or omissions from any Statements of Eligibility on Form T-1 (or amendments thereto) of the Indenture Trustee under the Indenture filed as exhibits to the Registration Statement or Incorporated Documents or to any statements or omissions made in the Registration Statement or the Final Prospectus relating to The Depository Trust Company ("DTC") Book-Entry System that are based solely on information contained in published reports of the DTC.

(d) As of its date, at the Applicable Time (as defined below) and on the date of its filing, if applicable, the Pricing Prospectus and each Issuer Free Writing Prospectus (as defined below) (other than the Pricing Term Sheet, as defined in Section 5(b) below), did not include any untrue statement of a material fact nor when considered together, omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading (except that the principal amount of the Bonds, the tranches, the initial principal balances, the scheduled final payment dates, the final maturity dates, the expected average lives, the Expected Amortization Schedule and the Expected Sinking Fund Schedule described in the Pricing Prospectus were subject to completion or change based on market conditions and the interest rate, price to the public and underwriting discounts and commissions for each

tranche was not included in the Pricing Prospectus). The Pricing Package, at the Applicable Time did not, and at all subsequent times through the completion of the offer and the sale of the Bonds on the Closing Date will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they are made, not misleading. The two preceding sentences do not apply to statements in or omissions from the Pricing Prospectus, the Pricing Term Sheet or any other Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information. "Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433(h), relating to the Bonds, in the form filed or required to be filed with the Commission or, if not required to be filed, in the form required to be retained in the Issuer's records pursuant to Rule 433(g) of the Securities Act. References to the term "Free Writing Prospectus" shall mean a free writing prospectus, as defined in Rule 405 under the Securities Act. References to the term "Applicable Time" mean [: AM/PM], eastern time, on the date hereof, except that if, subsequent to such Applicable Time, the Issuer, APCo and the Underwriters have determined that the information contained in the Pricing Prospectus or any Issuer Free Writing Prospectus issued prior to such Applicable Time included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading and the Issuer, APCo and the Underwriters have agreed to terminate the old purchase contracts and have entered into new purchase contracts with purchasers of the Bonds, then "Applicable Time" will refer to the first of such times when such new purchase contracts are entered into. The Issuer represents, warrants and agrees that it has treated and agrees that it will treat each of the free writing prospectuses listed on Schedule III hereto as an Issuer Free Writing Prospectus, and that each such Issuer Free Writing Prospectus has fully complied and will fully comply with the applicable requirements of Rules 164 and 433, including timely Commission filing where required, legending and record keeping.

(e) Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the offer and sale of the Bonds on the Closing Date or until any earlier date that the Issuer notified or notifies the Representatives as described in the next sentence, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information then contained in the Registration Statement. If at any time following issuance of an Issuer Free Writing Prospectus an event or development has occurred or occurs, the result of which is that such Issuer Free Writing Prospectus conflicts or would conflict with the information then contained in the Registration Statement or includes or would include an untrue statement of a material fact or, when considered together with the Pricing Prospectus, omits or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, (i) APCo or the Issuer has promptly notified or will promptly notify the Representatives and (ii) APCo or the Issuer has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission. The foregoing two sentences do not apply to

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statements in or omissions from any Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information.

(f) The Issuer has been duly formed and is validly existing as a limited liability company in good standing under the Limited Liability Company Act of the State of Delaware, as amended, with full limited liability company power and authority to execute, deliver and perform its obligations under this Underwriting Agreement, the Bonds, the Sale Agreement and the Bill of Sale, the Servicing Agreement, the Indenture, the LLC Agreement, the Administration Agreement and the other agreements and instruments contemplated by the Pricing Prospectus (collectively, the "Issuer Documents") and to own its properties and conduct its business as described in the Pricing Prospectus; the Issuer has been duly qualified as a foreign limited liability company for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where failure to so qualify or to be in good standing would not have a material adverse effect on the business, properties or financial condition of the Issuer; the Issuer has conducted and will conduct no business in the future that would be inconsistent with the description of the Issuer's business set forth in the Pricing Prospectus; the Issuer is not a party to or bound by any agreement or instrument other than the Issuer Documents and other agreements or instruments incidental to its formation; the Issuer has no material liabilities or obligations other than those arising out of the transactions contemplated by the Issuer Documents and as described in the Pricing Prospectus; APCo is the beneficial owner of all of the limited liability company interests of the Issuer; and based on current law, the Issuer is not classified as an association taxable as a corporation for United States federal income tax purposes.

(g) The issuance and sale of the Bonds by the Issuer, the purchase of the CRR Property by the Issuer from APCo and the consummation of the transactions herein contemplated by the Issuer, and the fulfillment of the terms hereof on the part of the Issuer to be fulfilled, will not result in a breach of any of the terms or provisions of, or constitute a default under the Issuer's certificate of formation or limited liability company agreement (collectively, the "Issuer Charter Documents"), or any indenture, mortgage, deed of trust or other agreement or instrument to which the Issuer is now a party.

(h) This Underwriting Agreement has been duly authorized, executed and delivered by the Issuer, which has the necessary limited liability company power and authority to execute, deliver and perform its obligations under this Underwriting Agreement.

(i) The Issuer (i) is not in violation of the Issuer Charter Documents, (ii) is not in default and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties is subject, except for any such defaults that would not, individually or in the aggregate, have a material adverse effect on its business, property or financial condition,

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and (iii) is not in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property may be subject, except for any such violations that would not, individually or in the aggregate, have a material adverse effect on its business, property or financial condition.

(j) The Indenture has been duly authorized by the Issuer, and, on the Closing Date, will have been duly executed and delivered by the Issuer and will be a valid and binding instrument, enforceable against the Issuer in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law; and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy. On the Closing Date, the Indenture will (i) comply as to form in all material respects with the requirements of the Trust Indenture Act and (ii) conform in all material respects to the description thereof in the Pricing Prospectus and Final Prospectus.

(k) The Bonds have been duly authorized by the Issuer for issuance and sale to the Underwriters pursuant to this Underwriting Agreement and, when executed by the Issuer and authenticated by the Indenture Trustee in accordance with the Indenture and delivered to the Underwriters against payment therefor in accordance with the terms of this Underwriting Agreement, will constitute valid and binding obligations of the Issuer entitled to the benefits of the Indenture and enforceable against the Issuer in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law; and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy, and the Bonds conform in all material respects to the description thereof in the Pricing Prospectus and Final Prospectus. The Issuer has all requisite limited liability company power and authority to issue, sell and deliver the Bonds in accordance with and upon the terms and conditions set forth in this Underwriting Agreement and in the Pricing Prospectus and Final Prospectus.

(l) There is no litigation or governmental proceeding to which the Issuer is a party or to which any property of the Issuer is subject or which is pending or, to the knowledge of the Issuer, threatened against the Issuer that could reasonably be expected to, individually or in the aggregate, result in a material adverse effect on the Issuer's business, property or financial condition.

(m) Other than the filing of the issuance advice letter and non-action on the part of the West Virginia Public Service Commission ("WVPSC") contemplated by Ordering Section B of the financing order issued by the WVPSC on September 20, 2013 to the Company (the "Financing Order"), no approval, authorization, consent or order of

any public board or body (except such as have been already obtained and other than in connection or in compliance with the provisions of applicable blue-sky laws or securities laws of any state, as to which the Issuer makes no representations or warranties), is legally required for the issuance and sale by the Issuer of the Bonds.

(n) The Issuer is not, and, after giving effect to the sale and issuance of the Bonds, will not be an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(o) The nationally recognized accounting firm which has performed certain procedures with respect to certain statistical and structural information contained in the Pricing Prospectus and the Final Prospectus, are independent public accountants.

(p) Each of the Sale Agreement, the Servicing Agreement, the Administration Agreement and LLC Agreement has been duly authorized by the Issuer, and when executed and delivered by the Issuer and the other parties thereto, will constitute a valid and legally binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law, and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy.

(q) The Issuer has complied with the written representations, acknowledgements and covenants (the "17g-5 Representations") relating to compliance with Rule 17g-5 under the Exchange Act set forth in the (i) undertaking, dated as of [ ], 2013, by the Issuer to Moody's (as defined below) and (ii) letter, dated [ ], 2013, from the Issuer to S&P (as defined below, and together with Moody's, the "Rating Agencies") and the Issuer (collectively, the "Rating Agency Letters"), other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

(r) The Issuer will comply, and has complied, in all material respects, with its diligence and disclosure obligations in respect to the Bonds under Rule 193 of the Act and Items 1111(a)(7) and 1111(a)(8) of Regulation AB.

4. Representations and Warranties of APCo. APCo represents and warrants to the several Underwriters that:

(a) APCo, in its capacity as co-registrant and sponsor with respect to the Bonds, meets the requirements to use Form S-3 under the Securities Act and has filed with the Commission Registration Statement Nos. 333-191392 and 333-191392-01 for the registration under the Securities Act of up to $382,000,000 aggregate principal

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amount of the Bonds. Registration Statement Nos. 333-191392 and 333-191392-01 have been declared effective by the Commission and no stop order suspending such effectiveness has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of APCo, threatened by the Commission.

(b) (i) At the earliest time after the filing of the Registration Statement that the Issuer or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2)) of the Bonds and (ii) at the date hereof, APCo was not and it is not an "ineligible issuer", as defined in Rule 405 under the Securities Act.

(c) At the time the Registration Statement initially became effective, at the time of each amendment (whether by post-effective amendment, incorporated report or form of prospectus) and on the Effective Date relating to the Bonds, the Registration Statement fully complied, and the Final Prospectus, both as of its date and at the Closing Date, and the Indenture, at the Closing Date, will fully comply in all material respects with the applicable requirements of the Securities Act and the Trust Indenture Act, and, in each case, the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement, at the date it initially became effective and at the Effective Date, did not contain an untrue statement of a material fact, or omit to state a material fact required to be stated therein or necessary to make the statements therein, not misleading; the Final Prospectus, both as of its date and at and as of the Closing Date, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading; provided, that the foregoing representations and warranties in this paragraph (c) shall not apply to statements or omissions made in reliance upon and in conformity with any Underwriter Information or to any statements in or omissions from any Statement of Eligibility on Form T-1, or amendments thereto, of the Indenture Trustee under the Indenture filed as exhibits to the Registration Statement or Incorporated Documents or to any statements or omissions made in the Registration Statement or the Final Prospectus relating to The Depository Trust Company ("DTC") Book-Entry System that are based solely on information contained in published reports of the DTC.

(d) As of its date, at the Applicable Time and on the date of its filing, if applicable, the Pricing Prospectus and each Issuer Free Writing Prospectus (other than the Pricing Term Sheet), considered together, did not include any untrue statement of a material fact or when considered together, did not, does not and will not omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading (except that (i) the principal amount of the Bonds, the tranches, the initial principal balances, the scheduled final payment dates, the final maturity dates, the expected average lives, the Expected Amortization Schedule and the Expected Sinking Fund Schedule described in the Pricing Prospectus were subject to change based on market conditions, and the interest rate, price to the public and underwriting discounts and commissions for each tranche was not included in the Pricing Prospectus). The Pricing Package, at the Applicable Time, and at

all subsequent times through the completion of the offer and the sale of the Bonds on the Closing Date will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading. The two preceding sentences do not apply to statements in or omissions from the Pricing Prospectus, the Pricing Term Sheet or any other Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information. APCo represents, warrants and agrees that it has treated and agrees that it will treat each of the free writing prospectuses listed on Schedule III hereto as an Issuer Free Writing Prospectus, and that each such Issuer Free Writing Prospectus has fully complied and will fully comply with the applicable requirements of Rules 164 and 433, including timely Commission filing where required, legending and record keeping.

