$550,000,000

AEP Texas Central Company

(a Texas corporation, formerly Central Power and Light Company)

$275,000,000 5.50% Senior Notes, Series A due 2013
$275,000,000 6.65% Senior Notes, Series B due 2033

This is an offering by AEP Texas Central Company (Texas Central), a Texas corporation, formerly Central Power and Light Company, of $275,000,000 aggregate principal amount of its 5.50% Senior Notes, Series A due 2013 (the 2013 Notes) and $275,000,000 aggregate principal amount of its 6.65% Senior Notes, Series B due 2033 (the 2033 Notes, together with the 2013 Notes, the Notes). Interest on each series of the Notes is payable on February 15 and August 15 of each year, beginning on August 15, 2003. We may redeem all or part of the Notes at any time at a make whole redemption price, together with accrued and unpaid interest to the redemption date. For more information on the redemption provisions, see ''DESCRIPTION OF THE NOTES'' herein. The Notes are unsecured and rank equally with all of our other unsecured and unsubordinated indebtedness and will be effectively subordinated to all of our secured debt, including approximately $152,000,000 of first mortgage bonds as of December 31, 2002. The Notes are not subject to any sinking fund.

We currently operate as a functionally separated electric utility company and no longer charge bundled rates for our retail sales of electricity. The State of Texas has enacted restructuring legislation which requires the legal separation of our generation and retail-related assets from our electric transmission and distribution assets. We have sought regulatory approval to legally separate our generation-related assets from our transmission and distribution assets pursuant to such Texas legislation. For more information on our recent actions relating to the transfer or sale of our generation-related assets, see ''AEP TEXAS CENTRAL COMPANY — Texas Central Restructuring'' herein. When we legally separate (whether or not the generation-related assets constitute ''substantially all'' of our total assets), the Notes will continue to be the obligations of Texas Central. For more information on the current functional separation of and the anticipated legal separation of Texas Central, see ''AEP TEXAS CENTRAL COMPANY'' herein.

We have agreed to file an exchange offer registration statement or, under certain circumstances, a shelf registration statement pursuant to a registration rights agreement. If we fail to comply with some of our obligations under the registration rights agreement, we will be required to pay additional interest on each series of Notes. For more information on the registration rights agreement, see ''EXCHANGE OFFER AND REGISTRATION RIGHTS'' herein.

Investing in the Notes involves risks. See the section entitled ''RISK FACTORS,'' beginning on page 10 of this offering memorandum for more information.

	Price to Investors*	Discounts to Initial Purchasers	Proceeds to Texas Central (before expenses)**
Per 2013 Note	99.621%	0.650%	98.971%
Total 2013 Notes	$273,957,750	$ 1,787,500	$272,170,250
Per 2033 Note	99.512%	0.875%	98.637%
Total 2033 Notes	$273,658,000	$ 2,406,250	$271,251,750

* Plus accrued interest, if any, from February 18, 2003, if settlement is after that date.

** Texas Central has agreed to pay certain expenses of the initial purchasers. See ''PLAN OF DISTRIBUTION'' herein.

The Notes are being sold only to ''qualified institutional buyers'' under Rule 144A under the Securities Act of 1933, as amended (Securities Act), to institutional ''accredited investors,'' as defined under Rule 501(a)(1), (2), (3) or (7) under the Securities Act, and to non-U.S. persons under Regulation S under the Securities Act. The Notes have not been registered under the Securities Act; therefore, they are subject to certain restrictions on resale described in this offering memorandum under the heading ''NOTICE TO INVESTORS.''

The initial purchasers expect to deliver the Notes on or about February 18, 2003 through the facilities of The Depository Trust Company.

Joint Book-Running Lead Managers

Lehman Brothers **Salomon Smith Barney**

Joint Lead Manager

Banc of America Securities LLC

ABN AMRO Incorporated
Banc One Capital Markets, Inc.
Barclays Capital
BNY Capital Markets, Inc.
McDonald Investments Inc.
TD Securities
UBS Warburg

The date of this offering memorandum is February 12, 2003

Table of Contents

Page

You should rely only on the information contained in this offering memorandum. Neither Texas Central nor the initial purchasers have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither Texas Central nor the initial purchasers are making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum. Texas Central's business profile, financial condition, results of operations and prospects may have changed since that date.

This offering memorandum is a confidential document. Texas Central is providing it only to prospective purchasers of the Notes. You should read this offering memorandum before deciding whether to purchase the Notes. Texas Central has not authorized the use of this offering memorandum for any other purpose. You may not copy or distribute this offering memorandum in whole or in part to anyone without Texas Central's prior consent or the prior consent of the initial purchasers.

The initial purchasers have made no representation or warranty, express or implied, as to the accuracy or completeness of information Texas Central has provided, and you may not rely on anything contained in this offering memorandum as a promise or representation by the initial purchasers as to Texas Central's past or future results. The initial purchasers have not independently verified any information Texas Central has provided and assume no responsibility for the accuracy or completeness of such information.

In connection with this offering, the initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the market price of the Notes, including over-allotment, stabilizing and syndicate short-covering transactions. Such transactions, if commenced, may be discontinued at any time. For a description of these activities, see "PLAN OF DISTRIBUTION" in this offering memorandum.

In making an investment decision regarding the Notes, you must rely on your own examination of Texas Central, the terms of this offering and the terms of the Notes, including the merits and risks involved. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of Notes.

This offering memorandum contains summaries of certain documents that Texas Central believes are accurate. Texas Central refers you to the actual documents for a more complete understanding of what is discussed in this offering memorandum, and Texas Central qualifies all summaries by this reference.

You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase the Notes. Neither Texas Central nor any initial purchaser is responsible for your compliance with these legal requirements.

Texas Central is making this offering in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of the Notes in the United States that do not involve a public offering. The Notes have not been approved or disapproved by the Securities and Exchange Commission (SEC) or any other federal, state or foreign securities authority, and neither the SEC nor any other of these authorities has determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The Notes are subject to restrictions on transfer and resale, which are described in the "NOTICE TO INVESTORS" section of this offering memorandum. By purchasing any of the Notes, you will be deemed to have represented and agreed to all of the provisions contained in that section of this offering memorandum. You may be required to bear the financial risks of your investment in the Notes for an indefinite period of time.

You should contact the initial purchasers with any questions about this offering or if you require additional information to verify the information contained in this offering memorandum. By purchasing any Note, you will be deemed to have acknowledged that you have reviewed this offering memorandum; that you have had an opportunity to request any additional information that you need from Texas Central or the initial purchasers; and that the initial purchasers are not responsible for, and are not making any representation to you concerning, Texas Central's future performance or the accuracy or completeness of this offering memorandum.

SEC REVIEW

In the course of a review by the staff of the SEC of the registration statement for the exchange offer referred to in this offering memorandum, it is likely that changes will be made to the description of Texas Central's business and other information and financial data provided in this offering memorandum. While Texas Central believes that the financial and other information included in this offering memorandum has been prepared in a manner generally consistent, in all material respects, with current practice, Texas Central cannot assure you that comments received from the staff of the SEC on the registration statement that is filed for the exchange offer will not require significant modification or reformulation of such information as presented in the registration statement.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes Annotated, 1955, as amended ("RSA"), with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State that any document filed under such RSA Chapter 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum and the documents it incorporates by reference contain statements that are not historical fact and constitute "forward-looking statements." When we use words like "believes," "expects," "anticipates," "intends," "plans," "estimates," "may," "should" or similar expressions, or when we discuss our strategy or plans, we are making forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results may differ materially from those expressed in these forward-looking statements. Although Texas Central believes that in making any such forward-looking statements its expectations are based on reasonable assumptions, such forward-looking statements involve uncertainties and are qualified in their entirety by reference to the following important factors, among others, that could cause Texas Central's actual results to differ materially from those projected in such forward-looking statements:

- Implementation of legislation passed by the Texas legislature to restructure the electric utility industry in Texas, including the determination of stranded costs for generation-related assets;
- Abnormal weather conditions;
- Available sources of fuels;
- The speed and degree to which competition is implemented in our markets;
- New legislation and government regulation, oversight and/or investigation of the energy sector or its participants;
- Our ability to successfully control our costs;
- Availability of generating capacity;
- The economic climate and growth in our service territory and changes in market demand and demographic patterns;
- Inflationary trends;
- Changes in electricity and gas market prices;
- Changes in interest rates;
- Liquidity in the banking, capital and wholesale power markets;
- Actions of rating agencies;
- Changes in technology, including the increased use of distributed generation within our transmission and distribution service territory; and
- Other risks and unforeseen events.

You are cautioned not to rely unduly on any forward-looking statements. These risks and uncertainties are discussed in more detail under "RISK FACTORS" and "AEP TEXAS CENTRAL COMPANY" included herein and "Business" and "Management's Discussion and Analysis" in our Annual Report on Form 10-K for the year ended December 31, 2001, in our Quarterly Reports on Form 10-Q for the periods ended March 31, 2002, June 30, 2002 and September 30, 2002, our Current Report on Form 8-K dated November 18, 2002 and our Current Report on Form 8-K/A dated November 26, 2002, and other documents on file with the SEC. You may obtain copies of these documents as described under "WHERE YOU CAN FIND MORE INFORMATION."

SUMMARY

This summary highlights the information contained elsewhere in or incorporated by reference into this offering memorandum. Because this is only a summary, it does not contain all of the information that may be important to you. For a more complete understanding of this offering, we encourage you to read this entire offering memorandum and the documents to which we refer you. You should read the following summary together with the more detailed information and consolidated financial statements and the notes to those statements included elsewhere in or incorporated by reference into this offering memorandum.

In this offering memorandum, except as otherwise indicated, "Texas Central," "we," "our," and "us" refer to AEP Texas Central Company, a Texas corporation, formerly Central Power and Light Company, but not to the initial purchasers named on the front cover page of this offering memorandum.

AEP Texas Central Company

Overview

AEP Texas Central Company (Texas Central), formerly Central Power and Light Company, is a wholly owned subsidiary of American Electric Power Company, Inc. (AEP), engaged in the transmission and distribution of electricity in its service territory located in southern Texas and in the generation and sale of electricity in the Electric Reliability Council of Texas (ERCOT). ERCOT is an intrastate network of retail customers, investor and municipally owned electric utilities, rural electric cooperatives, river authorities, independent generators, power marketers and retail electric providers. The entire service territory of Texas Central is located in ERCOT. ERCOT's control area consists of the State of Texas other than a portion of the panhandle and a portion of the eastern part of the state bordering Louisiana.

The State of Texas has enacted electricity restructuring legislation Senate Bill 7 (SB7), which requires the legal separation of generation and retail-related assets from transmission and distribution assets. In May 2000, Texas Central and certain affiliates filed a business separation plan with the Public Utility Commission of Texas (PUCT), which, after certain revisions, was subsequently approved by the PUCT and will be implemented upon final regulatory approval by the SEC, which remains pending.

Currently, Texas Central's operations are:

- **Electric Distribution** - Through retail electric providers (REPs) owned by third parties, Texas Central provides distribution service to approximately 700,000 retail customers in southern Texas. Texas Central's service territory includes 44 counties and covers approximately 44,000 square miles. Distribution services are provided under tariffs approved by the PUCT.

- **Electric Transmission** - Texas Central's electric transmission business provides non-discriminatory wholesale open access transmission service in ERCOT. ERCOT is an independent system operator wholly within the State of Texas and subject to the jurisdiction of the PUCT. Texas Central charges for the use of its transmission system to deliver power under tariffs approved by the Federal Energy Regulatory Commission (FERC) consistent with the transmission rules of the PUCT.

- **Electric Generation** -Texas Central owns 4,497 MW of generating capability including 630 MW of nuclear generation, 686 MW of coal-fired generation, 6 MW of hydro generation and 3,175 MW of natural gas-fired generation. A number of Texas Central's generation assets are jointly owned with third parties. In October 2002, AEP received approval from the PUCT to mothball four gas-fired generation plants with a combined capacity of 1,721 MW. In

December 2002, Texas Central filed a plan of divestiture to sell all of its generation assets in order to measure their market value for purposes of determining stranded costs, as described under "AEP TEXAS CENTRAL COMPANY—Stranded Cost Component."

Texas Central is subject to regulation by the SEC under the Public Utility Holding Company Act of 1935 (1935 Act) as a utility owned by an electric holding company registered under the 1935 Act. Texas Central's transmission and distribution rates and services are regulated by the PUCT and the FERC. In addition, Texas Central is also subject to regulation by various federal, state and local governmental agencies.

Texas Restructuring

Signed into law in June of 1999, SB7 substantially amended the regulatory structure governing electric utilities in Texas in order to allow retail electric competition for all customers. SB7 gave Texas customers the opportunity to choose their REP beginning January 1, 2002, provided a "price to beat" for residential and small commercial customers and required each utility to legally separate into a REP, a power generation company, and a transmission and distribution utility. Under SB7, neither the power generation company nor the REP is subject to traditional cost of service regulation. The transmission and distribution utility remains subject to traditional utility rate regulation by the FERC and the PUCT.

Under SB7, a REP, obtains its electricity from power generation companies, exempt wholesale generators and other generating entities and provides services at generally unregulated rates, except that the prices that may be charged to residential and small commercial customers by REPs affiliated with a utility within the affiliated utility's service area are set by the PUCT until certain conditions in SB7 are met. This set price is referred to as the "price to beat" rate (PTB).

The PTB rate was required to be offered by an affiliate REP to all residential and small commercial customers (with a peak usage of less than 1,000 KW) effective January 1, 2002. The initial PTB was a rate 6% below bundled rates in effect on January 1, 1999 adjusted for any changes in fuel costs as of December 31, 2001. The PTB must be offered to residential and small commercial customers until January 1, 2007. Customers with a peak usage of more than 1,000 KW do not receive the protection of the PTB.

Under SB7, transmission and distribution utilities in Texas whose generation assets were unbundled pursuant to Texas electric restructuring law may recover generation-related regulatory assets and generation-related stranded costs. Recoverable regulatory assets consist of the Texas jurisdictional amount of regulatory assets and liabilities in the audited financial statements as of December 31, 1998, and net stranded costs consist of the positive excess of the net regulated book value of generation assets over the market value of those assets, taking specified factors into account. For more information on stranded costs and regulatory asset recovery, see "AEP TEXAS CENTRAL COMPANY—Regulatory Assets and Stranded Costs Recovery."