(e) Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the offer and sale of the Bonds on the Closing Date or until any earlier date that the Issuer or APCo notified or notifies the Representatives as described in the next sentence, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information then contained in the Registration Statement. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information then contained in the Registration Statement or included or would include an untrue statement of a material fact or, when considered together with the Pricing Prospectus, omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, (i) APCo or the Issuer has promptly notified or will promptly notify the Representatives and (ii) APCo or the Issuer has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission. The foregoing two sentences do not apply to statements in or omissions from any Issuer Free Writing Prospectus in reliance upon and in conformity with any Underwriter Information.

(f) APCo has been duly formed and is validly existing as a corporation in good standing under the laws of the jurisdiction of its formation, has the corporate power and authority to own, lease and operate its properties and to conduct its business as presently conducted and as set forth in or contemplated by the Pricing Prospectus, and is qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or be in good standing would not have a material adverse effect on the business, property or financial condition of APCo and its subsidiaries considered as a whole, and has all requisite power and authority to sell CRR Property as described in the Pricing Prospectus and to execute, deliver and otherwise perform its obligation under any Issuer Document to which it is a party. APCo is the beneficial owner of all of the limited liability company interests of the Issuer.

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(g) APCo has no significant subsidiaries within the meaning of Rule 1-02(w) of Regulation S-X.

(h) The transfer by APCo of all of its rights and interests under the Financing Order relating to the Bonds to the Issuer and the consummation of the transactions herein contemplated by APCo, and the fulfillment of the terms hereof on the part of APCo to be fulfilled, will not result in a breach of any of the terms or provisions of, or constitute a default under, APCo's articles of incorporation or bylaws (collectively, the "APCo Charter Documents"), or in a material breach of any of the terms of, or constitute a material default under, any indenture, mortgage, deed of trust or other agreement or instrument to which APCo is now a party.

(i) This Underwriting Agreement has been duly authorized, executed and delivered by APCo, which has the necessary corporate power and authority to execute, deliver and perform its obligations under this Underwriting Agreement.

(j) APCo (i) is not in violation of the APCo Charter Documents, (ii) is not in default and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties is subject, except for any such defaults that would not, individually or in the aggregate, have a material adverse effect on the business, property or financial condition of APCo and its subsidiaries considered as a whole, or (iii) is not in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property may be subject, except for any such violations that would not, individually or in the aggregate, have a material adverse effect on the business, property or financial condition of APCo and its subsidiaries considered as a whole.

(k) Except as set forth or contemplated in the Pricing Prospectus, there is no litigation or governmental proceeding to which APCo or any of its subsidiaries is a party or to which any property of APCo or any of its subsidiaries is subject or which is pending or, to the knowledge of APCo, threatened against APCo or any of its subsidiaries that would reasonably be expected to, individually or in the aggregate, result in a material adverse effect on the Issuer's business, property, or financial condition or on APCo's ability to perform its obligations under the Sale Agreement, the Administration Agreement and the Servicing Agreement.

(l) Other than the filing of the issuance advice letter and non-action on the part of the WVPSC contemplated by Ordering Section B of the Financing Order, no approval, authorization, consent or order of any public board or body (except such as have been already obtained and other than in connection or in compliance with the provisions of applicable blue-sky laws or securities laws of any state, as to which APCo makes no representations or warranties), is legally required for the issuance and sale by the Issuer of the Bonds.

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(m) APCo is not and after giving effect to the sale and issuance of the Bonds, neither APCo or the Issuer will be, an "investment company" within the meaning of the 1940 Act.

(n) Each of the Sale Agreement and Servicing Agreement and Administration Agreement has been duly and validly authorized by APCo, and when executed and delivered by APCo and the other parties thereto will constitute a valid and legally binding obligation of APCo, enforceable against APCo in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting creditors' or secured parties' rights generally and by general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law, and limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy.

(o) There are no West Virginia transfer taxes related to the transfer of the CRR Property or the issuance and sale of the Bonds to the Underwriters pursuant to this Underwriting Agreement required to be paid at or prior to the Closing Date by APCo or the Issuer.

(p) The nationally recognized accounting firm referenced in Section 3(o) and 9(t) is a firm of independent public accountants with respect to APCo as required by the Securities Act and the rules and regulations of the Commission thereunder.

(q) APCo, in its capacity as sponsor with the respect to the Bonds, has caused the Issuer to comply with the 17g-5 Representations, other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

(r) APCo will comply, and has complied, in all material respects, with its diligence and disclosure obligations in respect to the Bonds under Rule 193 of the Act and Items 1111(a)(7) and 1111(a)(8) of Regulation AB.

(s) APCo is not party to any accounts receivable sale or financing transactions for the sale or financing of receivables generated by its West Virginia electric distribution business.

5. Investor Communications.

(a) Issuer and APCo each represents and agrees that, unless it has obtained or obtains the prior consent of the Representatives, and each Underwriter represents and agrees that, unless it has obtained or obtains the prior consent of the Issuer and APCo and the Representatives, it has not made and will not make any offer relating to the Bonds that would constitute an Issuer Free Writing Prospectus, or that would otherwise

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constitute a "free writing prospectus," required to be filed by the Issuer or APCo, as applicable, with the Commission or retained by the Issuer or APCo, as applicable, under Rule 433 under the Securities Act; provided that the prior written consent of the parties hereto shall be deemed to have been given in respect of the Term Sheets and each other Free Writing Prospectus identified in Schedule III hereto.

(b) APCo and the Issuer (or the Representatives at the direction of the Issuer) will prepare a final pricing term sheet relating to the Bonds (the "Pricing Term Sheet"), containing only information that describes the final pricing terms of the Bonds and otherwise in a form consented to by the Representatives, and will file the Pricing Term Sheet within the period required by Rule 433(d)(5)(ii) under the Securities Act following the date such final pricing terms have been established for all classes of the offering of the Bonds. The Pricing Term Sheet is an Issuer Free Writing Prospectus for purposes of this Underwriting Agreement.

(c) Each Underwriter may provide to investors one or more of the Free Writing Prospectuses, including the preliminary term sheet, as filed by the Issuer with the Commission on November [ ], 2013 and the Pricing Term Sheet (collectively, the "Term Sheets"), subject to the following conditions:

(i) Unless preceded or accompanied by a prospectus satisfying the requirements of Section 10(a) of the Securities Act, an Underwriter shall not convey or deliver any Written Communication (as defined herein) to any person in connection with the initial offering of the Bonds, unless such Written Communication (i) is made in reliance on Rule 134 under the Securities Act, (ii) constitutes a prospectus satisfying the requirements of Rule 430B under the Securities Act, (iii) constitutes "ABS informational and computational information" as defined in Item 1101 of Regulation AB, (iv) is an Issuer Free Writing Prospectus listed on Schedule III hereto or (v) is an Underwriter Free Writing Prospectus (as defined below). "Written Communication" has the same meaning as that term is defined in Rule 405 under the Securities Act.

An "Underwriter Free Writing Prospectus" means any free writing prospectus that contains only preliminary or final terms of the Bonds and is not required to be filed by APCo or the Issuer pursuant to Rule 433 and that contains information substantially the same as the information contained in the Pricing Prospectus or Pricing Term Sheet (including, without limitation, (i) the class, size, rating, price, CUSIPs, coupon, yield, spread, benchmark, status and/or legal maturity date of the Bonds, the weighted average life, expected first and final payment dates, trade date, settlement date, transaction parties, credit enhancement, logistical details related to the location and timing of access to the roadshow, ERISA eligibility, legal investment status and payment window of one or more classes of Bonds and (ii) a column or other entry showing the status of the subscriptions for the Bonds, both for the Bonds as a whole and for each Underwriter's retention, and/or expected pricing parameters of the Bonds).

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(ii) Each Underwriter shall comply with all applicable laws and regulations in connection with the use of Free Writing Prospectuses and Term Sheets, including but not limited to Rules 164 and 433 under the Securities Act.

(iii) All Free Writing Prospectuses provided to investors, whether or not filed with the Commission, shall bear a legend including substantially the following statement:

> The Issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Issuer has filed with the SEC for more complete information about the Issuer and the offering. You may get these documents for free by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, Issuer, any underwriter or any dealer participating in the offering will arrange to send you the base prospectus if you request it by calling toll free at [1-866-718-1649].

The Issuer and the Representatives shall have the right to require additional specific legends or notations to appear on any Free Writing Prospectus, the right to require changes regarding the use of terminology and the right to determine the types of information appearing therein with the approval of, in the case of the Issuer, Representatives and, in the case of the Representatives, the Issuer (which in either case shall not be unreasonably withheld).

(iv) Each Underwriter covenants with the Issuer and APCo that after the Final Prospectus is available such Underwriter shall not distribute any written information concerning the Bonds to an investor unless such information is preceded or accompanied by the Final Prospectus or by notice to the investor that the Final Prospectus is available for free by visiting EDGAR on the SEC website at www.sec.gov.

(v) Each Underwriter covenants that if an Underwriter shall use an Underwriter Free Writing Prospectus that contains information in addition to (x) "issuer information", including information with respect to APCo, as defined in Rule 433(h)(2) or (y) the information in the Pricing Package, the liability arising from its use of such additional information shall be the sole responsibility of the Underwriter using such Underwriting Free Writing Prospectus unless the Underwriter Free Writing Prospectus (or any information contained therein) was consented to in advance by APCo; provided, however, that, for the avoidance of doubt, this clause (v) shall not be interpreted as tantamount to the indemnification obligations contained in Section 11(b) hereof.

6. Purchase and Sale. On the basis of the representations and warranties herein contained, and subject to the terms and conditions herein set forth, the Issuer shall sell to each of the Underwriters, and each Underwriter shall purchase from the Issuer, at the time and place herein specified, severally and not jointly, at the purchase price set forth in Schedule I hereto, the principal amount of the Bonds set forth opposite such Underwriter's name in

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Schedule II hereto. The Underwriters agree to make a public offering of the Bonds. The Issuer shall pay (in the form of a discount to the principal amount of the offered Bonds) to the Underwriters a commission equal to $[ ].

7. Time and Place of Closing. Delivery of the Bonds against payment of the aggregate purchase price therefor by wire transfer in federal funds shall be made at the place, on the date and at the time specified in Schedule I hereto, or at such other place, time and date as shall be agreed upon in writing by the Issuer and the Representatives. The hour and date of such delivery and payment are herein called the "Closing Date". The Bonds shall be delivered to DTC or to U.S. Bank National Association, as custodian for DTC, in fully registered global form registered in the name of Cede & Co., for the respective accounts specified by the Representatives not later than the close of business on the business day preceding the Closing Date or such other time as may be agreed upon by the Representatives. The Issuer agrees to make the Bonds available to the Representatives for checking purposes not later than 1:00 P.M. New York Time on the last business day preceding the Closing Date at the place specified for delivery of the Bonds in Schedule I hereto, or at such other place as the Issuer may specify.

If any Underwriter shall fail or refuse to purchase and pay for the aggregate principal amount of Bonds that such Underwriter has agreed to purchase and pay for hereunder, the Issuer shall immediately give notice to the other Underwriters of the default of such Underwriter, and the other Underwriters shall have the right within 24 hours after the receipt of such notice to determine to purchase, or to procure one or more others, who are members of the Financial Industry Regulatory Authority ("FINRA") (or, if not members of the FINRA, who are not eligible for membership in the FINRA and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with the FINRA's Conduct Rules) and satisfactory to the Issuer, to purchase, upon the terms herein set forth, the aggregate principal amount of Bonds that the defaulting Underwriter had agreed to purchase. If any non-defaulting Underwriter or Underwriters shall determine to exercise such right, such Underwriter or Underwriters shall give written notice to the Issuer of the determination in that regard within 24 hours after receipt of notice of any such default, and thereupon the Closing Date shall be postponed for such period, not exceeding three business days, as the Issuer shall determine. If in the event of such a default no non-defaulting Underwriter shall give such notice, then this Underwriting Agreement may be terminated by the Issuer, upon like notice given to the non-defaulting Underwriters, within a further period of 24 hours. If in such case the Issuer shall not elect to terminate this Underwriting Agreement it shall have the right, irrespective of such default:

(a) to require each non-defaulting Underwriter to purchase and pay for the respective aggregate principal amount of Bonds that it had agreed to purchase hereunder as hereinabove provided and, in addition, the aggregate principal amount of Bonds that the defaulting Underwriter shall have so failed to purchase up to an aggregate principal amount of Bonds equal to one-ninth (1/9) of the aggregate principal amount of Bonds that such non-defaulting Underwriter has otherwise agreed to purchase hereunder, and/or

(b) to procure one or more persons, reasonably acceptable to the Representatives, who are members of the FINRA (or, if not members of the FINRA, who are not eligible for membership in the FINRA and who agree (i) to make no sales within

the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with the FINRA's Conduct Rules), to purchase, upon the terms herein set forth, either all or a part of the aggregate principal amount of Bonds that such defaulting Underwriter had agreed to purchase or that portion thereof that the remaining Underwriters shall not be obligated to purchase pursuant to the foregoing clause (a).

In the event the Issuer shall exercise its rights under (a) and/or (b) above, the Issuer shall give written notice thereof to the non-defaulting Underwriters within such further period of 24 hours, and thereupon the Closing Date shall be postponed for such period, not exceeding three business days, as the Issuer shall determine.

In the computation of any period of 24 hours referred to in this Section 7, there shall be excluded a period of 24 hours in respect of each Saturday, Sunday or legal holiday that would otherwise be included in such period of time.

Any action taken by the Issuer or APCo under this Section 7 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Underwriting Agreement. Termination of this Underwriting Agreement pursuant to Section 7 shall be without any liability on the part of the Issuer, APCo or any non-defaulting Underwriter, except as otherwise provided in Sections 8(a)(vi) and 11 hereof.

8. Covenants.

(a) Covenants of the Issuer. The Issuer covenants and agrees with the several Underwriters that:

(i) The Issuer will upon request promptly deliver to the Representatives and Counsel to the Underwriters a conformed copy of the Registration Statement, certified by an officer of the Issuer to be in the form as originally filed, including all Incorporated Documents and exhibits and all amendments thereto.

(ii) The Issuer will deliver to the Underwriters, as soon as practicable after the date hereof, as many copies of the Pricing Prospectus and Final Prospectus as they may reasonably request.

(iii) The Issuer will cause or has caused the Final Prospectus to be filed with the Commission pursuant to Rule 424 as soon as practicable and will advise the Underwriters of any stop order suspending the effectiveness of the Registration Statement or the institution of any proceeding therefor of which Issuer shall have received notice. The Issuer will use its reasonable best efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the withdrawal thereof. The Issuer has complied and will comply with Rule 433 under the Securities Act in connection with the offering of the Bonds.

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(iv) If, during such period of time (not exceeding nine months) after the Final Prospectus has been filed with the Commission pursuant to Rule 424 as in the opinion of Counsel for the Underwriters a prospectus covering the Bonds is required by law to be delivered in connection with sales by an Underwriter or dealer (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), any event relating to or affecting the Issuer, the Bonds or the CRR Property or of which the Issuer shall be advised in writing by the Representatives shall occur that in the Issuer's reasonable judgment after consultation with Counsel for the Underwriters (as defined below) should be set forth in a supplement to, or an amendment of the Pricing Package or the Final Prospectus in order to make the Pricing Package or the Final Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), the Issuer will, at its expense, amend or supplement the Pricing Package or the Final Prospectus by either (A) preparing and furnishing to the Underwriters at the Issuer's expense a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Pricing Package or the Final Prospectus or (B) making an appropriate filing pursuant to Section 13 or Section 15 of the Exchange Act, which will supplement or amend the Pricing Package or the Final Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Pricing Package or the Final Prospectus is delivered to a purchaser (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), not misleading; provided that should such event relate solely to the activities of any of the Underwriters, then such Underwriters shall assume the expense of preparing and furnishing any such amendment or supplement. The Issuer will also fulfill its obligations set out in Section 3(e) above.

(v) The Issuer will furnish such proper information as may be lawfully required and otherwise cooperate in qualifying the Bonds for offer and sale under the blue-sky laws of the states of the United States as the Representatives may designate; provided that the Issuer shall not be required to qualify as a foreign limited liability company or dealer in securities, to file any consents to service of process under the laws of any jurisdiction, or meet any other requirements deemed by the Issuer to be unduly burdensome.

(vi) The Issuer or APCo will, except as herein provided, pay or cause to be paid all expenses and taxes (except transfer taxes) in connection with (i) the preparation and filing by it of the Registration Statement, Pricing Prospectus and Final Prospectus (including any amendments and supplements thereto) and any Issuer Free Writing Prospectuses, (ii) the issuance and delivery of the Bonds as provided in Section 7 hereof (including, without limitation, reasonable fees and disbursements of Counsel for the Underwriters and all trustee, rating agency and WVPSC advisor fees), (iii) the qualification of the Bonds under blue-sky laws (including counsel fees not to exceed $15,000), (iv) the printing and delivery to

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the Underwriters of reasonable quantities of the Registration Statement and, except as provided in Section 8(a)(iv) hereof, of the Pricing Package and Final Prospectus. If the obligation of the Underwriters to purchase the Bonds terminates in accordance with the provisions of Sections 7 (but excluding terminations arising thereunder out of an Underwriter default), 9, 10 or 12 hereof, the Issuer or APCo (i) will reimburse the Underwriters for the reasonable fees and disbursements of Counsel for the Underwriters, and (ii) will reimburse the Underwriters for their reasonable out-of-pocket expenses, such out-of pocket expenses in an aggregate amount not exceeding $200,000, incurred in contemplation of the performance of this Underwriting Agreement. The Issuer shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits.

(vii) During the period from the date of this Underwriting Agreement to the date that is five days after the Closing Date, the Issuer will not, without the prior written consent of the Representatives, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any asset-backed securities (other than the Bonds).

(viii) To the extent, if any, that any rating necessary to satisfy the condition set forth in Section 9(w) of this Underwriting Agreement is conditioned upon the furnishing of documents or the taking of other actions by the Issuer on or after the Closing Date, the Issuer shall furnish such documents and take such other actions.

(ix) For a period from the date of this Underwriting Agreement until the retirement of the Bonds or until such time as the Underwriters shall cease to maintain a secondary market in the Bonds, whichever occurs first, the Issuer shall file with the Commission, and to the extent permitted by and consistent with the Issuer's obligations under applicable law, make available on the website associated with the Issuer's parent, such periodic reports, if any, as are required (without regard to the number of holders of Bonds to the extent permitted by and consistent with the Issuer's obligations under applicable law) from time to time under Section 13 or Section 15(d) of the Exchange Act; provided that the Issuer shall not voluntarily suspend or terminate its filing obligations with the Commission unless permitted under applicable law and the terms of the Basic Documents. The Issuer shall also, to the extent permitted by and consistent with the Issuer's obligations under applicable law, include in the periodic and other reports to be filed with the Commission as provided above or posted on the website associated with the Issuer's parent, such information as required by Section 3.07(g) of the Indenture with respect to the Bonds. To the extent that the Issuer's obligations are terminated or limited by an amendment to Section 3.07(g) of the Indenture, or otherwise, such obligations shall be correspondingly terminated or limited hereunder.

(x) The Issuer and APCo will not file any amendment to the Registration Statement or amendment or supplement to the Final Prospectus or

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amendment or supplement to the Pricing Package during the period when a prospectus relating to the Bonds is required to be delivered under the Securities Act, without prior notice to the Underwriters, or to which Hunton & Williams LLP, who are acting as counsel for the Underwriters ("Counsel for the Underwriters"), shall reasonably object by written notice to APCo and the Issuer.

(xi) So long as any of the Bonds are outstanding, the Issuer will furnish to the Representatives, if and to the extent not posted on the Issuer or its affiliate's website, (A) as soon as available, a copy of each report of the Issuer filed with the Commission under the Exchange Act or mailed to the Bondholders (to the extent such reports are not publicly available on the Commission's website), (B) a copy of any filings with the WVPSC pursuant to the Financing Order including, but not limited to, any issuance advice letter or any annual, semi-annual or more frequent True-Up Adjustment filings, and (C) from time to time, any information concerning the Issuer as the Representatives may reasonably request.

(xii) So long as the Bonds are rated by any Rating Agency, the Issuer will comply with the 17g-5 Representations, other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

(b) Covenants of APCo. APCo covenants and agrees with the several Underwriters that, to the extent that the Issuer has not already performed such act pursuant to Section 8(a):

(i) To the extent permitted by applicable law and the agreements and instruments that bind APCo, APCo will use its reasonable best efforts to cause the Issuer to comply with the covenants set forth in Section 8(a) hereof.

(ii) APCo will use its reasonable best efforts to prevent the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement and, if issued, to obtain as soon as possible the withdrawal thereof.

(iii) If, during such period of time (not exceeding nine months) after the Final Prospectus has been filed with the Commission pursuant to Rule 424 as in the opinion of Counsel for the Underwriters a prospectus covering the Bonds is required by law to be delivered in connection with sales by an Underwriter or dealer (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), any event relating to or affecting APCo, the Bonds or the CRR Property or of which APCo shall be advised in writing by the Representatives shall occur that in APCo's reasonable judgment after consultation with Counsel for the Underwriters should be set forth in a supplement to, or an amendment of, the Final Prospectus in order to make the Final Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser (including in circumstances where such requirement may

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be satisfied pursuant to Rule 172 under the Securities Act), APCo will cause the Issuer, at APCo's or the Issuer's expense, to amend or supplement the Final Prospectus, as applicable, by either (A) preparing and furnishing to the Underwriters at APCo's or the Issuer's expense a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Final Prospectus or (B) causing the Issuer to make an appropriate filing pursuant to Section 13 or Section 15 of the Exchange Act, which will supplement or amend the Final Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Final Prospectus is delivered to a purchaser (including in circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act), not misleading; provided that should such event relate solely to the activities of any of the Underwriters, then such Underwriters shall assume the expense of preparing and furnishing any such amendment or supplement. APCo will also fulfill its obligations set out in Section 4(d).