While customer choice in the non-ERCOT portion of Texas has been delayed either by legislative mandate or order of the PUCT, customer choice in ERCOT has demonstrated some success. As of December 2002, well over 500,000 customers have switched to competitive REPs. In the large commercial and industrial markets, more that 80% of these customers are purchasing their power under a competitive contract.

Texas Central Restructuring

SB7 required each Texas utility to submit a plan to legally separate its business activities into a REP, a power generation company and a transmission and distribution utility. Pursuant to SB7, Texas Central and certain affiliates filed a business separation plan (the Business Separation Plan) which, after certain revisions, was approved by the PUCT in February 2002. The Business Separation Plan will be implemented upon final regulatory approval by the SEC which is currently pending. The Business Separation Plan provides for the legal transfer of Texas Central's generation-related assets to an affiliate, the formation of various REPs, including CPL Mutual Energy LLC (Mutual Energy), and the establishment of Texas Central as the transmission and distribution utility.

In accordance with the Business Separation Plan, Mutual Energy was sold in December 2002 to Centrica plc (Centrica). Additionally, in December 2002, Texas Central filed a divestiture plan with the PUCT proposing to sell its generation assets in order to accurately determine its stranded costs in accordance with SB7. For more information on actions taken by Texas Central to comply with the Business Separation Plan, see "AEP TEXAS CENTRAL COMPANY—Texas Central Restructuring."

The Offering

The following summary contains basic information about this offering. It may not contain all the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire offering memorandum, including "DESCRIPTION OF THE NOTES" and the documents referred to in this offering memorandum.

Issuer	AEP Texas Central Company (formerly Central Power and Light Company).
The Notes	$275,000,000 principal amount of 5.50% Senior Notes, Series A due 2013 and $275,000,000 principal amount of 6.65% Senior Notes, Series B due 2033.
Maturity	February 15, 2013 for 2013 Notes and February 15, 2033 for 2033 Notes.
Interest Rate	5.50% per annum for 2013 Notes and 6.65% per annum for 2033 Notes.
Interest Payment Dates	February 15 and August 15 of each year, beginning on August 15, 2003.
Legal Separation	The State of Texas has enacted restructuring legislation which requires the legal separation of our generation-related assets (Generation-Related Business) from our electric transmission and distribution-related assets. The Notes will continue to be the obligations of Texas Central even if our Generation-Related Business is transferred or sold, whether or not our Generation-Related Business constitutes "substantially all" of our total assets. See "DESCRIPTION OF THE NOTES—Consolidation, Merger or Sale."
Ranking	The Notes are unsecured and will rank equally with all our unsecured and unsubordinated indebtedness and will be effectively subordinated to all of our secured debt, including approximately $152,000,000 of first mortgage bonds as of December 31, 2002.
Ratings	It is anticipated that the Notes will be assigned a rating of Baa2 (stable outlook) by Moody's Investors Service, Inc. (Moody's), BBB+ (CreditWatch with negative implications) by Standard & Poor's Ratings Service (S&P) and A- (stable outlook) by Fitch Ratings, Inc. (Fitch). Ratings from credit agencies are not recommendations to buy, sell or hold our securities and may be subject to revision or withdrawal at any time by the rating agency and should be evaluated independently of any other ratings. For information on recent activity by Moody's and S&P, see "RECENT RESULTS OF OPERATIONS; RECENT DEVELOPMENTS."
Optional Redemption	We may redeem the Notes of each series at any time, in whole or in part, at a "make whole" redemption price equal to the greater of (1) the principal amount being redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed, discounted to the redemption date on a

	semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in "DESCRIPTION OF THE NOTES"), plus 25 basis points in the case of the 2013 Notes and 30 basis points in the case of the 2033 Notes, plus in each case accrued and unpaid interest to the redemption date.
Consolidation, Merger or Sale....	We may merge or consolidate with any corporation or sell all or substantially all of our assets as an entirety as long as the successor or purchaser expressly assumes the payment of principal, premium, if any, and interest on the Notes; provided, however, that if our Generation-Related Business is transferred or sold (whether or not the Generation-Related Business constitutes "substantially all" of our total assets), the Notes will continue to be the obligations of Texas Central. See "DESCRIPTION OF THE NOTES—Consolidation, Merger or Sale."
Limitation on Secured Debt.....	Subject to certain permitted issuances, so long as any of the Notes are outstanding, we will not create or permit to be created or to exist or permit any of our subsidiaries to create or to permit to exist any additional mortgage, pledge, security interest, or other lien on any utility properties or tangible assets now owned or hereafter acquired by us or our subsidiaries to secure any indebtedness for borrowed money, without providing that the outstanding Notes will be similarly secured. See "DESCRIPTION OF THE NOTES – Limitation on Secured Debt."
Use of Proceeds	The net proceeds from the sale of the Notes will be used for general corporate purposes, including the repayment of advances from affiliates. Our affiliates will use a significant portion of these proceeds to repay the remaining outstanding portion of AEP's $1.725 billion corporate separation credit facility. As a result, affiliates of each of the initial purchasers, as lenders to our affiliates, would ultimately receive a significant portion of the net proceeds of the offering of the Notes. Any remaining proceeds after giving effect to the aforementioned repayments will be used for general corporate purposes. For more information, see "USE OF PROCEEDS."
Exchange Offer; Registration Rights.....	We will use our reasonable best efforts to commence a registered exchange offer within 270 calendar days after the issuance of the Notes. If (1) the exchange offer registration statement is not filed with the SEC on or before the 210th calendar day after the issuance of the Notes, (2) the exchange offer registration statement is not declared effective on or before the 270th calendar day after the issuance of the Notes, or (3) the exchange offer is not consummated (or a shelf registration statement is not declared effective) on or before the 300th calendar day after issuance of the Notes, then the interest rate on the Notes will increase as described under "EXCHANGE OFFER AND REGISTRATION RIGHTS."
Form and Denomination	Notes sold to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in reliance upon Rule 144A under the Securities Act will be represented by a global certificate deposited

	with, or on behalf of, The Depository Trust Company (DTC) or its nominee. Notes sold in reliance on Regulation S under the Securities Act will be represented by a separate global certificate deposited with, or on behalf of, DTC or its nominee. Institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are not qualified institutional buyers will receive Notes in certificated form and may not hold Notes through the book-entry facilities of DTC. For more information, see "DESCRIPTION OF THE NOTES – Book-Entry Notes – Registration, Transfer and Payment of Interest and Principal." The Notes will be denominated in U.S. dollars and we will pay principal and interest in U.S. dollars. The Notes of each series will be issuable in denominations of $1,000 or any integral multiples of $1,000 in excess thereof except that Notes issued to institutional "accredited investors" will be in denominations of at least $250,000.
Resale and Transfer Restrictions	The Notes will be sold: • in the United States to qualified institutional buyers pursuant to transactions exempt from registration under the Securities Act; • in offshore transactions complying with Regulation S under the Securities Act; • to institutional "accredited investors" within the meaning of Rule 501(a) (1), (2), (3) or (7) under the Securities Act. The Notes have not been registered under the Securities Act. Resales and transfers of the Notes may be made only in accordance with Rule 144A under the Securities Act or another applicable exemption from registration under the Securities Act. See "NOTICE TO INVESTORS."
Trustee	Bank One, N.A.
Governing Law	The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Summary Consolidated Historical Financial Data

The following tables present our summary consolidated historical financial data. The data presented in these tables are from "SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA," included elsewhere in this offering memorandum. You should also read the summary consolidated financial data presented below in conjunction with "Management's Discussion and Analysis," our audited and unaudited consolidated financial statements and related notes and other financial information contained in our Annual Report on Form 10-K for the year ended December 31, 2001, our Quarterly Reports on Form 10-Q for the periods ended March 31, 2002, June 30, 2002 and September 30, 2002, our Current Report on Form 8-K dated November 18, 2002 and our Current Report on Form 8-K/A dated November 26, 2002, which we incorporate by reference in this offering memorandum. See "WHERE YOU CAN FIND MORE INFORMATION." The historical financial information may not be indicative of our future performance.

	Nine Months Ended September 30, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
		(in thousands)	
INCOME STATEMENT DATA:			
Operating Revenues	$ 1,185,561	$ 1,738,837	$ 1,770,402
Depreciation and Amortization	165,012	168,341	178,786
Other Operating Expenses (excluding Depreciation and Amortization and Income Taxes)	705,129	1,161,869	1,184,059
Total Operating Expenses	870,141	1,330,210	1,362,845
Operating Income	315,420	408,627	407,557
Other Income (net)	1,188	4,926	2,162
Earnings Before Interest and Taxes	316,608	413,553	409,719
Interest	89,830	116,268	124,766
Income Taxes	75,415	112,498	95,386
Extraordinary Loss on Reacquired Debt	—	(2,509)	—
Net Income	$ 151,363	$ 182,278	$ 189,567

	As of September 30, 2002	As of December 31, 2001	As of December 31, 2000
		(in thousands)	
BALANCE SHEET DATA:			
Electric Utility Plant	$ 5,410,220	$ 5,769,707	$ 5,592,444
Accumulated Depreciation and Amortization	2,199,635	2,446,027	2,297,189
Net Electric Utility Plant	$ 3,210,585	$ 3,323,680	$ 3,295,255
Total Assets	$ 5,253,886	$ 5,115,986	$ 5,467,684
Advances from Affiliates	$ 552,648	$ 354,277	$ 269,712
Current Liabilities (excluding Advances from Affiliates, Short-Term Debt and Long-Term Debt due within one year)	402,804	543,404	777,813
Noncurrent Liabilities	1,412,197	1,422,235	1,445,026
Short-Term Debt–Affiliated	200,000	—	—
Long-Term Debt (a)(b)	1,494,211	1,253,768	1,454,559
Preferred Stock	142,191	142,217	154,467
Common Shareholder's Equity	1,049,835	1,400,085	1,366,107
Total Capitalization and Liabilities	$ 5,253,886	$ 5,115,986	$ 5,467,684

	Nine Months Ended September 30, 2002	Year Ended December 31, 2001	2000
		(in thousands, except ratios)	
OTHER FINANCIAL DATA:			
EBITDA (c)	$ 481,620	$ 581,894	$ 588,505
EBITDA excluding Securitization Debt (c)	401,191	581,894	588,505
Ratio of Earnings to Fixed Charges (d)	3.08	3.40	3.17
Ratio of Earnings to Fixed Charges excluding Securitization Debt (d)(e)	3.87	3.40	3.17
(a) Includes Long-Term Debt due within one year:	$ 123,087	$ 265,000	$ 200,000
(b) Includes Securitization Debt:	$ 796,628	$ —	$ —

(c) EBITDA is defined as the measurement of earnings before interest, preferred dividends, taxes, depreciation of fixed assets and amortization. EBITDA should not be considered a substitute for net income or cash flows as indicators of financial performance or a company's ability to generate liquidity. EBITDA as presented may not be comparable to other similarly titled measures used by other companies.

(d) For purposes of computing the ratios of earnings to fixed charges, (i) earnings consists of income before provision for income taxes and fixed charges and (ii) fixed charges consist of interest expense, amortization of debt expense, and pretax preferred stock dividend requirements. All ratios of earnings to fixed charges are presented for a twelve month period ended.

(e) This ratio is computed in the same manner as the ratio of earnings to fixed charges described in footnote (d) above, as adjusted to exclude those charges associated with the securitization bonds issued by a subsidiary of Texas Central.

Recent Results of Operations; Recent Developments

For the year ended December 31, 2002, the unaudited consolidated "Operating Revenues," "Operating Income," and "Net Income" of Texas Central were approximately $1.69 billion, $528 million and $273 million, respectively. In the opinion of the management of Texas Central, the above unaudited consolidated amounts for the year ended December 31, 2002 reflect all adjustments necessary to present fairly the results of operations for such period.

On January 24, 2003, S&P placed our ratings, the ratings of our parent, AEP, and the ratings of AEP's other subsidiaries on CreditWatch with negative implications. S&P's current rating is BBB+ on our senior unsecured debt and is A-2 on AEP's commercial paper. S&P's announcement stated that the CreditWatch listing is expected to be resolved within a short time.

On February 10, 2003, Moody's downgraded their ratings on our senior unsecured debt to Baa2 (with stable outlook) from Baa1 and AEP's commercial paper rating to P-3 (with stable outlook) from P-2.

RISK FACTORS

You should carefully consider the risks described below as well as other information contained in this offering memorandum before buying the Notes in this offering. The risks described in this section are those that we consider to be the most significant to your decision whether to invest in our Notes. If any of the events described below occurs, our business, financial condition or results of operations could be materially harmed. In addition, we may not be able to make payments on the Notes and this could result in your losing all or part of your investment.

RISKS RELATED TO OUR REGULATED BUSINESS AND EVOLVING REGULATION

We operate in a non-uniform and fluid regulatory environment.

The restructuring legislation of Texas requires vertically integrated utilities to legally separate their generation and retail-related assets from their transmission and distribution related assets. Accordingly, we submitted the Business Separation Plan with the PUCT that was ultimately approved in February 2002. We have received all necessary regulatory approvals with the exception of the SEC, which is still pending. Additionally, the Nuclear Regulatory Commission (NRC) will have to approve the transfer of our interest in the South Texas Project Nuclear Plant (STP) to a non-affiliate as contemplated in our December 2002 application to the PUCT seeking approval to divest our generation assets. The Business Separation Plan is based on the regulatory framework as described under "AEP TEXAS CENTRAL COMPANY—Texas Restructuring" and assumes that deregulated generation will not be re-regulated. There can be no assurance that Texas will not reverse such policies. In addition to the multiple levels of regulation at the state level in which we operate, our business is subject to extensive federal regulation. There can be no assurance that recent federal legislative and regulatory initiatives which have generally facilitated competition in the energy sector will continue or will not be reversed. Further alteration of the regulatory landscape in which we operate will impact the effectiveness of the Business Separation Plan and may, because of the continued uncertainty, harm our financial condition and results of operations.

There is uncertainty as to our recovery of deferred fuel balances and stranded costs.

The PUCT review and reconciliation of retail fuel clause recovery was eliminated in the ERCOT area of Texas effective January 1, 2002. On December 2, 2002 Texas Central filed a final fuel reconciliation plan with the PUCT to reconcile its fuel costs for the period July 1, 1998 through December 31, 2001. The ultimate recovery of deferred fuel balances at December 31, 2001 will be decided as part of PUCT-required true-up proceedings in 2004 (the 2004 true-up proceeding). If the final under-recovered fuel balances or any amounts incurred but not yet reconciled are disallowed, it would harm our financial condition and diminish our results of operations. We have reported in a fuel reconciliation that we filed with the PUCT an over-recovery of fuel and related costs of $63.5 million out of a total $1.6 billion in fuel expenses collected by us. The PUCT has yet to act on our filing.

As a part of restructuring in Texas, electric utilities are allowed to recover stranded generation costs including generation-related regulatory assets. Texas Central included regulatory assets not approved for securitization in its request for recovery of $1.1 billion of stranded costs. In a 1997 Texas Central PUCT rate proceeding, $800 million of nuclear unit costs included in property, plant and equipment-electric and regulatory assets on the consolidated balance sheets was determined to be excess cost over market (ECOM). The PUCT provided for a lower return on ECOM assets and ECOM assets are being amortized on an accelerated basis for rate-making purposes. After hearings on the issue of stranded costs in a proceeding to establish restructured rates for Texas Central, the PUCT ruled in October 2001 that its current estimate of Texas Central's stranded costs was negative $615 million. We have appealed the PUCT's ruling to the Travis County District Court.

The final amount of stranded costs will be established by the PUCT in the 2004 true-up proceeding. Texas Central filed a plan of divestiture with the PUCT in December 2002 seeking approval of the process for selling its generation assets. In order to use the sale of assets valuation method, Texas Central must sell all of its generating assets including its interest in the STP nuclear generating facility. In the plan of divestiture, Texas Central has requested the issuance of a declaratory order by the PUCT that the sale of assets valuation methodology may be used to determine the market value of STP for purposes of determining stranded costs. The Staff of the PUCT and other parties to the divestiture plan have filed motions to dismiss the filing as seeking an impermissible advisory opinion from the PUCT. Texas Central believes that the PUCT has the authority to issue a declaratory order ruling that the market value of STP can be determined through the sale of assets for calculating stranded costs. If the PUCT does not issue a determination on whether the sale of assets methodology can be used to determine the market value of STP or the PUCT determines that the sale of assets methodology cannot be used to determine market value of STP, Texas Central intends to pursue the use of a combination of other market valuation methods. Texas Central also requested that its 2004 true-up proceeding be scheduled after the divestiture of its generation assets is completed, currently anticipated to be mid-year 2004. The amount of stranded costs under this methodology will be the amount by which the net book value of Texas Central's generating assets including regulatory assets and liabilities that were not securitized exceed the market value of the generation assets as measured by the net proceeds from the sale of assets.

If Texas Central's total stranded costs determined in the 2004 true-up proceeding are less than the amount of securitized regulatory assets, the PUCT can implement an offsetting credit to transmission and distribution rates charged for transmission and distribution service. An offsetting credit, if imposed, would limit our recovery of regulatory assets and may harm our results of operations and financial condition.

Management believes that Texas Central will have stranded costs in 2004, and that the current treatment of excess earnings will be amended at that time. In addition to our appeal of the PUCT's estimate of stranded costs and refund of excess earnings to the Travis County District Court, unaffiliated parties also appealed the PUCT's refund order contending the entire $615 million of negative stranded costs should be refunded presently. Management is unable to predict the outcome of this litigation. An unfavorable ruling would harm our results of operations, cash flows and possibly financial condition.

The corporate separation plans AEP has submitted to comply with the Texas unbundling laws may not be approved.

Texas has enacted laws that generally require the legal separation of previously vertically integrated electric utilities into non-regulated and regulated components. AEP has filed requests with the FERC and SEC to complete our corporate separation plan to separate our regulated and non-regulated businesses. Significant portions of those requests incorporate the separation plans which have been approved in Texas to bring us into compliance with SB7. Certain industrial and wholesale customers and state utility commissions intervened to oppose our corporate separation filings at the FERC. A settlement agreement was reached and approved by the FERC on September 26, 2002. SEC approval, however, remains pending. In September 2002, the Arkansas Public Service Commission intervened at the SEC, which may extend the length of time needed for the SEC review. We can give no assurance that the SEC (i) will approve AEP's restructuring application, or (ii) will not impose material adverse terms as a condition to its approval of AEP's restructuring application.

We are subject to additional costs due to transmission congestion that we cause.

The ERCOT independent transmission operator imposes transmission congestion charges when the scheduling of power from our facilities creates congestion requiring the redispatch of scheduled power flows in ERCOT. Power schedules are submitted to the ERCOT independent transmission operator on an hourly basis. When power cannot be delivered as scheduled as a result of congestion on the transmission network in ERCOT, ERCOT makes payments to generators in ERCOT to either decrease generation or increase generation. The resulting payments are assigned to the entities whose scheduled power flows resulted in

congestion on the transmission system. We are subject to financial risk for the payment of transmission congestion charges imposed by ERCOT.

The merger of AEP with our parent, Central and South West Corporation (CSW), may ultimately be found to violate the 1935 Act.

AEP acquired CSW in a merger completed on June 15, 2000. Among the more significant assets AEP acquired as a result of the merger were four additional domestic electric utility companies, including Texas Central. On January 18, 2002, the U.S. Court of Appeals for the District of Columbia ruled that the SEC's June 14, 2000 order approving the merger failed to properly find that the merger meets the requirements of the 1935 Act and sent the case back to the SEC for further review. Specifically, the court told the SEC to revisit its conclusion that the merger met the 1935 Act requirement that the electric utilities be "physically interconnected" and confined to a "single area or region."

We believe that the merger meets the requirements of the 1935 Act and expect the matter to be resolved favorably. We intend to fully cooperate with the staff of the SEC in supplementing the record, if necessary, to ensure the merger complies with the 1935 Act. We can give no assurance, however, that: (i) the SEC or any applicable court review will find that the merger complies with the 1935 Act, or (ii) the SEC or any applicable court review will not impose material adverse conditions on us in order to find that the merger complies with the 1935 Act. If the merger were ultimately found to violate the 1935 Act, it may require remedial actions or asset divestitures which may harm our results of operations or financial condition.

We are operating in a new market environment which is continuing to change.

The retail competitive electric market in Texas began in January 2002. Texas Central, the PUCT, ERCOT and other market participants have experienced numerous operational problems as the new retail competitive market has started. These difficulties include delays in the switching of some customers from one REP to another and delays in billing customers. These difficulties create uncertainty as to the amount of transmission and distribution charges owed by each REP, which may cause payment of those amounts to be delayed. In addition, the PUCT has revised rules governing the retail competitive market or is in the process of reviewing competition rules that could impact our transmission and distribution operations. To date these difficulties have not been material. However, these operating difficulties could become material requiring structural changes to address these difficulties which ultimately could harm our revenues and results of operations.

RISKS RELATED TO OUR TRANSMISSION AND DISTRIBUTION BUSINESSES

Collection of our revenues is concentrated in a limited number of REPs.

Our revenues from the distribution of electricity are collected from REPs that supply the electricity we distribute to their customers. Currently, we do business with approximately 31 REPs. Adverse economic conditions, structural problems in the new Texas market or financial difficulties of one or more REPs could impair the ability of these REPs to pay for our services or could cause them to delay such payments. We depend on these REPs for timely remittance of payments. Any delay or default in payment could adversely affect the timing and receipt of our cash flows thereby have an adverse effect on our liquidity. We anticipate that more than half of our revenues from REPs for 2002 will come from Mutual Energy, our formerly affiliated REP, that was sold to an affiliate of Centrica in December 2002.

Our historical financial results as the unincorporated electric transmission and distribution division of Texas Central are not representative of our expected future results.

We have limited experience operating as a transmission and distribution utility in a deregulated electricity market in which we are subject to rate regulation. The pro forma financial information we have included in this offering memorandum does not necessarily reflect what our financial position, results of

operations and cash flows would have been had we been a separate transmission and distribution subsidiary during the periods presented. Although our transmission and distribution operations will have had an operating history at the time of the transfer or sale of our generation assets, the pro forma financial information relating to these operations reflects the transmission and distribution of electricity as part of an integrated utility in a regulated electricity market. We may experience significant changes in our cost structure, funding and operations as a result of the transfer or sale of our generation assets and/or operating on a legally separated basis, including increased costs associated with reduced economies of scale.

Regulation of transmission and distribution rates may delay or deny our full recovery of our costs.

Our rates are regulated by the PUCT based on an analysis of our expenses forecasted for 2002. Thus, the rates we are allowed to charge may or may not match our expenses at any given time. While rate regulation in Texas is premised on providing a reasonable opportunity to earn a reasonable rate of return on invested capital, there can be no assurance that the PUCT will judge all of our costs to have been prudently incurred or that the regulatory process in which rates are determined will always result in rates that will produce full recovery of our actual costs.

Transmission and distribution revenues and results of operations are seasonal.

A portion of our revenues is derived from rates that we collect from each REP based on the amount of electricity we distribute on behalf of each REP. Thus, our revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity usage.

Transmission and distribution revenues and results of operations are subject to risks that are beyond our control.

The cost of repairing damage to our facilities due to storms, natural disasters, wars, terrorist acts and other catastrophic events, in excess of reserves established for such repairs, may harm our revenues, operating and capital expenses and results of operations.

Technological change may make alternative energy sources more attractive and may adversely affect our revenues and results of operations.

The continuous process of technological development may result in the introduction to retail customers of economically attractive alternatives to purchasing electricity through our distribution facilities. Manufacturers of self-generation facilities continue to develop smaller-scale, more-fuel-efficient generating units that can be cost-effective options for retail customers with smaller electric energy requirements. Any reduction in the amount of electric energy we distribute as a result of these technologies may have an adverse impact on our results of operations and financial condition.

RISKS RELATED TO OUR GENERATION BUSINESS

In December 2002, we filed a plan of divestiture with the PUCT proposing to sell all of our power generation assets, including our ownership interest in STP. Divestiture of our interest in STP to a non-affiliate will require NRC approval. We are selling these assets to accurately determine our level of stranded costs. We can give no assurance as to regulatory approval of our divestiture plan. The following risk factors appearing under this subheading should be read in light of these facts.

We may not be able to respond effectively to competition.

We may not be able to respond in a timely or effective manner to the many changes in the power industry that may occur as a result of regulatory initiatives to increase competition. These regulatory initiatives may include changes in the structure of the deregulated electricity market in Texas. To the extent that competition increases, our profit margins may be negatively affected. Industry deregulation and

privatization may not only continue to facilitate the current trend toward consolidation in the utility industry but may also encourage the disaggregation of other vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional competitors in our industry may be created, and we may not be able to maintain our revenues and earnings levels.

While demand for power is generally increasing throughout the United States, the rate of construction and development of new, more efficient electric generation facilities has exceeded increases in demand in the ERCOT electric market. The start-up of new facilities in the ERCOT market in which we have facilities could increase competition in the wholesale power market in that region, which could harm our business, results of operations and financial condition. Texas Central has placed four gas plants in long-term storage in response to low market prices in the ERCOT market. Four other gas plants are currently operating pursuant to contracts with ERCOT that provide for the cost of operating those units. ERCOT uses the generation from these contracts to maintain system reliability. However, these contracts expire at the end of 2003 and may not be extended depending on reliability assessment of the ERCOT independent system operator.

We are exposed to nuclear generation risk.

Our interest in STP equates to 630MW, or 14% of our generation capacity. We are, therefore, also subject to the risks of nuclear generation, which include the following:

- the potential harmful effects on the environment and human health resulting from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials;
- limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with our nuclear operations or those of others in the United States;
- uncertainties with respect to contingencies and assessment amounts if insurance coverage is inadequate;
- uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives; and
- potential acts of terrorism against the unit.

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Revised safety requirements promulgated by the NRC could necessitate substantial capital expenditures at nuclear plants such as ours. In addition, although we have no reason to anticipate a serious nuclear incident at our plants, if an incident did occur, it could harm our results of operations or financial condition. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit.

We have limited ability to pass on to our customers our costs of production.

We are exposed to risk from changes in the market prices of coal and natural gas used to generate power where generation is no longer regulated. Increases in environmental compliance costs and generating unit outage costs can only be recovered through competitive market prices. To the extent that we cannot raise our prices to cover increased costs, our financial condition and results of operation may be harmed.

Changes in technology may significantly affect our business by making our power plants less competitive.

A key element of our business model is that generating power at central power plants achieves economies of scale and produces power at relatively low cost. There are other technologies that produce power, most notably fuel cells, microturbines, windmills and photovoltaic (solar) cells. It is possible that advances in technology will reduce the cost of alternative methods of producing power to a level that is competitive with that of most central power station electric production. If this were to happen and if these

technologies achieved economies of scale, our market share could be eroded, and the value of our power plants could be reduced. Changes in technology could also alter the channels through which retail electric customers buy power, thereby harming our results or operation and financial condition.

Changes in commodity prices may increase our cost of producing power or decrease the amount we receive from selling power, harming our financial performance.

We are heavily exposed to changes in the price and availability of natural gas because natural gas-fired facilities comprise approximately 70% of our generating capability, which increases our exposure to the more volatile market prices of natural gas. Coal-fired generating facilities comprise approximately 15% of our generating capability increasing our exposure to changes in coal prices.

Changes in the cost of coal or natural gas and changes in the relationship between those costs and the market prices of power will affect our financial results. Since the price we obtain for electricity may not change at the same rate as the change in coal or natural gas costs, we may be unable to pass on the changes in costs to our customers.

In addition, actual power prices and fuel costs will differ from those assumed in financial projections used to initially value our trading and marketing transactions, and those differences may be material. As a result, our results of operation and financial condition may be harmed may be diminished in the future as those transactions are marked to market.

At times, demand for power could exceed our supply capacity.