(iv) During the period from the date of this Underwriting Agreement to the date that is five days after the Closing Date, APCo will not, without the prior written consent of the Representatives, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any asset-backed securities (other than the Bonds).

(v) APCo will cause the proceeds for the issuance and sale of the Bonds to be applied for the purposes described in the Pricing Prospectus.

(vi) As soon as practicable, but not later than 16 months, after the date hereof, the APCo will make generally available (by posting on its website or otherwise) to its security holders, an earnings statement (which need not be audited) that will satisfy the provisions of Section 11(a) of the Securities Act.

(vii) To the extent, if any, that any rating necessary to satisfy the condition set forth in Section 9(w) of this Underwriting Agreement is conditioned upon the furnishing of documents or the taking of other actions by APCo on or after the Closing Date, APCo shall furnish such documents and take such other actions.

(viii) The initial CRR Charge will be calculated in accordance with the Financing Order.

(ix) So long as the Bonds are rated by a Rating Agency, APCo, in its capacity as sponsor with respect to the Bonds, will cause the Issuer to comply with the 17g-5 Representations, other than (x) any noncompliance of the 17g-5 Representations that would not have a material adverse effect on the rating of the Bonds or the Bonds or (y) any noncompliance arising from the breach by an Underwriter of the representations and warranties and covenants set forth in Section 13 hereof.

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9. Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Bonds shall be subject to the accuracy of the representations and warranties on the part of the Issuer and APCo contained in this Underwriting Agreement, on the part of APCo contained in Article III of the Sale Agreement, and on the part of APCo contained in Section 6.01 of the Servicing Agreement as of the Closing Date, to the accuracy of the statements of the Issuer and APCo made in any certificates pursuant to the provisions hereof, to the performance by the Issuer and APCo of their obligations hereunder, and to the following additional conditions:

(a) The Final Prospectus shall have been filed with the Commission pursuant to Rule 424 no later than the second business day following the date it is first used after effectiveness in connection with the sale of the Bonds. In addition, all material required to be filed by the Issuer or APCo pursuant to Rule 433(d) under the Securities Act that was prepared by either of them or that was prepared by any Underwriter and timely provided to the Issuer or APCo shall have been filed with the Commission within the applicable time period prescribed for such filing by such Rule 433(d).

(b) No stop order suspending the effectiveness of the Registration Statement shall be in effect, and no proceedings for that purpose shall be pending before, or threatened by, the Commission on the Closing Date; and the Underwriters shall have received one or more certificates, dated the Closing Date and signed by an officer of APCo and the Issuer, as appropriate, to the effect that no such stop order is in effect and that no proceedings for such purpose are pending before, or to the knowledge of APCo or the Issuer, as the case may be, threatened by, the Commission.

(c) Hunton & Williams LLP, counsel for the Underwriters, shall have furnished to the Representatives their written opinion, dated the Closing Date, with respect to the issuance and sale of the Bonds, the Indenture, the other Issuer Documents, the Registration Statement and other related matters; and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters.

(d) Richards, Layton & Finger, P.A., special Delaware counsel for the Issuer, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (d) hereto), dated the Closing Date, regarding the authority to file a voluntary bankruptcy petition.

(e) Richards, Layton & Finger, P.A., special Delaware counsel for the Issuer, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (e) hereto), dated the Closing Date, regarding certain Delaware Uniform Commercial Code matters.

(f) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (f) hereto), dated the Closing Date, regarding certain aspects of the transactions

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contemplated by the Issuer Documents, including the Indenture and the Trustee's security interest under the Uniform Commercial Code.

(g) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (g) hereto), dated the Closing Date, regarding negative assurances and other corporate matters.

(h) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (h) hereto), dated the Closing Date, i) to the effect that a court sitting in bankruptcy would not order the substantive consolidation of the assets and liabilities of the Issuer with those of APCo in connection with a bankruptcy, reorganization or other insolvency proceeding involving APCo, ii) that if APCo were to become a debtor in such insolvency proceeding, such court would hold that the CRR Property is not property of the estate of APCo and iii) regarding bankruptcy and corporate governance matters.

(i) Jackson Kelly PLLC, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (i) hereto), dated the Closing Date, regarding certain West Virginia constitutional matters relating to the CRR Property.

(j) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (j) hereto), dated the Closing Date, regarding certain federal tax matters.

(k) Woods Rogers PLC, Virginia Counsel for APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (k) hereto), dated the Closing Date, with respect to additional corporate matters and UCC matters].

(l) Jackson Kelly PLLC, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (l) hereto), dated the Closing Date, with respect to the characterization of the transfer of the CRR Property by APCo to the Issuer as a "true sale" for West Virginia law purposes.

(m) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives its written respective opinions (substantially in the form attached as Annex I (m) hereto), dated the Closing Date, regarding certain federal constitutional matters relating to the CRR Property.

(n) Dorsey & Whitney LLP, counsel for the Indenture Trustee, shall have furnished to the Representatives their written opinions (each substantially in the form attached as Annex I (n) hereto), dated the Closing Date, regarding certain matters relating to the Indenture Trustee.

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(o) Robinson & McElwee, PLLC, counsel for APCo and the Issuer, shall have furnished to the representatives their opinion (substantially in the form attached as Annex I (o) hereto), dated the Closing Date, regarding certain West Virginia regulatory issues.

(p) Jackson Kelly PLLC, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (p) hereto), dated the Closing Date, regarding enforceability and certain West Virginia perfection and priority issues.

(q) Sidley Austin LLP, counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (q) hereto), dated the Closing Date, regarding certain bankruptcy matters relating to the Issuer.

(r) Richards, Layton & Finger, P.A., counsel for the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (r) hereto), dated the Closing Date, regarding certain matters of Delaware law.

(s) Robinson & McElwee, PLLC, counsel to the Issuer and APCo, shall have furnished to the Representatives their written opinion (substantially in the form attached as Annex I (t) hereto), dated the Closing Date, regarding certain West Virginia tax matters.

(t) On or before the date of this Underwriting Agreement and on or before the Closing Date, a nationally recognized accounting firm reasonably acceptable to the Representatives shall have furnished to the Representatives one or more reports regarding certain calculations and computations relating to the Bonds, in form or substance reasonably satisfactory to the Representatives, in each case in respect of which the Representatives shall have made specific requests therefor and shall have provided acknowledgment or similar letters to such firm reasonably necessary in order for such firm to issue such reports.

(u) The LLC Agreement, the Administration Agreement, the Sale Agreement, the Servicing Agreement and the Indenture and any amendment or supplement to any of the foregoing shall have been executed and delivered.

(v) Since the respective dates as of which information is given in each of the Registration Statement and in the Pricing Prospectus and as of the Closing Date there shall have been no (i) material adverse change in the business, property or financial condition of APCo and its subsidiaries, taken as a whole, whether or not in the ordinary course of business, or of the Issuer or (ii) adverse development concerning the business or assets of APCo and its subsidiaries, taken as a whole, or of the Issuer which would be reasonably likely to result in a material adverse change in the prospective business, property or financial condition of APCo and its subsidiaries, taken as a whole, whether or not in the ordinary course of business, or the of Issuer or (iii) development which would

be reasonably likely to result in a material adverse change, in the CRR Property, the Bonds or the Financing Order.

(w) At the Closing Date, (i) the Bonds shall be rated at least the ratings set forth in the Pricing Term Sheet by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), respectively, and the Issuer shall have delivered to the Underwriters a letter from each such rating agency, or other evidence satisfactory to the Underwriters, confirming that the Bonds have such ratings, and (ii) neither Moody's nor S&P shall have, since the date of this Underwriting Agreement, downgraded or publicly announced that it has under surveillance or review, with possible negative implications, its ratings of the Bonds.

(x) The Issuer and APCo shall have furnished or caused to be furnished to the Representatives at the Closing Date certificates of officers of APCo and the Issuer, reasonably satisfactory to the Representatives, as to the accuracy of the representations and warranties of the Issuer and APCo herein, in the Sale Agreement, Servicing Agreement and the Indenture at and as of the Closing Date, as to the performance by the Issuer and APCo of all of their obligations hereunder to be performed at or prior to such Closing Date, as to the matters set forth in subsections (b) and (y) of this Section and as to such other matters as the Representatives may reasonably request.

(y) The final issuance advice letter, in a form consistent with the provisions of the Financing Order, shall have been filed with the WVPSC and the period during which the WVPSC may issue a disapproval letter shall have expired without the issuance thereof.

(z) On or prior to the Closing Date, the Issuer shall have delivered to the Representatives evidence, in form and substance reasonably satisfactory to the Representatives, that appropriate filings have been or are being made in accordance with the West Virginia Securitization Law (W. Va. Code § 24-2-4f), the Financing Order and other applicable law reflecting the grant of a security interest by the Issuer in the collateral relating to the Bonds to the Indenture Trustee, including the filing of the requisite notices in the office of the Secretary of State of the State of West Virginia, [the Secretary of State of the State of Delaware and the State Corporation Commission of the Commonwealth of Virginia].

(aa) On or prior to the Closing Date, APCo shall have funded the capital subaccount of the Issuer with cash in an amount equal to $[ ].

(bb) The Issuer and APCo shall have furnished or caused to be furnished or agree to furnish to the Rating Agencies at the Closing Date such opinions and certificates as the Rating Agencies shall have reasonably requested prior to the Closing Date. Any opinion letters delivered on the Closing Date to the Rating Agencies beyond those being delivered to the Underwriters above shall either (x) include the Underwriters as

addressees or (y) be accompanied by reliance letters addressed to the Underwriters referencing such letters.

If any of the conditions specified in this Section 9 shall not have been fulfilled when and as provided in this Underwriting Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Underwriting Agreement shall not be in all material respects reasonably satisfactory in form and substance to the Representatives and Counsel for the Underwriters, all obligations of the Underwriters hereunder may be canceled at, or at any time prior to, the Closing Date by the Representatives. Notice of such cancellation shall be given to the Issuer in writing or by telephone or facsimile confirmed in writing.

10. Conditions of Issuer's Obligations. The obligation of the Issuer to deliver the Bonds shall be subject to the conditions that no stop order suspending the effectiveness of the Registration Statement shall be in effect at the Closing Date and no proceeding for that purpose shall be pending before, or threatened by, the Commission at the Closing Date and the condition set forth in Section 9(y) shall have been satisfied. In case these conditions shall not have been fulfilled, this Underwriting Agreement may be terminated by the Issuer upon notice thereof to the Underwriters. Any such termination shall be without liability of any party to any other party except as otherwise provided in Sections 8(a)(vi) and 11 hereof.