We are currently obligated to supply power as a result of our contracts with certain wholesale customers and with Mutual Energy. From time to time the demand for power required to meet these obligations exceeds our available generating capacity. When this occurs, we have to buy power on the market. Our power supply contracts may not always have the ability to pass these costs on to our customers. Since these situations most often occur during periods of peak demand, it is possible that the market price for power at that time may be very high. Utilities that do not own or purchase sufficient available capacity during such periods incur losses in sourcing incremental power. Even if a supply shortage was brief, we could suffer substantial losses that could diminish our results of operations.

Our costs of compliance with environmental laws are significant, and the cost of compliance with future environmental laws could harm our cash flow and profitability.

Our operations are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, natural resources and health and safety. Compliance with these legal requirements requires us to commit significant capital toward environmental monitoring, installation of pollution control equipment, emission fees and permits at all of our facilities. These expenditures have been significant in the past and we expect that they will increase in the future. Costs of compliance with environmental regulations could harm our industry, our business and our results of operations and financial position, especially if emission and/or discharge limits are tightened, more extensive permitting requirements are imposed, additional substances become regulated and the number and types of assets we operate increase.

Most of our contracts with wholesale customers do not permit us to recover additional capital and other costs incurred by us to comply with new environmental regulations. Due to the deregulation of our generation, we cannot recover through rates additional capital and other costs incurred by us to comply with new environmental regulations with respect to our generation.

Our operating results may fluctuate on a seasonal and quarterly basis.

Electric power generation is generally a seasonal business. The demand for power in ERCOT peaks during the hot summer months, with market prices also peaking at that time. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis. The pattern of this fluctuation may change depending on the nature and location of facilities and the terms of power sale contracts we enter into. In addition, we have historically sold less power, and consequently earned less income, when weather conditions are milder. We expect that unusually mild weather in the future could diminish our results of operations and harm our financial condition.

RISKS RELATED TO OUR ENERGY TRADING AND WHOLESALE BUSINESSES

In October 2002 AEP announced its plans to reduce the exposure to energy trading markets of its subsidiaries that trade power (including us) and to downsize the trading and wholesale marketing operations conducted on behalf of such subsidiaries. It is expected that in the future our power trading and marketing operations will be limited to risk management around our generation assets and those of our regulated affiliates. As discussed under "AEP TEXAS CENTRAL COMPANY—Texas Central Restructuring," Texas Central has filed a plan of divestiture with the PUCT to sell all of its generation assets. Trading and marketing operations that were not limited to risk management around such assets have contributed to our wholesale revenues and earnings in the past. Management is unable to predict the effect this downsizing of our trading operations will have on our future results of operations and cash flows. The following risk factors appearing under this subheading should be read in light of the recent announcements discussed in this paragraph.

Our revenues and results of operations are subject to market risks that are beyond our control.

We sell power from our generation facilities into the spot market or other competitive power markets or on a contractual basis. We also enter into contracts to purchase and sell electricity, natural gas and coal as part of our power marketing and energy trading operations. With respect to such transactions, we are not guaranteed any rate of return on our capital investments through mandated rates, and our revenues and results of operations are likely to depend, in large part, upon prevailing market prices for power in our regional market. These market prices may fluctuate substantially over relatively short periods of time. It is reasonable to expect that trading margins may erode as markets mature and that there may be diminished opportunities for gain should volatility decline. In addition, the PUCT, which has jurisdiction over the wholesale competitive power market in the ERCOT may impose price limitations, bidding rules and other mechanisms to address some of the volatility in these markets. Fuel prices may also be volatile, and the price we can obtain for power sales may not change at the same rate as changes in fuel costs. These factors could reduce our margins and therefore diminish our revenues and results of operations.

Volatility in market prices for fuel and power may result from:

- weather conditions;
- seasonality;
- power usage;
- illiquid markets;
- transmission or transportation constraints or inefficiencies;
- availability of competitively priced alternative energy sources;
- demand for energy commodities;
- natural gas, crude oil and refined products, and coal production levels;
- natural disasters, wars, embargoes and other catastrophic events; and
- federal, state and foreign energy and environmental regulation and legislation.

Our energy trading (including fuel procurement and power marketing) and risk management policies cannot eliminate the risk associated with these activities.

Our energy trading (including fuel procurement and power marketing) activities expose us to risks of commodity price movements. We attempt to manage our exposure through enforcement of established risk limits and risk management procedures. These risk limits and risk management procedures may not always be followed or may not work as planned and cannot eliminate the risks associated with these activities. As a result, we cannot predict the impact that our energy trading and risk management decisions may have on our business, operating results or financial position.

We routinely have open trading positions in the market, within established guidelines, resulting from the management of our trading portfolio. To the extent open trading positions exist, fluctuating commodity prices can improve or diminish our financial results and financial position.

Our energy trading and risk management activities, including our power sales agreements with counterparties, rely on projections that depend heavily on judgments and assumptions by management of factors such as the future market prices and demand for power and other energy-related commodities. These factors become more difficult to predict and the calculations become less reliable the further into the future these estimates are made. Even when our policies and procedures are followed and decisions are made based on these estimates, results of operations may be diminished if the judgments and assumptions underlying those calculations prove to be wrong or inaccurate. Our policies and procedures do not typically require us to hedge the multitude of new trading positions taken daily in these activities.

Parties with whom we have contracts may fail to perform their obligations, which could harm our results of operations.

We are exposed to the risk that counterparties that owe us money or energy will breach their obligations. Should the counterparties to these arrangements fail to perform, we may be forced to enter into alternative hedging arrangements or honor underlying commitments at then-current market prices that may exceed our contractual prices, which would cause our financial results to be diminished and we might incur losses. Although our estimates take into account the expected probability of default by a counterparty, our actual exposure to a default by a counterparty may be greater than the estimates predicted, resulting in a negative impact on our financial performance.

We do not fully hedge against price changes in commodities.

We routinely enter into contracts to purchase and sell electricity, natural gas and coal as part of our power marketing and energy trading operations and to procure fuel. In connection with these trading activities, we routinely enter into financial contracts, including futures and options, over-the counter options, swaps and other derivative contracts. These activities expose us to risks from price movements. If the values of the financial contracts change in a manner we do not anticipate, it could harm our financial position or reduce the financial contribution of our trading operations.

We manage our exposure by establishing risk limits and entering into contracts to offset some of our positions (i.e., to hedge our exposure to demand, market effects of weather and other changes in commodity prices). However, we do not always hedge the entire exposure of our operations from commodity price volatility. To the extent we do not hedge against commodity price volatility, our results of operations and financial position may be improved or diminished based upon our success in the market.

We are unable to predict the course, results or impact, if any, of current or future energy market investigations.

In February 2002, the FERC issued an order directing its Staff to conduct a fact-finding investigation into whether any entity, including Enron Corp., manipulated short-term prices in electric energy or natural gas

markets in the West or otherwise exercised undue influence over wholesale prices in the West, for the period January 1, 2000, forward. In April 2002, AEP furnished certain information to the FERC in response to their related data request.

Pursuant to the FERC's February order, on May 8, 2002, the FERC issued further data requests, including requests for admissions, with respect to certain trading strategies engaged in by Enron Corp. and, allegedly, traders of other companies active in the wholesale electricity and ancillary services markets in the West, particularly California, during the years 2000 and 2001. This data request was issued to AEP as part of a group of over 100 entities designated by the FERC as all sellers of wholesale electricity and/or ancillary services to the California Independent System Operator and/or the California Power Exchange.

The May 8, 2002 FERC data request required senior management to conduct an investigation into AEP's trading activities during 2000 and 2001 and to provide an affidavit as to whether AEP engaged in certain trading practices that the FERC characterized in the data request as being potentially manipulative. AEP's senior management complied with the order and denied its involvement with those trading practices.

On May 21, 2002, the FERC issued a further data request with respect to this matter to AEP and over 100 other market participants requesting information for the years 2000 and 2001 concerning "wash", "round trip" or "sale/buy back" trading in the Western System Coordinating Council (WSCC), which involves the sale of an electricity product to another company together with a simultaneous purchase of the same product at the same price (collectively, "wash sales"). Similarly, on May 22, 2002, the FERC issued an additional data request with respect to this matter to AEP and other market participants requesting similar information for the same period with respect to the sale of natural gas products in the WSCC and Texas. After reviewing its records, AEP responded to the FERC that it did not participate in any "wash sale" transactions involving power or gas in the relevant market. AEP further informed the FERC that certain of its traders did engage in trades on the Intercontinental Exchange, an electronic electricity trading platform owned by a group of electricity trading companies, including AEP, on September 21, 2001, the day on which all brokerage commissions for trades on that exchange were donated to charities for the victims of the September 11, 2001 terrorist attacks, which do not meet the FERC criteria for a "wash sale" but do have certain characteristics in common with such sales.

The PUCT also issued similar data requests to AEP and other power marketers. AEP responded to such data request by the July 2, 2002 response date. Other than accepting a settlement relating to the errors in scheduling of loads and resources in August 2001, the PUCT has taken no action relating to AEP's trading and marketing activities. We understand that the SEC and US Commodity Futures Trading Commission (CFTC) are also looking into "wash sale" trading practices. The CFTC issued a subpoena to AEP on June 17, 2002 requesting information with respect to these matters and AEP responded to CFTC. In addition, the US Department of Justice made a civil investigation demand to AEP and other electric generating companies concerning their investigation of the Intercontinental Exchange. In August 2002, AEP received an informal data request from the SEC asking it to voluntarily provide documents related to "round-trip" or "wash" trades and AEP has provided the requested information to the SEC. AEP recently completed a review of its trading activities in the United States for the last three years involving sequential trades with the same terms and counterparties. The revenue from such trading is not material to either our financial statements or AEP's. We believe that substantially all these transactions involve economic substance and risk transference and do not constitute "wash sales".

Management is unable to predict the course or outcome of these or any future energy market investigations or their impact, if any, on power commodity trading generally or, more specifically, on our trading operations or future results of operations and cash flows.

Diminished liquidity in the wholesale power markets could negatively impact our earnings

The Enron Corp. bankruptcy and enhanced regulatory scrutiny have contributed to more rigorous credit rating review of wholesale power market participants. Credit downgrades of numerous other market participants have significantly reduced such participants' participation in the wholesale power markets. Likewise, numerous market participants have announced material scaling back of or exit from the wholesale power market business. These events are causing a decrease in the number of significant participants in the wholesale power markets, at least temporarily, which has resulted and could continue to result in a decrease in the volume and liquidity in the wholesale power markets. We are unable to predict the impact of such developments on our power marketing and trading business.

Uncertainty regarding FERC proposed security standards

In July 2002, the FERC published for comment its proposed security standards as part of the Standards for Market Design (SMD). These standards are intended to ensure all market participants have a basic security program that effectively protects the electric grid and related market activities and require compliance by January 1, 2004. The impact of these proposed standards is far-reaching and has significant penalties for non-compliance. These standards apply to marketers, transmission owners, and power producers, including us. Compliance with these standards would represent a significant effort that will impact us. Unless the cost can be recovered from customers, results of operations and cash flows would be adversely affected.

RISKS RELATED TO MARKET OR ECONOMIC VOLATILITY

We are subject to risks associated with a changing economic environment.

In response to the occurrence of several recent events, including the September 11, 2001 terrorist attack on the United States, the ongoing war against terrorism by the United States, and the bankruptcy of Enron Corp., the financial markets have been disrupted in general, and the availability and cost of capital for our business and that of our competitors has been at least temporarily harmed. In addition, following the bankruptcy of Enron Corp., the credit ratings agencies initiated a thorough review of the capital structure and earnings power of energy companies, including us. These events could constrain the capital available to our industry and could limit our access to funding for our operations. Our business is capital intensive, and we are dependent upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes significantly constrained, our interest costs will likely increase and our financial condition and future results of operations could be significantly harmed.

The insurance industry has also been disrupted by these events. As a result, the availability of insurance covering risks we and our competitors typically insure against may decrease. In addition, the insurance we are able to obtain may have higher deductibles, higher premiums and more restrictive policy terms.

Downgrades in our credit rating and that of AEP could negatively affect our ability to access capital and/or to operate our power trading businesses.

On February 10, 2003, Moody's downgraded AEP's short-term rating to P-3 (with stable outlook) from P-2. On January 24, 2003, S&P placed AEP's short-term rating of A-2 on CreditWatch with negative implications. As a result, we expect AEP's access to the commercial paper market to be significantly limited and that our short-term borrowing costs may increase because we conduct our short-term borrowing through AEP and on the same terms available to AEP. For information on recent activity by Moody's and S&P, see "RECENT RESULTS OF OPERATIONS; RECENT DEVELOPMENTS."

Our power trading business relies on the investment grade ratings of our senior, unsecured debt. Most of our counterparties require the creditworthiness of an investment grade entity to stand behind transactions. If

our rating were to decline below investment grade, our ability to profitably operate our power trading business would be diminished, because we would likely have to deposit cash or cash related instruments, which would reduce our profits.

RISKS RELATED TO THE NOTES

Your ability to sell your Notes is restricted and we cannot assure you that an active trading market will develop for the Notes.

The Notes have not been registered under the Securities Act or any state or foreign securities laws and, until so registered, the Notes may be transferred and resold only in transactions exempt from the Securities Act and applicable state securities laws. In addition, there is no existing trading market for the Notes. We do not intend to apply for listing or quotation of the Notes on any exchange. Therefore, we do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be, nor can we give you any assurances regarding the ability of holders of Notes to sell their Notes or the price at which the Notes might be sold. Although the initial purchasers have informed us that they currently intend to make a market in the Notes, they are not obligated to do so, and any such market-making may be discontinued at any time without notice. In addition, such market-making activity may be limited during the pendency of the exchange offer or the effectiveness of a shelf registration statement in the event that the exchange offer is delayed. As a result, the market price of the Notes could be adversely affected. Any such disruptions may have an adverse effect on holders of the Notes.

We intend to file a registration statement with the SEC and to use reasonable best efforts to cause the registration statement to become effective with respect to the Notes. The SEC, however, has broad discretion to declare any registration statement effective and may delay or deny the effectiveness of any registration statement for a variety of reasons.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the Notes in this offering, after deducting initial purchasers' discounts and estimated offering expenses payable by us, will be approximately $543 million. We estimate that our net proceeds from the concurrent sale of our 3.00% Senior Notes, Series C due 2005 and Floating Rate Notes, Series A due 2005, after deducting initial purchasers' discounts and estimated offering expenses payable by us, will be approximately $249 million. Such aggregate net proceeds will be used for general corporate purposes relating to our utility business, including the repayment of advances from our affiliates. Such advances from our affiliates were used by us to repurchase a portion of our debt. Our affiliates will use a significant portion of these proceeds to repay the remaining outstanding portion of AEP's $1.725 billion corporate separation credit facility. Assuming that the proceeds are used for this purpose, affiliates of each of the initial purchasers, as lenders to our affiliates, would ultimately receive a significant portion of the net proceeds of the offering of the Notes. Any remaining proceeds after giving effect to the aforementioned repayments will be used for general corporate purposes. See "PLAN OF DISTRIBUTION" in this offering memorandum.

If we do not use the net proceeds immediately, we will temporarily invest them in short-term, interest-bearing obligations. We had $650 million of short-term indebtedness from affiliates and $127 million in advances from affiliates outstanding as of December 31, 2002.

CAPITALIZATION AND SHORT-TERM DEBT

The following table sets forth our capitalization as of September 30, 2002 and as adjusted to reflect (i) the issuance of the Notes offered hereby and the concurrent offerings and (ii) application of the net proceeds thereof as described under "USE OF PROCEEDS."

You should read the information in this table together with the detailed information and financial statements appearing in the documents incorporated by reference in this offering memorandum and with "SELECTED CONSOLIDATED FINANCIAL DATA" included elsewhere in this offering memorandum.

	Actual	As Adjusted
	(in thousands; except ratios)	
Capitalization:		
Short-Term Advances from/(to) Affiliates	$ 552,648	$ (39,281)
Short-Term Debt – Affiliated	200,000	—
Total Short-Term Debt	$ 752,648	$ —
Senior Unsecured Debt (a)	—	800,000
First Mortgage Bonds	208,009	208,009
Securitization Bonds	796,628	796,628
Installment Purchase Contracts	489,574	489,574
Total Long-Term Debt (including portion due within one year)	1,494,211	2,294,211
Total Debt	2,246,859	2,294,211
Preferred Stock – Not Subject to Mandatory Redemption	5,941	5,941
Total Preferred Stock	5,941	5,941
Trust Preferred Securities	136,250	136,250
Shareholder's Equity	1,049,835	1,049,835
Total Capitalization	$3,438,885	$3,486,237
Total Debt/Total Capitalization Ratio	65.3%	65.8%
Total Debt/Total Capitalization Ratio excluding Securitization (b)	54.9%	55.7%

(a) Includes the issuance of $150,000,000 3.00% Senior Notes, Series C due 2005 and $100,000,000 Floating Rates Notes, Series A due 2005. Net proceeds after expenses from these issuances have been applied to Short-term Debt Advances from Affiliates and Short-term Debt.

(b) This ratio is computed in the same manner as total debt to total capitalization, as adjusted to exclude the effect of the securitization bonds issued in February 2002.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The following selected consolidated historical financial data as of December 31, 2001 and 2000, and for the years then ended have been derived from our audited consolidated financial statements and the related notes. The consolidated financial data as of September 30, 2002 and for the nine months then ended have been derived from our unaudited financial statements.

You should also read the selected consolidated historical financial data presented below in conjunction with "Management's Discussion and Analysis," our audited and unaudited consolidated financial statements and related notes and other financial information contained in our Annual Report on Form 10-K for the year ended December 31, 2001, our Quarterly Report on Form 10-Q for the period ended September 30, 2002, our Current Report on Form 8-K dated November 18, 2002, and our Current Report on Form 8-K/A dated November 26, 2002, which we incorporate by reference in this offering memorandum. See "WHERE YOU CAN FIND MORE INFORMATION." The historical financial information may not be indicative of our future performance.

	Nine Months Ended September 30, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
		(in thousands)	
INCOME STATEMENT DATA:			
Operating Revenues	$ 1,185,561	$ 1,738,837	$ 1,770,402
Depreciation and Amortization	165,012	168,341	178,786
Other Operating Expenses (excluding Depreciation and Amortization and Income Taxes)	705,129	1,161,869	1,184,059
Total Operating Expenses	870,141	1,330,210	1,362,845
Operating Income	315,420	408,627	407,557
Other Income (net)	1,188	4,926	2,162
Earnings Before Interest and Taxes	316,608	413,553	409,719
Interest	89,830	116,268	124,766
Income Taxes	75,415	112,498	95,386
Extraordinary Loss on Reacquired Debt	—	(2,509)	—
Net Income	$ 151,363	$ 182,278	$ 189,567

	As of September 30, 2002	As of December 31, 2001	As of December 31, 2000
		(in thousands)	
BALANCE SHEET DATA:			
Electric Utility Plant	$ 5,410,220	$ 5,769,707	$ 5,592,444
Accumulated Depreciation and Amortization	2,199,635	2,446,027	2,297,189
Net Electric Utility Plant	$ 3,210,585	$ 3,323,680	$ 3,295,255
Total Assets	$ 5,253,886	$ 5,115,986	$ 5,467,684
Advances from Affiliates	$ 552,648	$ 354,277	$ 269,712
Current Liabilities (excluding Advances from Affiliates, Short-Term Debt and Long-Term Debt due within one year)	402,804	543,404	777,813
Noncurrent Liabilities	1,412,197	1,422,235	1,445,026
Short-Term Debt-Affiliated	200,000	—	—
Long-Term Debt (a)(b)	1,494,211	1,253,768	1,454,559
Preferred Stock	142,191	142,217	154,467
Common Shareholder's Equity	1,049,835	1,400,085	1,366,107
Total Capitalization and Liabilities	$ 5,253,886	$ 5,115,986	$ 5,467,684

	Nine Months Ended September 30, 2002	Year Ended December 31, 2001	2000
		(in thousands, except ratios)	
OTHER FINANCIAL DATA:			
EBITDA (c)	$ 481,620	$ 581,894	$ 588,505
EBITDA excluding Securitization Debt (c)	$ 401,191	$ 581,894	$ 588,505
Ratio of Earnings to Fixed Charges (d)	3.08	3.40	3.17
Ratio of Earnings to Fixed Charges excluding Securitization Debt (d)(e)	3.87	3.40	3.17

(a) Includes Long-Term Debt due within one year:	$ 123,087	$ 265,000	$ 200,000
(b) Includes Securitization Debt:	$ 796,628	$ —	$ —

(c) EBITDA is defined as the measurement of earnings before interest, preferred dividends, taxes, depreciation of fixed assets and amortization. EBITDA should not be considered a substitute for net income or cash flows as indicators of financial performance or a company's ability to generate liquidity. EBITDA as presented may not be comparable to other similarly titled measures used by other companies.

(d) For purposes of computing the ratios of earnings to fixed charges, (i) earnings consists of income before provision for income taxes and fixed charges and (ii) fixed charges consist of interest expense, amortization of debt expense, and pretax preferred stock dividend requirements. All ratios of earnings to fixed charges are presented for a twelve month period ended.

(e) This ratio is computed in the same manner as the ratio of earnings to fixed charges, as adjusted to exclude those charges associated with the securitization bonds issued by a subsidiary of Texas Central.

SELECTED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following selected unaudited pro forma consolidated financial data gives effect to the proposed legal separation of the Generation-Related Business from Texas Central and the transfer of such assets to another entity as if legal separation had occurred at the beginning of each period presented. Texas Central, after such legal separation, is called "Pro Forma Texas Central Wires" for purposes of the following pro forma consolidated financial data and notes thereto. The selected unaudited pro forma consolidated financial data is not necessarily indicative of the actual operating outcomes that would have resulted had legal separation been consummated on the dates indicated and should not be construed as necessarily indicative of future operating results or financial position. Our financial results for the nine months ended September 30, 2002 are not necessarily indicative of the results that may be expected for an entire year. Additionally, the selected unaudited pro forma consolidated financial data does not take into account the potential uses of proceeds from the proposed sale of generation assets or the potential proceeds from securitizations related to the 2004 true-up proceedings.

AEP Texas Central Company
Unaudited Pro Forma Consolidated Statement of Income
For the Nine Months Ended September 30, 2002

	Historical	Pro Forma Adjustment	Pro Forma Texas Central Wires
		(in thousands)	
OPERATING REVENUES:			
Electricity Marketing and Trading	$ 66,172	$ (66,172) (a)	$ —
Energy Delivery	240,066	35,277 (a)	275,343
Sales to AEP Affiliates	879,323	(622,892) (a)	256,431
TOTAL OPERATING REVENUES	1,185,561	(653,787)	531,774
OPERATING EXPENSES:			
Fuel	207,941	(207,941) (a)	—
Purchased Power:			
Electricity Marketing	160,996	(160,996) (a)	—
AEP Affiliates	10,058	(10,058)(a)	—
Other Operation	208,984	(66,347) (b)	142,637
Maintenance	40,980	(24,518) (b)	16,462
Depreciation and Amortization	165,012	(55,199) (c)	109,813
Taxes Other Than Income Taxes	76,170	(24,587) (d)	51,583
Income Taxes	77,452	(59,500) (e)	17,952
TOTAL OPERATING EXPENSES	947,593	(609,146)	338,447
OPERATING INCOME	237,968	(44,641)	193,327
Nonoperating Income	24,237	1,675 (f)	25,912
Nonoperating Expenses	23,049	(335) (f)	22,714
Nonoperating Income Tax Expense (Credit)	(2,037)	2,765 (e)	728
Interest Charges	89,830	(21,254) (g)	68,576
NET INCOME	$ 151,363	$ (24,142)	$ 127,221

Unaudited Other Financial Data

	Historical	Pro Forma Texas Central Wires
	(in thousands, except ratios)	
EBITDA (x)	$ 481,620	$ 324,290
EBITDA excluding Securitization Debt (x)	401,191	238,315
Ratio of Earnings to Fixed Charges (y)	3.08	2.60
Ratio of Earnings to Fixed Charges excluding Securitization Debt (y)(z)	3.87	3.46

See accompanying notes

AEP Texas Central Company
Unaudited Pro Forma Consolidated Balance Sheet
As of September 30, 2002

	Historical	Pro Forma Adjustment	Pro Forma Texas Central Wires
		(in thousands)	
ASSETS			
ELECTRIC UTILITY PLANT:			
Production	$ 2,726,661	$ (2,726,661) (h)	$ —
Transmission	699,834	(16,184) (i)	683,650
Distribution	1,300,353	— (i)	1,300,353
General	244,134	(53,322) (j)	190,812
Construction Work in Progress	181,179	(49,198) (j)	131,981
Nuclear Fuel	258,059	(258,059) (h)	—
Total Electric Utility Plant	5,410,220	(3,103,424)	2,306,796
Accumulated Depreciation and Amortization	2,199,635	(1,454,461) (k)	745,174
NET ELECTRIC UTILITY PLANT	3,210,585	(1,648,963)	1,561,622
OTHER PROPERTY AND INVESTMENTS	56,086	(17,211) (l)	38,875
SECURITIZED TRANSITION ASSET	742,766	— (q)	742,766
LONG-TERM ENERGY TRADING AND DERIVATIVE CONTRACTS	21,874	(21,874) (h)	—
CURRENT ASSETS:			
Cash and Cash Equivalents	56,638	(10,367) (m)	46,271
Accounts Receivable:			
General	114,134	(73,775) (n)	40,359
Affiliated Companies	189,442	(100,227) (n)	89,215
Allowance for Uncollectible Accounts	(391)	— (n)	(391)
Fuel – at LIFO cost	42,232	(42,232) (h)	—
Materials and Supplies – at average cost	58,147	(43,337) (o)	14,810
Energy Trading and Derivative Contracts	35,211	(35,211) (h)	—
Prepayments and Other	5,007	(2,977) (p)	2,030
TOTAL CURRENT ASSETS	500,420	(308,126)	192,294
REGULATORY ASSETS	374,097	(333) (q)	373,764
REGULATORY ASSETS DESIGNATED FOR SECURITIZATION	161,552	— (q)	161,552
NUCLEAR DECOMMISSIONING TRUST FUND	93,385	(93,385) (h)	—
DEFERRED CHARGES	93,121	(11,507) (r)	81,614
TOTAL ASSETS	$ 5,253,886	$ (2,101,399)	$ 3,152,487

See accompanying notes

AEP Texas Central Company
Unaudited Pro Forma Consolidated Balance Sheet
As of September 30, 2002

	Historical	Pro Forma Adjustment	Pro Forma Texas Central Wires
		(in thousands)	
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:			
Common Stock – $25 Par Value:			
Authorized – 12,000,000 Shares			
Outstanding – 2,211,678 Shares	$ 55,292	$ (21,535) (m)	$ 33,757
Paid-in Capital	132,607	(51,648) (m)	80,959
Accumulated Other Comprehensive Income	58	(58) (h)	—
Retained Earnings	861,878	(386,505) (s)	475,373
Total Common Shareholder's Equity	1,049,835	(459,746)	590,089
Preferred Stock	5,941	(2,314) (m)	3,627
Texas Central – Obligated, Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of Texas Central	136,250	(8,290) (m)	127,960
Long-term Debt	1,371,124	(497,844) (m)	873,280
TOTAL CAPITALIZATION	2,563,150	(968,194)	1,594,956
OTHER NONCURRENT LIABILITIES	13,571	(1,850) (t)	11,721
CURRENT LIABILITIES:			
Short-term Debt – Affiliates	200,000	(78,323) (m)	121,677
Long-term Debt Due Within One Year	123,087	(4,385) (m)	118,702
Advances from Affiliates	552,648	(187,447) (m)	365,201
Accounts Payable – General	84,410	(73,030) (n)	11,380
Accounts Payable – Affiliated Companies	13,892	(4,427) (n)	9,465
Customer Deposits	982	(995) (t)	(13)
Over Recovered Fuel	70,314	— (q)	70,314
Taxes Accrued	144,710	(102,529) (u)	42,181
Interest Accrued	35,354	(6,555) (v)	28,799
Energy Trading and Derivative Contracts	30,695	(30,695) (h)	—
Other	22,447	(8,603) (u)	13,844
TOTAL CURRENT LIABILITIES	1,278,539	(496,989)	781,550
DEFERRED INCOME TAXES	1,171,257	(521,149) (w)	650,108
DEFERRED INVESTMENT TAX CREDITS	118,987	(98,840) (w)	20,147
LONG-TERM ENERGY TRADING AND DERIVATIVE CONTRACTS	17,829	(17,829) (h)	—
REGULATORY LIABILITIES AND DEFERRED CREDITS	90,553	3,452 (r)	94,005
TOTAL CAPITALIZATION AND LIABILITIES	$ 5,253,886	$ (2,101,399)	$ 3,152,487