11. Indemnification and Contribution.

(a) APCo and the Issuer, jointly and severally, shall indemnify, defend and hold harmless each Underwriter, each Underwriter's officers and directors and each person who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or Exchange Act or any other statute or common law and shall reimburse each such Underwriter and controlling person for any reasonable legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) as and when incurred by them in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in the Pricing Prospectus, each Issuer Free Writing Prospectus, the Pricing Package, the Final Prospectus or, in each case, any amendment or supplement thereto, collectively, or any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading or (iii) any information prepared by or on behalf of APCo or the Issuer and provided to the Underwriters; provided, however, that the indemnity agreement contained in this Section 11 shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of, or based upon, any such untrue statement or alleged untrue statement, or any such omission or alleged omission, in each case if such statement or omission was made in reliance upon and in conformity with any Underwriter Information

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(as defined in Section 11(b) hereof), or arising out of, or based upon, statements in or omissions from that part of the Registration Statement that shall constitute the Statement of Eligibility under the Trust Indenture Act of the Indenture Trustee with respect to any indenture qualified pursuant to the Registration Statement; provided, further that the indemnity agreement contained in this Section 11 shall not inure to the benefit of any Underwriter (or of any officer or director of such Underwriter or of any person controlling such Underwriter within the meaning of Section 15 of the Securities Act) on account of any such losses, claims, damages, liabilities, expenses or actions, joint or several, arising from the sale of the Bonds to any person to whom such Underwriter has sold Bonds if a copy of the Pricing Prospectus (including any amendment or supplement thereto if any amendments or supplements thereto shall have been furnished to the Underwriters reasonably prior to the time of the sale involved) (exclusive of the Incorporated Documents) shall, if then available and not yet filed with the Commission pursuant to Rule 424, not have been given or sent to such person by or on behalf of such Underwriter at the time of or prior to the sale of the Bonds to such person unless the alleged omission or alleged untrue statement was not corrected in the Pricing Prospectus (including any amendment or supplement thereto if any amendments or supplements thereto have been furnished to the Underwriters reasonably prior to the time of the sale involved) at the time of such sale. The indemnity agreement of APCo and Issuer contained in this Section 11 and the representations and warranties of the Issuer and APCo contained in Sections 3 and 4 hereof shall remain operative and in full force and effect regardless of any termination of this Underwriting Agreement or of any investigation made by or on behalf of any Underwriter, its officers or its directors or any such controlling person, and shall survive the delivery of the Bonds.

(b) Each Underwriter shall severally and not jointly indemnify, defend and hold harmless APCo and the Issuer, each of APCo's and Issuer's respective officers, directors, and managers, and each person who controls the Issuer or APCo within the meaning of Section 15 of the Securities Act, from and against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or any other statute or common law and shall reimburse each of them for any reasonable legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) as and when incurred by them in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with the Underwriter Information or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Final Prospectus, each Issuer Free Writing Prospectus, the Pricing Package, collectively, or any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; if such statement or omission was made in reliance upon and in conformity with the Underwriter Information. The only such information furnished to APCo by the Underwriters in writing expressly

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for use in such foregoing documents is set forth in Schedule IV hereto (the "Underwriter Information"). The indemnity agreement of the respective Underwriters contained in this Section 11 and the representations and warranties of the Underwriters contained in Sections 5 and 13 hereof shall remain operative and in full force and effect regardless of any termination of this Underwriting Agreement or of any investigation made by or on behalf of APCo or the Issuer, their directors, managers or officers, any such Underwriter, or any such controlling person, and shall survive the delivery of the Bonds.

(c) APCo, the Issuer and the several Underwriters each shall, upon the receipt of notice of the commencement of any action against it or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought under (a) or (b) above, but the failure to notify such indemnifying party or parties of any such action shall not relieve such indemnifying party or parties from any liability hereunder to the extent such indemnifying party or parties is/are not materially prejudiced as a result of such failure to notify and in any event shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense, or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party or parties and reasonably satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying party will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them; provided, however, if the defendants in any such action (including impleaded parties) include both the indemnified party and the indemnifying party and counsel for the indemnifying party shall have reasonably concluded that there may be a conflict of interest involved in the representation by a single counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, whose reasonable fees and expenses shall be paid by such indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (in addition to local counsel) representing the indemnified parties who are parties to such action). Each of APCo, Issuer and the several Underwriters agrees that without the other party's prior written consent, which consent shall not be unreasonably withheld, it will not settle, compromise or consent to the entry of any judgment in any claim in respect of which indemnification may be sought under the indemnification provisions of this Underwriting Agreement, unless such settlement, compromise or consent (i) includes an unconditional release of such other party from all liability arising out of such claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of such other party.

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(d) If the indemnification provided for in subparagraph (a) or (b) above shall be unavailable to or insufficient to hold harmless an indemnified party, each indemnifying party agrees to contribute to such indemnified party with respect to any and all losses, claims, damages, liabilities and expenses for which each such indemnification provided for in subparagraph (a) or (b) above shall be unavailable or insufficient, in such proportion as shall be appropriate to reflect (i) the relative benefits received by APCo and the Issuer on the one hand and the Underwriters on the other hand from the offering of the Bonds pursuant to this Underwriting Agreement or (ii) if an allocation solely on the basis provided by clause (i) is not permitted by applicable law or is inequitable or against public policy, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each indemnifying party on the one hand and the indemnified party on the other in connection with the statements or omissions which have resulted in such losses, claims, damages, liabilities and expenses and (iii) any other relevant equitable considerations; provided, however, that no indemnified party guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any indemnifying party not guilty of such fraudulent misrepresentation. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or the indemnified party and each such party's relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. APCo, the Issuer and each of the Underwriters agree that it would not be just and equitable if contributions pursuant to this subparagraph (d) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 11, no Underwriter shall be required to contribute in excess of the amount equal to the excess of (i) the total underwriting discount and commissions received by it, over (ii) the amount of any damages which such Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission. The obligations of each Underwriter to contribute pursuant to this Section 11 are several and not joint and shall be in the same proportion as such Underwriter's obligation to underwrite Bonds is to the total number of Bonds set forth in Schedule II hereto.

12. Termination. This Underwriting Agreement may be terminated, at any time prior to the Closing Date with respect to the Bonds by the Representatives by written notice to the Issuer if after the date hereof and at or prior to the Closing Date (a) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange ("NYSE") or there shall have been established by the NYSE, or by the Commission any general limitation on prices for such trading or any general restrictions on the distribution of securities, or a general banking moratorium declared by New York or federal authorities or (b) there shall have occurred any (i) material outbreak of hostilities (including, without limitation, an act of terrorism) or (ii) declaration by the United States of war or national or international calamity or crisis, including, but not limited to, a material escalation of hostilities that existed prior to the date of this Underwriting Agreement or (iii) material adverse change in the financial markets in the United States, and the effect of any such event specified in clause (a) or (b) above on the

financial markets of the United States shall be such as to materially and adversely affect, in the reasonable judgment of the Representatives, their ability to proceed with the public offering or the delivery of the Bonds on the terms and in the manner contemplated by the Final Prospectus. Any termination hereof pursuant to this Section 12 shall be without liability of any party to any other party except as otherwise provided in Sections 8(a)(vi) and 11 hereof.

13. Representations, Warranties and Covenants of the Underwriters. The Underwriters, severally and not jointly, represent, warrant and agree with the Issuer and APCo that, unless the Underwriters obtained, or will obtain, the prior written consent of the Issuer or APCo, the Representatives (x) have not delivered, and will not deliver, any Rating Information (as defined below) to any Rating Agency until and unless the Issuer or APCo advises the Underwriters that such Rating Information is posted to the Issuer's website maintained by the Issuer pursuant to paragraph (a)(3)(iii)(B) of Rule 17g-5 under the Exchange Act in the same form as it will be provided to such Rating Agency, and (y) have not participated, and will not participate, with any Rating Agency in any oral communication of any Rating Information without the participation of a representative of the Issuer or APCo. For purposes of this Section 13, "Rating Information" means any information provided to a Rating Agency for the purpose of determining an initial credit rating on the Bonds.

14. Absence of Fiduciary Relationship. Each of the Issuer and APCo acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and APCo with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or APCo. Additionally, none of the Underwriters is advising the Issuer or APCo as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and APCo shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or APCo with respect thereto. Any review by the Underwriters of the Issuer or APCo, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or APCo.

15. Notices. All communications hereunder will be in writing and may be given by United States mail, courier service, telecopy, telefax or facsimile (confirmed by telephone or in writing in the case of notice by telecopy, telefax or facsimile) or any other customary means of communication, and any such communication shall be effective when delivered, or if mailed, three days after deposit in the United States mail with proper postage for ordinary mail prepaid, and if sent to the Representatives, to it at the address specified in Schedule I hereto; and if sent to the Issuer, to it at 707 Virginia East, Suite 1000, Charleston, West Virginia, 25327, Attention: Manager; and if sent to APCo, to it at 1 Riverside Plaza, Columbus, Ohio 43215, Attention: Treasurer. The parties hereto, by notice to the others, may designate additional or different addresses for subsequent communications.

16. Successors. This Underwriting Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors

https://www.sec.gov/Archives/edgar/data/6879/000090514813000980/efc13-602_ex11.htm

and controlling persons referred to in Section 11 hereof, and no other person will have any right or obligation hereunder.

17. Applicable Law. This Underwriting Agreement will be governed by and construed in accordance with the laws of the State of New York.

18. Counterparts. This Underwriting Agreement may be signed in any number of counterparts, each of which shall be deemed an original, which taken together shall constitute one and the same instrument.

19. Integration. This Agreement supersedes all prior agreements and understandings (whether written or oral) among the Issuer, APCo and the Underwriters, or any of them, with respect to the subject matter hereof.

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If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among APCo, the Issuer and the several Underwriters.

Very truly yours,

APPALACHIAN POWER COMPANY

By: ______________________________

Name:
Title:

APPALACHIAN CONSUMER RATE RELIEF FUNDING LLC

By: ______________________________

Name:
Title:

The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representatives on behalf of the Underwriters as of the date specified in Schedule I hereto.

MORGAN STANLEY & CO. LLC

By: ______________________________

Name:
Title:

RBS SECURITIES INC.

By: ______________________________

Name:
Title:

SCHEDULE I

Underwriting Agreement dated November [ ], 2013

Registration Statement Nos. 333-191392 and 333-191392-01

Representatives: Morgan Stanley & Co. LLC and RBS Securities Inc.

c/o Morgan Stanley & Co. LLC

Address: 1585 Broadway
New York, New York 10036

Attention: [Patrick Collins]

Title, Purchase Price and Description of Bonds:

Title: Appalachian Consumer Rate Relief Funding LLC Senior Secured Consumer Rate Relief Bonds

	Total Principal Amount of Tranche	Bond Rate	Price to Public	Underwriting Discounts and Commissions	Proceeds to Issuer
Per Tranche A-1 Bond	$	%	%	%	$
Per Tranche A-2 Bond	$	%	%	%	$
Per Tranche A-3 Bond	$	%	%	%	$
Total	$				$

Original Issue Discount (if any): $[ ]

Redemption provisions: None

Other provisions: None

Closing Date, Time and Location: [ ], 2013, 10:00 a.m.; offices of Sidley Austin LLP; One South Dearborn Street, Chicago, Illinois 60603 and simultaneously in the offices of Hunton & Williams LLP, 200 Park Avenue, New York, New York 10166

SCHEDULE II

Principal Amount of Bonds to be Purchased

Underwriter	Tranche A-1	Tranche A-2	Tranche A-3	Total
Morgan Stanley & Co. LLC	$	$	$	$
RBS Securities Inc.				
Merrill Lynch, Pierce, Fenner & Smith Incorporated				
PNC Capital Markets LLC				
Wells Fargo Securities, LLC				
Total	$	$	$	$

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SCHEDULE III

Schedule of Issuer Free Writing Prospectuses

A. Free Writing Prospectuses not required to be filed

Electronic Road Show

B. Free Writing Prospectuses required to be filed pursuant to Rule 433

Preliminary Term Sheet

Pricing Term Sheet, dated [ ], 2013

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SCHEDULE IV

Descriptive List of Underwriter Provided Information

[Subject to confirmation based on final form]

A. Pricing Prospectus

(a) under the heading "UNDERWRITING THE BONDS" in the Preliminary Prospectus Supplement: (i) the third sentence under the caption "No Assurance as to Resale Price or Resale Liquidity for the Bonds"; (ii) the entire first full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the Bonds" (except the last sentence thereof); and (iii) the second sentence of the second full paragraph and the last sentence of the fourth full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the Bonds"; and (b) under the heading "OTHER RISKS ASSOCIATED WITH AN INVESTMENT IN THE CONSUMER RATE RELIEF BONDS" in the Prospectus, the first sentence under the caption "The Absence of a Secondary Market for a Series of Consumer Rate Relief Bonds Might Limit Your Ability to Resell Your Consumer Rate Relief Bonds of Such Series."

B. Final Prospectus

(a) the first sentence and the fourth sentence of the last full paragraph on the cover page of the Prospectus Supplement; (b) under the heading "UNDERWRITING THE BONDS" in the Prospectus Supplement: (i) the entire two paragraphs under the caption "The Underwriters' Sales Price for the Bonds"; (ii) the third sentence under the caption "No Assurance as to Resale Price or Resale Liquidity for the Bonds"; (iii) the entire first full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the Bonds" (except the last sentence thereof); and (iv) the second sentence of the second full paragraph and the last sentence of the fourth full paragraph under the caption "Various Types of Underwriter Transactions Which May Affect the Price of the Bonds"; and (c) under the heading "OTHER RISKS ASSOCIATED WITH AN INVESTMENT IN THE CONSUMER RATE RELIEF BONDS" in the Prospectus, the first sentence under the caption "The Absence of a Secondary Market for a Series of Consumer Rate Relief Bonds Might Limit Your Ability to Resell Your Consumer Rate Relief Bonds of Such Series."

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SABER PARTNERS, LLC

Investor-Owned Utility Securitization Transactions 2007-2015	Underwriters	Language from Underwriting Agreement On File with SEC Explicitly Stating that the Underwriters Have No Fiduciary Duty to the Issuer and Therefore to Ratepayers in a Utility Securitization SOURCE: SEC Filings
Entergy New Orleans Storm Recovery Funding I (7/14/15)	Citigroup	"Absence of Fiduciary Relationship. Each of the Issuer and ENO acknowledges and agrees that the Issuer and ENO, respectively, each have arm's length business relationships with the Underwriters and their affiliates, that create no fiduciary duty on the part of the Underwriters and their affiliates, in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and ENO (and each employee, representative or other agent of the Issuer or ENO, as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or ENO relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the Storm Recovery Property, the collection of the Storm Recovery Charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby."

Consumers 2014 Securitization Funding LLC (7/14/2014)	Citigroup/ Goldman Sachs/ PNC Capital Markets LLC	"Absence of Fiduciary Relationship. Each of the Issuer and Consumers acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and Consumers with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or Consumers. Additionally, none of the Underwriters is advising the Issuer or Consumers as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and Consumers shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or Consumers with respect thereto. Any review by the Underwriters of the Issuer or Consumers, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or Consumers."
Appalachian Consumer Rate Relief Funding LLC (11/6/2013)	Royal Bank of Scotland/ Morgan Stanley/ PNC Capital Markets LLC/ Wells Fargo Securities, LLC/ Bank of America Merrill Lynch	"Absence of Fiduciary Relationship. Each of the Issuer and APCo acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and APCo with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or APCo. Additionally, none of the Underwriters is advising the Issuer or APCo as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and APCo shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or APCo with respect thereto. Any review by the Underwriters of the Issuer or APCo, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or APCo."

Ohio Phase-In-Recovery Funding LLC (7/23/2013)	Citigroup/ Royal Bank of Canada/ PNC Capital Markets LLC/ Royal Bank of Scotland Securities Inc./ Wells Fargo Securities, LLC	"Absence of Fiduciary Relationship. Each of the Issuer and OPCo acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and OPCo with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or OPCo. Additionally, none of the Underwriters is advising the Issuer or OPCo as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and OPCo shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or OPCo with respect thereto. Any review by the Underwriters of the Issuer or OPCo, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or OPCo."

FirstEnergy Ohio PIRB Special Purpose Trust (6/12/2013)	Citigroup/ CAS/ Goldman Sachs/ Barclays Capital Inc./ Royal Bank of Scotland Securities Inc./ Bank of America Merrill Lynch	"Absence of Fiduciary Relationship. The Bond Issuers and the Sponsors acknowledge and agree that: (a) the Representatives have been retained solely to act as underwriters in connection with the sale of Certificates and that no fiduciary, advisory or agency relationship between the Issuing Entity, the Bond Issuers, the Sponsors and the Representatives have been created in respect of any of the transactions contemplated by this Underwriting Agreement, irrespective of whether the Representatives have advised or are advising the Sponsors on other matters; (b) the price of the Certificates set forth in the final term sheet attached as Annex A to Schedule II hereto was established by the Bond Issuers and the Sponsors following discussions and arms-length negotiations with the Representatives and the Bond Issuers and the Sponsors are capable of evaluating and understanding and understand and accept the terms, risks and conditions of the transactions contemplated by this Underwriting Agreement; (c) the Bond Issuers and the Sponsors have been advised that the Representatives and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Bond Issuers and the Sponsors and that the Representatives have no obligation to disclose such interests and transactions to the Bond Issuers or the Sponsors by virtue of any fiduciary, advisory or agency relationship; and (d) the Issuing Entity, the Bond Issuers and the Sponsors waive, to the fullest extent permitted by law, any claims it may have against the Representatives for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Representatives shall have no liability (whether direct or indirect) to the Issuing Entity, the Bond Issuers or the Sponsors in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Issuing Entity, the Bond Issuers and the Sponsors including stockholders, employees or creditors of the Issuing Entity, the Bond Issuers and the Sponsors."

AEP Texas Central Transition Funding III (3/7/2012)	Morgan Stanley/ Barclays/ Citigroup/ Goldman Sachs/ Samuel A. Ramirez & Company, Inc./ Royal Bank of Scotland Securities Inc./ Wells Fargo Securities, LLC	"Absence of Fiduciary Relationship. Each of the Issuer and TCC acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and TCC with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or TCC. Additionally, none of the Underwriters is advising the Issuer or TCC as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and TCC shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or TCC with respect thereto. Any review by the Underwriters of the Issuer or TCC, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or TCC."

CenterPoint Energy Transition Bond Co. IV (1/11/2012)	Goldman Sachs/ Citigroup/Morgan Stanley/ Bank of America Merrill Lynch/ Barclays Capital/ J.P. Morgan/ Loop Capital Markets/ Royal Bank of Scotland	"Absence of Fiduciary Relationship. Each of the Issuer and the Company acknowledges and agrees that: (a) the Underwriters have been retained solely to act as underwriters in connection with the sale of the Bonds and that no fiduciary, advisory or agency relationship between the Underwriters, on one hand, and the Company and/or the Issuer, on the other hand, has been created in respect of any of the transactions contemplated by this Underwriting Agreement irrespective of whether one or more of the Underwriters have advised or are advising the Company and/or the Issuer on other matters; (b) the price of the Bonds was established by the Issuer and the Company following discussions and arms-length negotiations with the Underwriters, among others and the Issuer and the Company have each consulted their own legal and financial advisors to the extent it deemed appropriate; (c) it has been advised that the Underwriters and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Issuer and Company and that the Underwriters have no obligation to disclose such interests and transactions to the Issuer or the Company by virtue of any fiduciary, advisory or agency relationship; and (d) it waives, to the fullest extent permitted by law, any claims it may have against the Underwriters for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Underwriters shall have no liability (whether direct or indirect) to the Issuer or the Company in respect of such fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Issuer or the Company including stockholders, employees or creditors of the Issuer and/or the Company."

Entergy Louisiana Investment Recovery Funding I, LLC (9/15/2011)	Morgan Stanley/ Citigroup/ Morgan Keegan & Company, Inc./ Stephens Inc.	"Absence of Fiduciary Relationship. Each of the Issuer and ELL acknowledges and agrees that the Issuer and ELL, respectively, each have arm's length business relationships with the Underwriters and their affiliates, that create no fiduciary duty on the part of the Underwriters and their affiliates, in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and ELL (and each employee, representative or other agent of the Issuer or ELL, as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or ELL relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the Investment Recovery Property, the collection of the Investment Recovery Charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby."

SABER PARTNERS, LLC

Entergy Arkansas Restoration Funding LLC (8/11/2010)	Morgan Stanley	"Absence of Fiduciary Relationship. Each of the Issuer and EAI acknowledges and agrees that the Issuer and EAI, respectively, each have arm's length business relationships with Morgan Stanley & Co. Incorporated and Stephens Inc., and their respective affiliates, that create no fiduciary duty on the part of Morgan Stanley & Co. Incorporated and Stephens Inc., and their respective affiliates, in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and EAI (and each employee, representative or other agent of the Issuer or EAI, as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or EAI relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the storm recovery property, the collection of the storm recovery charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby."
MP Environmental Funding LLC	Jefferies/ Williams	"Absence of Fiduciary Relationship. The Issuer and Mon Power each acknowledge and agree that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and Mon Power with respect to the offering of the Bonds contemplated hereby (including in

(12/16/2009)		connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or Mon Power. Additionally, none of the Underwriters is advising the Issuer or Mon Power as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and Mon Power shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or Mon Power with respect thereto. Any review by the Underwriters of the Issuer or Mon Power, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or Mon Power."
PE Environmental Funding LLC (12/16/2009)	Jefferies/ Williams	"Absence of Fiduciary Relationship. The Issuer and Potomac Edison each acknowledge and agree that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and Potomac Edison with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or Potomac Edison. Additionally, none of the Underwriters is advising the Issuer or Potomac Edison as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and Potomac Edison shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or Potomac Edison with respect thereto. Any review by the Underwriters of the Issuer or Potomac Edison, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or Potomac Edison."

CenterPoint Energy Restoration Bond (11/18/2009)	Goldman Sachs/ Citigroup	"Absence of Fiduciary Relationship. Each of the Issuer and the Company acknowledges and agrees that: (a) the Underwriters have been retained solely to act as underwriters in connection with the sale of the Bonds and that no fiduciary, advisory or agency relationship between the Underwriters, on one hand, and the Company and/or the Issuer, on the other hand, has been created in respect of any of the transactions contemplated by this Underwriting Agreement irrespective of whether one or more of the Underwriters have advised or are advising the Company and/or the Issuer on other matters; (b) the price of the Bonds was established by the Issuer and the Company following discussions and arms-length negotiations with the Underwriters, among others and the Issuer and the Company have each consulted their own legal and financial advisors to the extent it deemed appropriate; (c) it has been advised that the Underwriters and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Issuer and Company and that the Underwriters have no obligation to disclose such interests and transactions to the Issuer or the Company by virtue of any fiduciary, advisory or agency relationship; and (d) it waives, to the fullest extent permitted by law, any claims it may have against the Underwriters for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Underwriters shall have no liability (whether direct or indirect) to the Issuer or the Company in respect of such fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Issuer or the Company including stockholders, employees or creditors of the Issuer and/or the Company."