See accompanying notes

AEP Texas Central Company
Unaudited Pro Forma Consolidated Statement of Income
For the Year Ended December 31, 2001

	Historical	Pro Forma Adjustment	Pro Forma Texas Central Wires
		(in thousands)	
OPERATING REVENUES:			
Electricity Marketing and Trading	$ 1,223,893	$ (1,223,893) (a)	$ —
Energy Delivery	473,182	57,838 (a)	531,020
Sales to AEP Affiliates	41,762	(36,179) (a)	5,583
TOTAL OPERATING REVENUES	1,738,837	(1,202,234)	536,603
OPERATING EXPENSES:			
Fuel	492,057	(492,057) (a)	—
Purchased Power:			
Electricity Marketing	127,816	(127,816) (a)	—
AEP Affiliates	58,641	(58,641) (a)	—
Other Operation	321,227	(95,937) (b)	225,290
Maintenance	71,212	(49,361) (b)	21,851
Depreciation and Amortization	168,341	(83,822) (c)	84,519
Taxes Other Than Income Taxes	90,916	(54,974) (d)	35,942
Income Taxes	112,896	(81,266) (e)	31,630
TOTAL OPERATING EXPENSES	1,443,106	(1,043,874)	399,232
OPERATING INCOME	295,731	(158,360)	137,371
Nonoperating Income	22,552	(6,480) (f)	16,072
Nonoperating Expenses	17,626	(925) (f)	16,701
Nonoperating Income Tax Expense (Credit)	(398)	(440) (e)	(838)
Interest Charges	116,268	(38,978) (g)	77,290
Income Before Extraordinary Item	184,787	(124,497)	60,290

Unaudited Other Financial Data

	Historical	Pro Forma Texas Central Wires
	(in thousands, except ratios)	
EBITDA (x)	$ 581,894	$ 252,891
EBITDA excluding Securitization Debt (x)	581,894	252,891
Ratio of Earnings to Fixed Charges (y)	3.40	2.14
Ratio of Earnings to Fixed Charges excluding Securitization Debt (y)(z)	3.40	2.14

See accompanying notes

AEP Texas Central Company
Unaudited Pro Forma Consolidated Statement Of Income
For the Year Ended December 31, 2000

	Historical	Pro Forma Adjustment	Pro Forma Texas Central Wires
		(in thousands)	
OPERATING REVENUES:			
Electricity Marketing and Trading	$ 1,253,836	$ (1,253,836) (a)	$ —
Energy Delivery	478,814	50,994 (a)	529,808
Sales to AEP Affiliates	37,752	(32,521) (a)	5,231
TOTAL OPERATING REVENUES	1,770,402	(1,235,363)	535,039
OPERATING EXPENSES:			
Fuel	550,903	(550,903) (a)	—
Purchased Power:			
Electricity Marketing	144,021	(144,021) (a)	—
AEP Affiliates	32,591	(32,591) (a)	—
Other Operation	319,539	(99,604) (b)	219,935
Maintenance	60,528	(37,251) (b)	23,277
Depreciation and Amortization	178,786	(90,588) (c)	88,198
Taxes Other Than Income Taxes	76,477	(42,386) (d)	34,091
Income Taxes	100,459	(71,115) (e)	29,344
TOTAL OPERATING EXPENSES	1,463,304	(1,068,459)	394,845
OPERATING INCOME	307,098	(166,904)	140,194
Nonoperating Income	5,830	(5,220) (f)	610
Nonoperating Expenses	3,668	(1,332) (f)	2,336
Nonoperating Income Tax Expense (Credit)	(5,073)	1,979 (e)	(3,094)
Interest Charges	124,766	(44,191) (g)	80,575
NET INCOME	$ 189,567	$ (128,580)	$ 60,987

Unaudited Other Financial Data

	Historical	Pro Forma Texas Central Wires
	(in thousands, except ratios)	
EBITDA (x)	$ 588,505	$ 256,010
EBITDA excluding Securitization Debt (x)	588,505	256,010
Ratio of Earnings to Fixed Charges (y)	3.17	2.07
Ratio of Earnings to Fixed Charges excluding Securitization Debt (y)(z)	3.17	2.07

See accompanying notes

Notes to Unaudited Selected Pro Forma Consolidated Financial Data

(a) Electricity Marketing and Trading revenues, Fuel expenses and Purchased Power expenses have been allocated 100% to the Generation Business, as they pertain entirely to that business. Sales to AEP Affiliates pertains to wholesale power sales either within the AEP Power Pool or directly to other AEP affiliates who are not pool participants and therefore, have been allocated 100% to the Generation-Related Business. These revenues and expenses have been eliminated from Pro Forma Texas Central Wires.

(b) Other Operation and Maintenance expenses have been allocated to Pro Forma Texas Central Wires based on specified identifiable expenses, number of employees or assets related to the transmission and distribution electric utility assets.

(c) Depreciation and amortization expenses have been allocated to Pro Forma Texas Central Wires based on the respective transmission and distribution electric utility assets.

(d) Taxes Other Than Income Taxes have been allocated to Pro Forma Texas Central Wires based on number of employees, assets, or revenues related to it.

(e) Income Taxes and Non-operating Income Tax Expense (credit) have been allocated to Pro Forma Texas Central Wires based on the related income and temporary differences.

(f) Non-operating Income and Non-operating Expenses related to merchandising have been allocated 100% to the Pro Forma Texas Central Wires. No power trading gains or losses have been allocated to Pro Forma Texas Central Wires. Allowance for funds used during construction has been allocated to Pro Forma Texas Central Wires based on the related construction work in progress.

(g) Interest Charges have been allocated to Pro Forma Texas Central Wires based on its respective allocation of long term and short term debt.

(h) Electric Utility Plant – Production, Electric Utility Plant – Nuclear Fuel, Fuel Inventory, Energy Trading and Derivative Contract assets and liabilities, Nuclear Decommissioning Trust Fund, and Other Comprehensive Income (Loss) have been allocated 100% to the Generation-Related Business as they pertain entirely to that business. These assets and liabilities have been eliminated from Pro Forma Texas Central Wires.

(i) Electric Utility Plant – Pro Forma Texas Central Wires have been allocated 100% of the transmission and distribution electric utility assets with the exception of the assets related to the generator step-up transformers and associated breakers, which relate to and have been allocated to the Generation-Related Business.

(j) Electric Utility Plant – General and Construction Work in Progress have been allocated to Pro Forma Texas Central Wires based on the specific use of that plant, and the intended in service plant classification, respectively.

(k) Accumulated Depreciation and Amortization has been allocated to Pro Forma Texas Central Wires based on the respective transmission and distribution electric utility assets.

(l) Other Property and Investments have been allocated to Pro Forma Texas Central Wires based on the specific use of those investments.

(m) Cash and Cash Equivalents, Advances from Affiliates, Common Stock, Paid-in Capital, Preferred Stock and Long-term and Short-term Debt have been allocated to Pro Forma Texas Central Wires based on retaining the same debt to equity ratio that would be calculated on a consolidated basis.

(n) Accounts Receivable and the related allowances have been allocated to Pro Forma Texas Central Wires based on the specific identifiable accounts. Accounts Payable has been allocated to Pro Forma Texas Central Wires based on specific identification or nature of the underlying liability. All receivables and corresponding allowances and payables that pertain to wholesale power sales or trading have been allocated 100% to the Generation-Related Business, and therefore, have been eliminated from Pro Forma Texas Central Wires.

(o) Materials and Supplies have been allocated based on specific identifiable assets of Pro Forma Texas Central Wires.

(p) Prepayments and Other Current Assets have been allocated to Pro Forma Texas Central Wires based on the specific nature of the underlying assets.

(q) Regulatory Assets, Securitized Transition Asset, Regulatory Assets Designated for Securitization, Accrued Utility Revenues and Over Recovered Fuel are allocated 100% to Pro Forma Texas Central Wires.

(r) Deferred Charges and Deferred Credits are items such as, deferred property taxes, customer advances and deferred revenues that are allocated to Pro Forma Texas Central Wires based on specific identification, underlying assets, related revenues or number of employees, related to the transmission and distribution electric utility assets.

(s) Retained Earnings has been allocated to Pro Forma Texas Central Wires based on retaining the same debt to equity ratio that would be calculated on a consolidated basis.

(t) Other Noncurrent Liabilities, Customer Deposits and Obligations Under Capital Lease have been allocated to Pro Forma Texas Central Wires based on the nature of the liability, underlying assets, number of employees or specific identification.

(u) Taxes Accrued and Other Liabilities have been allocated to Pro Forma Texas Central Wires based on the nature of the liability, number of employees, underlying assets or related revenues related to the transmission and distribution electric utility assets.

(v) Interest Accrued has been allocated to Pro Forma Texas Central Wires based on the respective allocation of long term and short term debt.

(w) Deferred Income Taxes and Deferred Investment Tax Credits have been allocated to Pro Forma Texas Central Wires based on the temporary differences associated with Pro Forma Texas Central Wires and the investment tax credits generated from transmission and distribution electric utility assets.

(x) EBITDA is defined as the measurement of earnings before interest, preferred dividends, taxes, depreciation of fixed assets and amortization. EBITDA should not be considered a substitute for net income or cash flows as indicators of financial performance or a company's ability to generate liquidity. EBITDA as presented may not be comparable to other similarly titled measures used by other companies.

(y) For purposes of computing the ratios of earnings to fixed charges, (i) earnings consists of income before provision for income taxes and fixed charges and (ii) fixed charges consist of interest expense, amortization of debt expense, and pretax preferred stock dividend requirements. All ratios of earnings to fixed charges are presented for a twelve month period.

(z) This ratio is computed in the same manner as the ratio of earnings to fixed changes, as adjusted to exclude those charges associated with the securitization bonds issued by a subsidiary of Texas Central.

RECENT RESULTS OF OPERATIONS; RECENT DEVELOPMENTS

For the year ended December 31, 2002, the unaudited consolidated "Operating Revenues," "Operating Income," and "Net Income" of Texas Central were approximately $1.69 billion, $528 million and $273 million, respectively. In the opinion of the management of Texas Central, the above unaudited consolidated amounts for the year ended December 31, 2002 reflect all adjustments necessary to present fairly the results of operations for such period.

On January 24, 2003, S&P placed our ratings, the ratings of our parent, AEP, and the ratings of AEP's other subsidiaries on CreditWatch with negative implications. S&P's current rating is BBB+ on our senior unsecured debt and is A-2 on AEP's commercial paper. S&P's announcement stated that the CreditWatch listing is expected to be resolved within a short time.

On February 10, 2003, Moody's downgraded their ratings on our senior unsecured debt to Baa2 (with stable outlook) from Baa1 and AEP's commercial paper rating to P-3 (with stable outlook) from P-2.

AEP TEXAS CENTRAL COMPANY

Overview

AEP Texas Central Company (Texas Central), formerly Central Power and Light Company, is a wholly owned subsidiary of AEP engaged in the transmission and distribution of electricity in its service territory in southern Texas and in the generation and sale of electricity in ERCOT. The entire service territory of Texas Central is located in ERCOT. The State of Texas has enacted electricity restructuring legislation, SB7 which requires the legal separation of generation and retail-related assets from transmission and distribution assets. In May 2000, Texas Central and certain affiliates filed the Business Separation Plan with the PUCT, which, after certain revisions, was subsequently approved by the PUCT and will be implemented upon final regulatory approval by the SEC, which is currently pending. In accordance with the Business Separation Plan and SB7, Mutual Energy was established prior to the start of retail competition in January 2002 and was sold in December 2002. Additionally, we filed a plan of divestiture with the PUCT in December 2002 seeking approval to sell all of our generation assets.

Currently, Texas Central's operations are:

- **Electric Distribution** - Through REPs owned by third parties, Texas Central provides distribution service to approximately 700,000 retail customers in southern Texas, including the cities of Corpus Christi, Harlingen, Laredo, McAllen, and Victoria. Texas Central's service territory includes 44 counties and covers approximately 44,000 square miles. Distribution services are provided under tariffs approved by the PUCT.

- **Electric Transmission** - Texas Central's electric transmission business provides non-discriminatory wholesale open access transmission service in ERCOT. ERCOT is an independent system operator wholly within the State of Texas and subject to the jurisdiction of the PUCT. Texas Central charges for the use of its transmission system to deliver power under tariffs approved by the Federal Energy Regulatory Commission (FERC) consistent with the transmission rules of the PUCT.

- **Electric Generation** - Texas Central owns 4,497 MW of generating capacity including 630 MW of nuclear generation, 686 MW of coal-fired generation, 6 MW of hydro generation and 3,175 MW of natural gas-fired generation. A number of Texas Central's generation assets are jointly owned with third parties. In December 2002, Texas Central filed a plan of divestiture to sell all of its generation assets in order to measure their market value for purposes of determining stranded costs, as described under "—Stranded Cost Component." Texas Central has placed four gas plants with a combined capacity of 1,721 MW in long-term storage in response to low market prices in the ERCOT market. Four other gas plants are currently operating pursuant to contracts with ERCOT that provide for the cost of operating those units. ERCOT uses the generation from these contracts to maintain system reliability. However, these contracts expire at the end of 2003 and may not be extended depending on reliability assessment of the ERCOT independent system operator.