Entergy Texas Restoration Funding (10/29/09)	Morgan Stanley/ Citigroup	"Absence of Fiduciary Relationship. Each of the Issuer and ETI acknowledges and agrees that the Issuer and ETI, respectively, each have arm's length business relationships with Morgan Stanley & Co. Incorporated, Citigroupgroup Global Markets Inc., Goldman, Sachs & Co., Royal Bank of Scotland Securities Inc. and Loop Capital Markets, LLC, and their respective affiliates, that create no fiduciary duty on the part of Morgan Stanley & Co. Incorporated, Citigroupgroup Global Markets Inc., Goldman, Sachs & Co., Royal Bank of Scotland Securities Inc. and Loop Capital Markets, LLC, and their respective affiliates, in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and ETI (and each employee, representative or other agent of the Issuer or ETI , as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or ETI relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the transition property, the collection of the transition charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby"

Cleco Katrina/Rita Hurricane Recovery Funding LLC 2008 (2/28/2008)	Credit Suisse First Boston	"Absence of Fiduciary Relationship. Each of the Issuer and CPL acknowledges and agrees that the Issuer and CPL, respectively, each have arm's length business relationships with Credit Suisse Securities (USA) LLC, Wachovia Capital Markets, LLC and DEPFA First Albany Securities LLC, and their respective affiliates that create no fiduciary duty on the part of Credit Suisse Securities (USA) LLC, Wachovia Capital Markets, LLC and DEPFA First Albany Securities LLC, and their respective affiliates in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and CPL (and each employee, representative or other agent of the Issuer or CPL, as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or CPL relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the storm recovery property, the collection of the storm recovery charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby."

CenterPoint Energy Transition Bond Company III (1/29/2008)	Citigroup	"Absence of Fiduciary Relationship. Each of the Issuer and the Company acknowledges and agrees that: (a) the Underwriters have been retained solely to act as underwriters in connection with the sale of the Bonds and that no fiduciary, advisory or agency relationship between the Underwriters, on one hand, and the Company and/or the Issuer, on the other hand, has been created in respect of any of the transactions contemplated by this Underwriting Agreement, irrespective of whether the Underwriters have advised or are advising the Company and/or the Issuer on other matters; (b) the price of the Bonds was established by the Issuer and the Company following discussions and arms-length negotiations with the Underwriters, among others; (c) it has been advised that the Underwriters and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Issuer and Company and that the Underwriters have no obligation to disclose such interests and transactions to the Issuer or the Company by virtue of any fiduciary, advisory or agency relationship; and (d) it waives, to the fullest extent permitted by law, any claims it may have against the Underwriters for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Underwriters shall have no liability (whether direct or indirect) to the Issuer or the Company in respect of such fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Issuer or the Company including stockholders, employees or creditors of the Issuer and/or the Company."

Entergy Gulf States Reconstruction Funding I, LLC (6/22/2007)	Citigroup	"Absence of Fiduciary Relationship. Each of the Issuer and EGSI acknowledges and agrees that the Issuer and EGSI, respectively, each have arm's length business relationships with Morgan Stanley & Co. Incorporated, First Albany Capital Inc., Loop Capital Markets, LLC and M.R. Beal & Company, and their respective affiliates that create no fiduciary duty on the part of Morgan Stanley & Co. Incorporated, First Albany Capital Inc., Loop Capital Markets, LLC and M.R. Beal & Company, and their respective affiliates in connection with all aspects of the transactions contemplated by this Underwriting Agreement, and each such party expressly disclaims any fiduciary relationship. Nothing in this Section is intended to modify in any way the Underwriters' obligations expressly set forth in the Underwriting Agreement. Notwithstanding any other provision of this Underwriting Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Issuer and EGSI (and each employee, representative or other agent of the Issuer or EGSI , as the case may be) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Issuer or EGSI relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal, state or local income tax treatment of the sale of the transition property, the collection of the transition charges or the payment on the Bonds, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal, state or local income tax treatment of the transactions contemplated hereby."

RSB BondCo LLC (BG&E sponsor) (6/22/2007)	Barclays /Citigroup/ Royal Bank of Scotland/ Morgan Stanley	"Absence of Fiduciary Relationship. Each of the Issuer and BGE acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and BGE with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or BGE. Additionally, none of the Underwriters is advising the Issuer or BGE as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer and BGE shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer or BGE with respect thereto. Any review by the Underwriters of the Issuer or BGE, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or BGE.
FPL Recovery Funding LLC (5/15/07)	Wachovia	"Absence of Fiduciary Relationship. The Issuer and FPL each acknowledge and agree that the Purchasers are acting solely in the capacity of an arm's length contractual counterparty to the Issuer and FPL with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer or FPL in connection with the offering of the Bonds as contemplated hereby. Additionally, none of the Purchasers is advising the Issuer or FPL as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. Any review by the Purchasers of the Issuer or FPL, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Purchasers and shall not be on behalf of the Issuer or FPL."

MP Environmental Funding LLC (4/3/2007)	First Albany Corp/ Loop Capital Markets/ Bear Stearns	"Absence of Fiduciary Relationship. The Issuer, MP Renaissance and Mon Power each acknowledge and agree that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer, MP Renaissance and Mon Power with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer, MP Renaissance or Mon Power. Additionally, none of the Underwriters is advising the Issuer, MP Renaissance or Mon Power as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer, MP Renaissance and Mon Power shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer, MP Renaissance or Mon Power with respect thereto. Any review by the Underwriters of the Issuer, MP Renaissance or Mon Power, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or Mon Power."

PE Environmental Funding, LLC (4/3/2007)	First Albany Corp/ Loop Capital Markets/ Bear Stearns	"Absence of Fiduciary Relationship. The Issuer, PE Renaissance and Potomac Edison each acknowledge and agree that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Issuer, PE Renaissance and Potomac Edison with respect to the offering of the Bonds contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Issuer, PE Renaissance or Potomac Edison. Additionally, none of the Underwriters is advising the Issuer, PE Renaissance or Potomac Edison as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer, PE Renaissance and Potomac Edison shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Issuer, PE Renaissance or Potomac Edison with respect thereto. Any review by the Underwriters of the Issuer, PE Renaissance or Potomac Edison, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Issuer or Potomac Edison."

424B1 1 mp-prospectus htm FINAL PROSPECTUS

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Filed pursuant to Rule 424(b)(1)
Registration Statement No. 333-139820

$344,475,000 SENIOR SECURED SINKING FUND ENVIRONMENTAL CONTROL BONDS, SERIES A

MP ENVIRONMENTAL FUNDING LLC
Issuer of the Bonds

Tranche	Expected Average Life (years)	Principal Amount Offered[1]	Interest Rate	Price to Public (%)	Underwriting Discount and Commissions	Net Proceeds to Issuer (%)[1] (2)	Scheduled Final Payment Date	Final Maturity Date
A-1	4	$86,200,000	4.9820%	100%	0.30%	99.70%	July 15, 2014	July 15, 2016
A-2	10	$76,000,000	5.2325%	100%	0.40%	99.60%	July 15, 2019	July 15, 2021
A-3	16	$153,250,000	5.4625%	100%	0.50%	99.50%	July 15, 2026	July 15, 2028
A-4	20	$29,025,000	5.5225%	100%	0.55%	99.45%	July 15, 2027	July 15, 2028

(1) Before payment of fees and expenses.
(2) The total price to the public is $344,475,000. The total amount of the underwriting discount and commissions is $1,488,488. The total amount of proceeds to us before deduction of expenses (estimated to be $6,862,820) is $342,986,513.

A special West Virginia statute, or the Financing Act, authorizes the Public Service Commission of West Virginia, or the PSC, to issue irrevocable financing orders supporting the issuance of environmental control bonds. One of the purposes of the Financing Act is to lower the cost to electricity consumers of the financing of the construction and installation of emission control equipment at electric-generating facilities in West Virginia. The PSC issued an irrevocable financing order to Monongahela Power Company, or Mon Power or the utility, our indirect parent, and to the Potomac Edison Company, an affiliate of Mon Power. Pursuant to the financing order, Mon Power established us as a subsidiary company that is bankruptcy-remote from Mon Power and its affiliates to issue the bonds to pay for construction and installation of flue gas desulfurization equipment at Mon Power's Fort Martin generation facility in West Virginia, together with related financing and administrative costs.

We are issuing $344,475,000 of Senior Secured Sinking Fund Environmental Control Bonds, Series A, or the bonds, in multiple tranches. The bonds will accrue interest from the date of issuance. We will pay interest and principal on the bonds on January 15 and July 15 of each year, beginning on January 15, 2008.

The bonds are our senior secured obligations. They are secured by our environmental control property, which includes the right to impose, charge, collect and receive special, irrevocable nonbypassable charges, known as environmental control charges, to be paid by all electric service customers (individuals, corporations, other business entities, the State of West Virginia and other federal, state and local governmental entities) located within Mon Power's West Virginia service territory, the right to implement a true-up mechanism in respect of the environmental control charges, the right to receive all revenues and collections resulting from the environmental control charges, and other rights and interests that arise under the financing order. Mon Power's West Virginia service territory includes the geographic area in which Mon Power provided electric delivery service to customers as of April 7, 2006, plus any subsequent enlargements of the geographic area in West Virginia within which Mon Power subsequently comes to provide electric service. Mon Power is the servicer with regard to the bonds.

The Financing Act and financing order mandate that environmental control charges be adjusted at least semi-annually, or more frequently if necessary, to guarantee recovery of amounts sufficient to make all scheduled payments

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The servicer must file true-up advice letters periodically as follows:

- the servicer must file a routine true-up advice letter with the PSC semi-annually, at least 15 days before the end of each semi-annual period. Subject to any modification by the PSC to correct any mathematical errors, the resulting adjustments up or down to the environmental control charges will become effective on the fifteenth day of the next semi-annual period (each January 15 and July 15);

- commencing July 1, 2007, the servicer, if necessary, may file a routine true-up advice letter with the PSC on the first day of the first month of any calendar quarter, and commencing July 1, 2026, on the first day of any calendar month. Subject to any modification by the PSC to correct any mathematical errors, the resulting adjustments up or down to the environmental control charges will become effective on the fifteenth day of the next succeeding calendar quarter, or month, as the case may be; and

- the servicer must file a non-routine true-up advice letter with the PSC if, in the servicer's discretion, the method it uses to calculate the environmental control charges requires modifications to more precisely project and generate sufficient revenues, with the modifications to become effective when reviewed and approved by the PSC within 90 days after filing. A non-routine true-up advice letter may also be initiated by PSC staff, subject to the State of West Virginia's obligation under the State Pledge not to take or permit any action that impairs the value of environmental control property or, except as part of the true-up process, reduce, alter or impair environmental control charges that are imposed, collected and remitted for the benefit of the bondholders, any assignee, and any financing parties, until all principal and interest payments in respect of environmental control bonds, all financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full.

True-up advice letters will take into account all amounts available in the general subaccount, the excess funds subaccount, and amounts necessary to replenish the capital subaccount to its required level, in addition to amounts payable on the bonds and related fees and expenses. In filing for a true-up adjustment, the servicer must use the most recent PSC-approved forecast of electricity deliveries (i.e., forecasted billing units) and the most recent estimate of related expenses.

The PSC Will Implement the True-Up Adjustments to Guarantee the Recovery of Revenues Sufficient to Provide Timely Payment of Scheduled Principal and Interest (and Other Related Costs and Amounts) on the Bonds. The PSC allows interested parties at least 30 days to comment on the mathematical accuracy of any routine true-up adjustment request. However, the financing order provides that the true-up adjustments must be implemented automatically in accordance with the time frame set forth above regardless of any protest to the adjustment by interested parties. An adjustment to the environmental control charges because of a protest, other than for mathematical errors, will be implemented through adjustments to the utility's other rates and charges and not to the environmental control charges. If the PSC finds a mathematical error, it may adjust the environmental control charges at any time.

Credit Risk: PSC-Guaranteed True-Up Mechanism and State Pledge Will Limit Credit Risk. In the Financing Act, the State of West Virginia pledges to and agrees with the bondholders, any assignee and any financing parties that the state will not take or permit any action that impairs the value of environmental control property or, except as part of the true-up process, reduce, alter or impair environmental control charges that are imposed, collected and remitted for the benefit of the bondholders, any assignee, and any financing parties, until any principal, interest and redemption premium in respect of environmental control bonds, all financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full.

The broad-based nature of the true-up mechanism and the State Pledge serve to effectively eliminate, for all practical purposes and circumstances, any credit risk to the payment of the bonds (i.e., that sufficient funds will be available and paid to discharge the principal and interest of each issue of bonds when due). See "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" for further information. See also the Financing Order, Finding of Fact No. 60.

If the Private Sector Defaults, PSC-Guaranteed True-Ups Will Continue to Obligate Public Sector to Pay

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Filed Pursuant to Rule 424(b)(1)
Registration No. 333-163488

$21,510,000 SENIOR SECURED ROC BONDS, ENVIRONMENTAL CONTROL SERIES B

PE ENVIRONMENTAL FUNDING LLC

Issuer of the Bonds

Principal Amount Offered	Interest Rate	Price to Public (%)	Underwriting Discount and Commissions	Net Proceeds to Issuer (%)(1)(2)	Scheduled Final Payment Date	Final Maturity Date
$21,510,000	5.127%	100%	0.60%	99.40%	1/15/2030	1/15/2031

(1) Before payment of fees and expenses.
(2) The total price to the public is $21,510,000. The total amount of the underwriting discount and commissions is $129,060. The total amount of proceeds to us before deduction of expenses (estimated to be $644,330) is $21,380,940.

We are issuing up to $21,510,000 of Senior Secured ROC Bonds, Environmental Control Series B, or the bonds, a type of ratepayer obligation charge or ROC bonds, pursuant to a special West Virginia statute, or the Financing Act, and an irrevocable financing order of the Public Service Commission of West Virginia, or the PSC. The ROC bonds will accrue interest from the date of issuance and pay interest only on each January 15 and July 15, beginning on July 15, 2010, and interest and principal on each January 15 and July 15, beginning on January 15, 2028. The bonds may not be redeemed by us prior to maturity. There is no other pre-payment permitted.

The bonds are our senior secured obligations, and are our obligations only. They are secured by our environmental control property, which includes the right to impose, charge, collect and receive special, irrevocable, nonbypassable charges based on the consumption of electricity. These charges pay principal, interest and expenses of the bonds and are known as environmental control charges, or as ratepayer obligation charges or ROCs. These charges will be paid on a joint and several basis by all West Virginia electric service customers of The Potomac Edison Company, or Potomac Edison. Potomac Edison's customers include all individuals, corporations, other business entities, the State of West Virginia and other federal, state and local governmental entities located within Potomac Edison's West Virginia service territory that receive electric service. Environmental control property includes the right to a mandatory true-up mechanism that routinely adjusts the ROCs as needed to whatever level necessary to guarantee payment of bond interest and principal on a timely basis. It also includes the right to impose ROCs and to receive all revenues resulting from the ROCs for as long as necessary to provide for the payment of bond interest and principal, as well as other rights and interests under the financing order. Potomac Edison is the servicer for the bonds.

The first dollars from the amount collected from each and every of Potomac Edison's West Virginia customers' electricity bills, without exception, must be remitted on a daily basis to the bond trustee to pay that customer's ROCs. In addition, the PSC's irrevocable financing order mandates that the true-up mechanism must adjust the ROCs for all customers at least semi-annually, and more frequently as needed, to guarantee revenues sufficient to make all scheduled payments of principal and interest on a timely basis. The PSC's obligations under the Financing Act and the financing order are direct, explicit, irrevocable and unconditional upon issuance of the bonds. These obligations are legally enforceable against the PSC, a United States public sector entity. The bondholders' right to have the true-up adjustment mechanism implemented is protected by both the United States federal and West Virginia state constitutions.

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The Servicer Must Request That the PSC Adjust the Environmental Control Charges Not Less Often Than Semi-Annually. There is No Limit on the Amount of the Environmental Control Charges that May be Imposed on Customers or the Amount of Time to Assess, Impose and Collect the Charges. At least semi-annually, initially and during the life of the bonds, the servicer will adjust the environmental control charges to a level guaranteed to generate revenues sufficient to pay fees and expenses of servicing and retiring the bonds, to pay interest on, and scheduled principal of, the bonds and to replenish the reserve account and the capital account as required for the next semi-annual payment on the bonds.

The servicer must file true-up advice letters as follows:

- the servicer must file a routine true-up advice letter with the PSC semi-annually, at least 15 days before the end of each semi-annual period. Subject to any modification by the PSC to correct any mathematical errors, the resulting adjustments up or down to the environmental control charges will become effective on the fifteenth day of the next semi-annual period (each January 15 and July 15);
- commencing January 15, 2010, the servicer, if necessary, may file a routine true-up advice letter with the PSC on the first day of the first month of any calendar quarter, and commencing January 2030, on the first day of any calendar month. Subject to any modification by the PSC to correct any mathematical errors, the resulting adjustments up or down to the environmental control charges will become effective on the fifteenth day of the next succeeding calendar quarter, or month, as the case may be; and
- the servicer must file a non-routine true-up advice letter with the PSC if, in the servicer's discretion, the method it uses to calculate the environmental control charges requires modifications to more precisely project and generate sufficient revenues, with the modifications to become effective when reviewed and approved by the PSC within 90 days after filing. A non-routine true-up advice letter may also be initiated by PSC staff, subject to the State of West Virginia's obligation under the State Pledge not to take or permit any action that impairs the value of environmental control property or, except as part of the true-up process, reduce, alter or impair environmental control charges that are imposed, collected and remitted for the benefit of the bondholders, any assignee, and any financing parties, until all principal and interest payments in respect of environmental control bonds, all financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full.

True-up advice letters will take into account all amounts available in the general account, the surplus account, and amounts necessary to replenish the reserve account and the capital account to their required levels, in addition to amounts payable on the bonds and related fees and expenses. In filing for a true-up adjustment, the servicer must use the most recent PSC-approved forecast of electricity deliveries (i.e., forecasted billing units) and the most recent estimate of related expenses.

The PSC Will Implement the True-Up Adjustments to Guarantee the Recovery of Revenues Sufficient to Guarantee Timely Payment of Scheduled Principal and Interest (and Other Related Costs and Amounts) on the Bonds. The PSC allows interested parties at least 30 days to comment on the mathematical accuracy of any routine true-up adjustment request. However, the irrevocable financing order provides that the true-up adjustments must be implemented automatically in accordance with the time frame set forth above regardless of any protest to the adjustment by interested parties. An adjustment to the environmental control charges because of a protest, other than for mathematical errors, will be implemented through adjustments to the utility's other rates and charges and not to the environmental control charges. If the PSC finds a mathematical error, it may adjust the environmental control charges at any time.

Credit Risk

PSC-Guaranteed True-Up Mechanism and State Pledge to Protect Bondholder Rights Will Limit Credit Risk. In the Financing Act, the State of West Virginia pledges to and agrees with the bondholders, any assignee and any financing parties that the state will not take or permit any action that impairs the value of environmental control property or, except as part of the true-up process, reduce, alter or impair environmental control charges that are imposed, collected and remitted for the benefit of the bondholders, any assignee, and any financing parties, until any principal, interest and redemption premium in respect of environmental control bonds, all financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full.

The broad-based nature of the true-up mechanism and the State Pledge serve to effectively eliminate, for all practical purposes and circumstances, any credit risk to the payment of the bonds (i.e., that sufficient funds will be available and paid to discharge the principal and interest of each issue of bonds when due). See "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" for further information. See also the Financing Order, Finding of Fact No. 60.

X-Original-To: jfichera@saberpartners.com
Delivered-To: jfichera@saberpartners.com
Subject: RE:
Date: Tue, 30 Mar 2004 11:32:31 -0500
X-MS-Has-Attach:
X-MS-TNEF-Correlator:
Thread-Topic: RE:
Thread-Index: AcQV2bmgmi5AIm9dQ0Cp+i5yE/oUiAAmq+IQ
From: "Churaman, Mahendra" <mchuraman@thelenreid.com>
To: "Joseph Fichera" <jfichera@saberpartners.com>
X-OriginalArrivalTime: 30 Mar 2004 16:32:31.0699 (UTC) FILETIME=[9949E230:01C41674]

Does the following work for you?

"The broad-based nature of the true-up mechanism and the State Pledge
serve to effectively eliminate, for all practical purposes and
circumstances, any credit risk associated with the transition bonds."

-----Original Message-----
From: Joseph Fichera [mailto:jfichera@saberpartners.com]
Sent: Monday, March 29, 2004 5:04 PM
To: Churaman, Mahendra
Subject: Re:

Hmmmm. I think I like it but for the "reasonably forseeable".

Let me think and tinker but it is a lot better than I expected.
Progress. Praise the Lord.

-----Original Message-----
From: "Churaman, Mahendra" <mchuraman@thelenreid.com>
Date: Mon, 29 Mar 2004 16:52:22
To:<jfichera@saberpartners.com>
Subject: FW:

What do you think of Neil's proposed language?

-----Original Message-----
From: Miller, Shannon [mailto:smiller@hunton.com] On Behalf Of Anderson,
Neil
Sent: Monday, March 29, 2004 3:47 PM
To: Churaman, Mahendra; Ronnie Puckett (E-mail)
Subject:

Ronnie and Mahendra - What do you think of this? Mahendra, if it is
okay with you, Steve and Ronnie, you can forward it on.

The broad-based nature of the true-up mechanism and the

State Pledge serve to effectively eliminate, for all practical purposes and in all reasonably foreseeable circumstances, credit risks associated with the transition bonds.

Shannon Miller
Professional Assistant to Neil Anderson
Hunton & Williams LLP
214.979.8247

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy.	DOCKET NO. 150171-EI DATED: SEPTEMBER 4, 2015

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Brian A. Maher on behalf of the staff of the Florida Public Service Commission was electronically filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished to the following by electronic mail, on this 4th day of September, 2015.

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