ERCOT Market Framework

Texas Central is a member of ERCOT, which is an intrastate network of retail customers, investor and municipally owned electric utilities, rural electric cooperatives, river authorities, independent generators, power marketers and REPs. ERCOT serves as the regional reliability coordinating council for member electric power systems in Texas. ERCOT's control area consists of the State of Texas other than a portion of the panhandle and a portion of the eastern part of the state bordering Louisiana. The ERCOT independent system operator is responsible for maintaining reliable operations of the bulk electric power supply system in the ERCOT market. Its responsibilities include ensuring that information relating to a customer's choice of REP is conveyed in a timely manner to anyone needing the information. It is also responsible for ensuring that electricity production and delivery are accurately accounted for among the generation resources and wholesale

buyers and sellers in the ERCOT market. Unlike independent systems operators in other regions of the country, ERCOT is not a centrally dispatched power pool, and the ERCOT independent system operator does not procure energy on behalf of its members other than to maintain the reliable operations of the transmission system. Members are responsible for contracting their energy requirements bilaterally. ERCOT also serves as agent for procuring ancillary services for those who elect not to provide their own ancillary service requirement.

The ERCOT market operates under the reliability standards set by the NERC. The PUCT has primary jurisdiction over the ERCOT market to ensure the adequacy and reliability of electricity across the state's main interconnected power grid.

Texas Central's electric transmission business financially supports the operation of the ERCOT independent system operator and all ERCOT members through the payment of fees and other expenses. The transmission business has planning, design, construction, operation and maintenance responsibility for its transmission grid and for its load serving substations. The transmission business is participating with the ERCOT independent system operator and other ERCOT utilities to plan, design, obtain regulatory approval for and construct new transmission lines necessary to increase bulk power transfer capability and to remove existing limitations on the ERCOT transmission grid.

There are no other transmission and distribution utilities in Texas Central's service area. In order for another provider of transmission and distribution services to provide such services in Texas Central's territory, it would be required to obtain a certificate of convenience and necessity in proceedings before the PUCT. As of the date of this offering memorandum, one such request for a certificate has been denied and no other proceedings have been sought to grant such a certificate, other than minor boundary changes that arise in the ordinary course of business.

Customer Base

Texas Central provides transmission and distribution and generation services to municipalities, electric cooperatives, other distribution companies and approximately 31 REPs, including Mutual Energy, in its certificated service area. Texas Central anticipates that more than half of its revenues from REPs for 2003 will come from Mutual Energy.

Capital Expenditures

The following table shows our construction expenditures during 2000, 2001 and 2002 and current estimates of 2003 construction expenditures, in each case including allowance for funds used during construction but excluding assets acquired under leases.

	2000 Actual	2001 Actual	2002 Actual	2003 Estimate
		(in millions)		
Generation	$ 19	$ 21	$ 8	$ 11
Transmission	103	97	47	42
Distribution	73	69	82	73
General	5	7	15	0
TOTAL	$ 200	$ 194	$ 152	$ 125

Our construction program is reviewed continuously and is revised from time to time in response to changes in estimates of customer demand, business and economic conditions, the cost and availability of capital, environmental requirements and other factors. Changes in construction schedules and costs, and in estimates and projections of needs for additional facilities, as well as variations from currently anticipated levels of net earnings, Federal income and other taxes, and other factors affecting cash requirements, may increase or decrease the estimated capital requirements for our construction program.

Regulation

Texas Central is subject to regulation by the SEC under the 1935 Act as a utility owned by an electric holding company registered under the 1935 Act. The 1935 Act directs the SEC to regulate, among other things, issuances of securities, sales or acquisitions of assets and intra-corporate transactions.

Texas Central is subject to regulation by various federal, state and local governmental agencies. Texas Central's transmission and distribution rates and services are regulated by the PUCT and the FERC. Texas Central conducts its operations pursuant to a certificate of convenience and necessity issued by the PUCT that covers its present service area and facilities. Texas Central holds non-exclusive franchises from the incorporated municipalities in its service territory. These franchises give it the right to operate its transmission and distribution system within the streets and public ways of these municipalities for the purpose of delivering electric service to the municipality and its residents and businesses.

Historically, Texas Central paid the incorporated municipalities in its service territory a franchise fee based on a formula that was usually a percentage of revenues received from electricity sales for consumption within each municipality. Since January 1, 2002, Texas Central has paid franchise fees based upon kilowatt-hour sales within the city limits of the incorporated municipalities. Texas Central expects the franchise fees payable to remain consistent with the fees paid by prior to January 1, 2002; however, the new fees could be higher if electricity sales increase. Texas Central will only be able to adjust its rates to recover such an increase through a general rate case in which all of its expenses and revenues would be subject to review by the PUCT.

Texas Restructuring

Signed into law in June of 1999, SB7 substantially amended the regulatory structure governing electric utilities in Texas in order to allow retail electric competition for all customers. SB7 gave Texas customers the opportunity to choose their REP beginning January 1, 2002, provided a 'price to beat' for residential and small commercial customers and required each utility to legally separate into a REP, a power generation company, and a transmission and distribution utility. Under SB7, neither the power generation company nor the REP is subject to traditional cost of service regulation. The transmission and distribution utility remains subject to traditional utility rate regulation.

Under SB7, a REP, obtains its electricity from power generation companies, exempt wholesale generators and other generating entities and provides services at generally unregulated rates, except that the prices that may be charged to residential and small commercial customers by REPs affiliated with a utility within the affiliated utility's service area are set by the PUCT until certain conditions in SB7 are met. This set price is referred to as the "price to beat" rate (PTB).

The PTB rate was required to be offered by an affiliate REP to all residential and small commercial customers (with a peak usage of less than 1,000 KW) effective January 1, 2002. Centrica, as the purchaser of Mutual Energy, has assumed responsibility for offering the PTB to residential and small commercial customers in Texas Central's service territory. The initial PTB was a rate 6% below bundled rates in effect on January 1, 1999 adjusted for any changes in fuel costs as of December 31, 2001. The PTB must be offered to residential and small commercial customers until January 1, 2007. Customers with a peak usage of more than 1,000 KW do not receive the protection of the PTB.

Under SB7, transmission and distribution utilities in Texas whose generation assets were unbundled pursuant to Texas electric restructuring law may recover generation-related regulatory assets and generation related stranded costs. Regulatory assets consist of the Texas jurisdictional amount of regulatory assets and liabilities in the audited financial statements as of December 31, 1998. Stranded costs consist of the positive excess of the net regulated book value of generation assets over the market value of those assets, taking

specified factors into account. For more information on stranded costs and regulatory asset recovery see "— Regulatory Assets and Stranded Costs Recovery."

While customer choice in the non-ERCOT portion of Texas has been delayed either by legislative mandate or order of the PUCT, customer choice in ERCOT has demonstrated some success. As of December 2002, well over 500,000 customers have switched to competitive REPs. In the large commercial and industrial markets, more than 80% of these customers are purchasing their power under a competitive contract.

In the Texas wholesale market, the current market rules continue to be modified to enhance market liquidity and transparency, and prevent market manipulation. One of the more significant issues, the direct assignment of intra-zonal congestion costs, has yet to be resolved. To address this issue, the PUCT initiated a project to evaluate various alternatives including a change in market design to focus on the level of power moving through transmission substations rather than the current model that focuses on the amount of congestion within one of four zones. It is unclear what model the PUCT will adopt. The PUCT has targeted 2005 as the date for implementation of a modified market design.

Texas Central Restructuring

SB7 required each Texas utility to submit a plan to legally separate its business activities into a REP, a power generation company, and a transmission and distribution utility. Pursuant to SB7, Texas Central and certain affiliates filed the Business Separation Plan in May 2000 that the PUCT approved in October 2001. In November 2001, Texas Central and certain affiliates filed to update portions of the Business Separation Plan. The PUCT issued a final order approving the modified Business Separation Plan in February 2002. The Business Separation Plan will be implemented upon final regulatory approval by the SEC, which is currently pending. With respect to Texas Central, the revised Business Separation Plan provides for the transfer of Texas Central's generation-related assets to an affiliate, the formation of various REPs, including Mutual Energy and the establishment of Texas Central as the transmission and distribution utility.

In October 2001 unbundled transmission and distribution rates were approved for Texas Central as part of the Business Separation Plan. As part of the sale of Mutual Energy to Centrica, Centrica assumed all of the rights and obligations of an affiliated REP, including the provision of PTB service and the obligation to provide data necessary for the 2004 true-up proceeding. Texas Central has contracted with Centrica to supply approximately 90% of Mutual Energy's power requirements for a two year period at costs that are indexed to fuel prices.

In December 2002, Texas Central filed a divestiture plan with the PUCT proposing to sell its generation assets in order to accurately determine its stranded costs in accordance with SB7. For more information on the divestiture plan, see "–2004 True-Up Proceedings." If the PUCT does not approve our divestiture plan, we intend to transfer our generation assets to an affiliate as contemplated by the Business Separation Plan and the stranded costs associated with those assets will be determined by an alternative method under SB7.

Regulatory Assets and Stranded Costs Recovery

SB7 provides Texas Central an opportunity to recover its regulatory assets and stranded costs resulting from the legal separation of the transmission and distribution utility from the generation facilities and the related introduction of retail electric competition. Stranded costs include the positive excess of the regulatory net book value of generation assets over the market value of those assets. SB7 allows alternative methods of third party valuation of the fair market value of generation assets, including outright sale, full and partial stock valuation and asset exchanges.

SB7 further permits utilities to establish a special purpose entity to issue securitization bonds for the recovery of regulatory assets and, after the 2004 true-up proceeding, the remaining amount of stranded costs.

Securitization bonds allow for regulatory assets and stranded costs to be refinanced pursuant to a state pledge to ensure recovery of the bond principal and financing costs through a non-bypassable rate surcharge by the regulated transmission and distribution utility over the life of the securitization bonds. Any stranded costs and other true-up amounts not recovered through the sale of securitization bonds may be recovered through a separate non-bypassable competitive transition charge to transmission and distribution customers.

Regulatory Assets - In 1999, Texas Central filed an application with the PUCT to securitize approximately $1.27 billion of its retail generation-related regulatory assets and approximately $47 million in other qualified restructuring costs. On March 27, 2000, the PUCT issued an order authorizing issuance of up to $797 million of securitization bonds including $764 million for recovery of net generation-related regulatory assets and $33 million for other qualified refinancing costs. The securitization bonds were issued in February 2002. Texas Central has included a transition charge in its distribution rates to repay the bonds over a 14-year period. Another $185 million of regulatory assets are being recovered through distribution rates beginning in January 2002. Remaining regulatory assets of approximately $200 million originally included by Texas Central in its 1999 securitization request will be included in Texas Central's request to recover stranded costs in the 2004 true-up proceeding.

Stranded Costs - In a March 2000 filing with the PUCT to determine unbundled transmission and distribution charges and initial stranded cost recovery, Texas Central requested recovery of an additional $1.1 billion of stranded costs, including regulatory assets that were not securitized. In October 2001, the PUCT issued an order in the unbundled cost of service proceeding (UCOS Proceeding) determining an initial amount of Texas Central Excess Cost over Market (ECOM) or stranded costs of approximately negative $615 million based upon the PUCT's ECOM model. The ruling indicated that Texas Central costs were below market after securitization of regulatory assets. Texas Central disagrees with the ruling and believes it has a positive stranded cost exclusive of securitized regulatory assets. As a result of this stranded cost determination, the PUCT ordered Texas Central to refund $55 million of estimated excess earnings during 1999 through 2002 to customers through distribution rates over a five-year period. Texas Central appealed the PUCT's estimate of stranded costs and refund of excess earnings, among other issues, to the Travis County District Court. For a discussion of other issues on appeal, see "—Rates." The final amount of Texas Central's stranded costs including regulatory assets and ECOM will be established by the PUCT in the 2004 true-up proceeding. Pursuant to PUCT rules, if Texas Central's total stranded costs determined in the 2004 true-up proceeding are less than the amount of securitized regulatory assets, the PUCT can implement an offsetting credit to transmission and distribution rates. The Texas Third Court of Appeals ruled in February 2003 that any negative stranded costs in excess of securitized regulatory assets cannot be refunded to customers under SB7. In addition, the Court ruled that negative stranded costs cannot be offset against other true-up adjustments including final under-recovered fuel amounts.

2004 True-Up Proceedings

Beginning as early as January 2004, the PUCT will conduct true-up proceedings for each investor-owned utility, its affiliated REP and affiliated power generation company. The purpose of the true-up proceeding is to quantify and reconcile the amount of stranded costs, the capacity auction true-up, unreconciled fuel costs, the PTB clawback component and other regulatory assets associated with the generating assets that were not previously securitized. The true-up proceeding will generally result in either additional charges or credits to retail customers through their REPs.

Stranded Cost Component - SB7 authorized the use of several valuation methodologies to quantify stranded costs in the 2004 true-up proceeding. Texas Central has begun the process of seeking regulatory approval to sell its generating assets in order to determine their market value for purposes of stranded cost valuation. Texas Central filed a plan of divestiture with the PUCT in December 2002 seeking approval of the process for selling its generation assets. In order to use the sale of assets valuation method, Texas Central must sell all of its generating assets including eight gas-fired generating plants, one coal-fired plant, Texas Central's minority interest in another coal-fired plant, a small hydro facility and Texas Central's interest in

STP. In the plan of divestiture, Texas Central has requested the issuance of a declaratory order by the PUCT that the sale of assets valuation methodology may be used to determine the market value of STP for purposes of determining stranded costs. The Staff of the PUCT and other parties to the divestiture plan have filed motions to dismiss the filing as seeking an impermissible advisory opinion from the PUCT. Texas Central believes that the PUCT has the authority to issue a declaratory order ruling that the market value of STP can be determined through the sale of assets for calculating stranded costs. If the PUCT does not issue a determination on whether the sale of assets methodology can be used to determine the market value of STP or the PUCT determines that the sale of assets methodology cannot be used to determine market value of STP, Texas Central intends to pursue the use of a combination of other market valuation methods. Texas Central also requested that its 2004 true-up proceeding be scheduled after the divestiture of its generation assets is completed, currently anticipated to be mid-year 2004. The amount of stranded costs under this methodology will be the amount by which the net book value of Texas Central's generating assets, including regulatory assets and liabilities that were not securitized, exceed the market value of the generations assets as measured by the net proceeds from the sale of assets. Divestiture of our interest in the STP to a nonaffiliate will require NRC approval.

Capacity Auction Component - The PUCT used a computer model or projection, called an ECOM model, to estimate stranded costs related to generation plant assets in the UCOS proceeding. In connection with using the ECOM model to calculate the stranded cost estimate, the PUCT estimated the market power prices that will be received in the competitive wholesale generation market as measured by generation capacity auctions mandated by SB7 during the period January 1, 2002 through December 31, 2003. Any difference between the actual market power prices received in those auctions and the PUCT's earlier estimates of those market prices will be a component of the 2004 true-up proceeding, either increasing or decreasing the amount of recovery for Texas Central. Auctions to date have generally indicated that market prices have been lower than PUCT estimates, which, unless reversed, would increase the amount of recovery for Texas Central. If Texas Central transfers its generation assets to an affiliate (and that affiliate does not sell those assets to a non-affiliate), SB7 would require Texas Central to remit to its affiliate the amount of any recovery that accrues after transferring its generation assets.

Fuel Over-Recovery Component - The amount Texas Central recovers in the 2004 true-up proceeding could be reduced (or the amount Texas Central must refund could be increased) by any over-recovery of the fuel component. The fuel component will be determined by the amount of fuel costs and expenses the PUCT approves based on a final fuel reconciliation that we filed on December 2, 2002. Our fuel reconciliation reports our fuel costs from the period beginning July 1, 1998 and ending December 31, 2001. Our fuel reconciliation filing seeks approval for $1.6 billion in fuel expense collected from retail customers during that period. Our fuel reconciliation filing also discloses a fuel over-recovery balance, as of December 31, 2001, of $63.5 million, including interest. A procedural schedule has been set with a hearing scheduled to begin May 7, 2003. Any over-recovery, plus interest thereon, will be returned to customers as a component of the 2004 true-up proceeding.

Price to Beat Clawback Component - The amount Texas Central recovers in the 2004 true-up proceeding could be reduced (or the amount Texas Central must refund could be increased) by the PTB clawback component. If Mutual Energy continues to serve 60% or more of Texas Central's PTB load by January 1, 2004 and the PTB exceeds the market price of electricity, any excess will reduce the amount of recovery approval for Texas Central in the 2004 true-up proceeding, up to $150 per customer of Mutual Energy, subject to certain adjustments. SB7 provides that Mutual Energy effectively indemnify Texas Central for any PTB clawback amounts assessed on Texas Central. The Mutual Energy sale agreement provides that responsibility for this indemnity will be shared by the purchaser and seller of Mutual Energy, *i.e.,* Centrica and an affiliate of Texas Central, respectively. Texas Central has reflected on its books the maximum liability that may come due under the PTB clawback.

After final determination of its stranded costs and other true-up adjustments by the PUCT, Texas Central expects to issue securitization bonds for the balance of its stranded costs determined in the 2004 true-

up proceeding. The bonds have a maximum term of 15 years. If securitization bonds are not issued to finance stranded costs, Texas Central will seek recovery of stranded costs and other true-up adjustments through a non-bypassable competition transition charge in transmission and distribution rates.

Rates

All REPs in Texas Central's service area pay the same rates and other charges for distribution services. Distribution rates are based on amounts of energy demanded. All other distribution companies in ERCOT pay Texas Central the same rates and other charges for transmission services. Transmission rates are based on amounts of energy transmitted under 'postage stamp' rates that do not vary with the distance the energy is being transmitted.

The distribution rates that are in effect as of January 1, 2002 are based on an order issued by the PUCT resulting from the UCOS Proceeding. Texas Central filed for and received approval of wholesale transmission rates determined in the UCOS Proceeding with the FERC. The UCOS Proceeding set the regulated rates to be effective when electric competition began. This regulated delivery charge includes the retail transmission and distribution charge, a system benefit fund fee, a nuclear decommissioning fund charge, a municipal franchise fee and a transition charge associated with securitization of regulatory assets. Certain rulings of PUCT in the UCOS Proceeding were appealed to the Travis County District Court by Texas Central and other parties to the proceeding including the initial determination of stranded costs, regulatory treatment of nuclear insurance and distribution rates charged municipal customers. An appellate hearing was held in January 2003 but no decision has been issued yet.

Decommissioning Trust

STP is a nuclear power generation facility, 25.2% of which is owned by Texas Central. Texas Central has been authorized by the Texas electric restructuring law and the PUCT to collect $8.2 million per year from customers using Texas Central's transmission and distribution services and to deposit the amount collected into an external trust created to fund Texas Central's share of the decommissioning costs for the STP. At December 31, 2002, the securities held by the trusts had an estimated fair value of $98 million.

In the event that funds from the trust are inadequate to decommission the facilities, Texas Central will be required to collect through rates or other authorized charges all additional amounts required to fund decommissioning obligations relating to the decommissioning of STP. Pursuant to SB7, costs associated with nuclear decommissioning that have not been recovered as of January 1, 2002 will continue to be subject to cost-of-service rate regulation and will be included in a charge to transmission and distribution customers. Following the completion of the decommissioning, if surplus funds remain in the decommissioning trust, the excess will be refunded to customers through reductions in the rates applicable to transmission and distribution services.

DESCRIPTION OF THE NOTES

General

We will issue the Notes under an Indenture dated as of February 1, 2003 between us and Bank One, N.A., as trustee, as supplemented by supplemental indentures or company orders. This offering memorandum briefly outlines some provisions of the Indenture. If you would like more information on these provisions, you should review the Indenture and any supplemental indentures or company orders that we have on file or will file with the SEC. See "WHERE YOU CAN FIND MORE INFORMATION" on how to locate these documents. You may also review these documents at the Trustee's offices at 1111 Polaris Parkway, Columbus, Ohio 43240.

The Indenture does not limit the amount of Notes that may be issued. The Indenture permits us to issue Notes in one or more series or tranches upon the approval of our board of directors and as provided in one or more company orders or supplemental indentures. Each series of Notes may differ as to their terms. We may from time to time, without consent of the holders of the Notes, issue additional notes having the same ranking, interest rate, maturity and other terms as the Notes. These notes, together with the Notes, will be a single series of notes under the Indenture.

The Notes are unsecured and will rank equally with all our senior unsecured unsubordinated debt. Substantially all of our fixed properties and franchises are subject to the lien of our Indenture of Mortgage and Deed of Trust, dated November 1, 1943, as previously supplemented and amended (mortgage indenture), between us and The Bank of New York, successor to The First National Bank of Chicago, as trustee. In the event of legal separation, we currently intend to retire or defease our obligations under our mortgage indenture. For current information on our debt outstanding, see our most recent Form 10-K and 10-Q. In addition, see "WHERE YOU CAN FIND MORE INFORMATION."

The Notes will be denominated in U.S. dollars and we will pay principal and interest in U.S. dollars. The Notes of each series will be issuable in denominations of $1,000 or any integral multiples of $1,000 in excess thereof, except that Notes issued to institutional "accredited investors" will be in denominations of at least $250,000. The Notes will not be subject to any conversion, amortization, or sinking fund.

Principal Amount, Maturity and Interest

The 2013 Notes will be initially issued in aggregate principal amount of $275,000,000 and the 2033 Notes will be initially issued in aggregate principal amount of $275,000,000.

The 2013 Notes will mature and become due and payable, together with any accrued and unpaid interest, on February 15, 2013 and will bear interest at the rate of 5.50% per annum from February 18, 2003 until February 15, 2013. The 2033 Notes will mature and become due and payable, together with any accrued and unpaid interest, on February 15, 2033 and will bear interest at the rate of 6.65% per annum from February 18, 2003 until February 15, 2033.

Interest on each note will be payable semi-annually in arrears on each February 15 and August 15 and at redemption, if any, or maturity. The initial interest payment date is August 15, 2003. Each payment of interest shall include interest accrued through the day before such interest payment date. Interest on the Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

We will pay interest on the Notes of each series (other than interest payable at redemption, if any, or maturity) in immediately available funds to the owners of the Notes as of the Regular Record Date (as defined below) for each interest payment date. We will pay the principal of the Notes and any premium and interest payable at redemption, if any, or maturity in immediately available funds at the office of the Trustee at 1111 Polaris Parkway, Columbus, Ohio 43240.

If any interest payment date, redemption date or the maturity is not a Business Day (as defined below), we will pay all amounts due on the next succeeding Business Day and no additional interest will be paid.

The "Regular Record Date" will be the January 31 or July 31 prior to the relevant interest payment date.

"Business Day" means any day that is not a day on which banking institutions in New York City are authorized or required by law or regulation to close.

Optional Redemption

We may redeem any or all series of the Notes in whole or in part by delivering written notice to the noteholders no more than 60, and not less than 30, days prior to redemption. If we do not redeem all the Notes of a series at one time, the Trustee will select the Notes to be redeemed in a manner it determines to be fair.

We may redeem the Notes of each series at any time at a "make whole" redemption price equal to the greater of (i) the principal amount of the Notes being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed (excluding the portion of any such interest accrued to the date of redemption) discounted (for purposes of determining present value) to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 25 basis points in the case of the 2013 Notes and 30 basis points in the case of the 2033 Notes, plus, in each case, accrued interest thereon to the date of redemption.

"Treasury Rate," applicable to each series, means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue," applicable to each series, means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price," applicable to each series, means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (2) if such release (or any successor release) is not published or does not contain such prices on such third Business Day, the Reference Treasury Dealer Quotation for such redemption date.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by us and reasonably acceptable to the Trustee.

"Reference Treasury Dealer" means a primary U.S. Government Securities Dealer selected by us and reasonably acceptable to the Trustee.

"Reference Treasury Dealer Quotation" means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at or before 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

Consolidation, Merger or Sale

We may merge or consolidate with any corporation or sell all or substantially all of our assets as an entirety as long as the successor or purchaser of such assets expressly assumes the payment of principal, and premium, if any, and interest on the Notes; provided, however, that if all or substantially all of our Generation-Related Business is transferred to an affiliated entity pursuant to the Business Separation Plan or sold to an unaffiliated entity pursuant to the plan of divestiture (whether or not the Generation-Related Business constitutes "substantially all" of our total assets), the Notes will continue to be the obligations of Texas Central. The transfer or sale of all or substantially all of our Generation-Related Business would not constitute a default with respect to the Notes nor would it be deemed a sale or transfer of all or substantially all of our assets for purposes of the Indenture. Additionally, such transfer or sale would not alter the terms of the Notes, and the Notes will continue to be governed by the Indenture.

Limitation on Secured Debt

So long as any of the Notes are outstanding, we will not create or permit to be created or to exist or permit any of our subsidiaries to create or permit to be created or to exist any additional mortgage, pledge, security interest, or other lien (collectively, Liens) on any utility properties or tangible assets now owned or hereafter acquired by us or our subsidiaries to secure any indebtedness for borrowed money (Secured Debt), without providing that the outstanding Notes will be similarly secured. This restriction does not apply to our existing first mortgage bonds that have previously been issued under our mortgage indenture or any indenture supplemental thereto; provided that this restriction will apply to future issuances thereunder (other than issuances of refunding first mortgage bonds). In addition, this restriction does not prevent the creation or existence of:

- Liens on property existing at the time of acquisition or construction of such property (or created within one year after completion of such acquisition or construction), whether by purchase, merger, construction or otherwise, or to secure the payment of all or any part of the purchase price or construction cost thereof, including the extension of any Liens to repairs, renewals, replacements substitutions, betterments, additions, extensions and improvements then or thereafter made on the property subject thereto;

- Financing of our accounts receivable for electric service;

- Any extensions, renewals or replacements (or successive extensions, renewals or replacements), in whole or in part, of Liens permitted by the foregoing clauses; and

- The pledge of any bonds or other securities at any time issued under any of the Secured Debt permitted by the above clauses.

In addition to the permitted issuances above, Secured Debt not otherwise so permitted may be issued; provided that amount of such Secured Debt that does not exceed 15% of Net Tangible Assets as defined below.

"Net Tangible Assets" means the total of all assets (including revaluations thereof as a result of commercial appraisals, price level restatement or otherwise) appearing on our balance sheet, net of applicable reserves and deductions, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount, energy trading contracts, regulatory assets, deferred charges and all other like intangible assets (which term shall not be construed to include such revaluations), less the aggregate of our current liabilities appearing on such balance sheet.

This restriction also will not apply to or prevent the creation or existence of leases (operating or capital) made, or existing on property acquired, in the ordinary course of business.

Book-Entry Notes—Registration, Transfer and Payment of Interest and Principal

The certificates representing the Notes will be issued in fully registered form, without coupons. Except for certificated Notes issued to institutional accredited investors, the Notes will be deposited with, or on behalf of, DTC, and registered in the name of Cede & Co., as DTC's nominee in the form of one or more global certificates or will remain in the custody of the Trustee pursuant to a FAST Balance Certificate Agreement between DTC and the Trustee. Upon the issuance of the global certificates, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interest represented by such global certificates to the accounts of persons who have accounts with such depository. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global certificate will be limited to persons who have accounts with DTC (participants) or persons who hold interests through participants. Ownership of beneficial interests in a global certificate will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified institutional buyers may hold their interests in a global certificate directly through DTC, if they are participants in such system or indirectly through organizations which are participants in such system.

Investors that have purchased Notes pursuant to Regulation S may hold their interests directly through Clearstream Banking or Euroclear, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Beginning 40 days after the date of initial issuance of the Notes but not earlier, investors may also hold such interests through organizations other than Clearstream Banking or Euroclear that are participants in the DTC system. Clearstream Banking and Euroclear will hold interests in the global certificate representing Notes purchased pursuant to Regulations S on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a global certificate, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such global certificate for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a global certificate will be able to transfer the interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream Banking.

Payments of the principal of and interest on a global certificate will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither Texas Central, the Trustee nor any payment agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global certificate, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global certificate as shown on the records of DTC or its nominee. Texas Central also expects that payments by participants to owners of beneficial interests in such global certificate held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules. If a holder requires physical delivery of a certificated Note for any reason, including to sell Notes to person in jurisdictions which require such delivery of such Notes or to pledge such Notes, such holder must transfer its interest in a global certificate in accordance with the procedures described under "NOTICE TO INVESTORS" in this offering memorandum, as well as DTC's applicable procedures, the procedures set forth in the Indenture and, if applicable, those of Euroclear and Clearstream Banking.

DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a global certificate is credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the Notes, DTC will exchange a global certificate for certificated Notes, which it will distribute to its participants and which may be legended as set forth under "NOTICE TO INVESTORS."

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants). The rules applicable to DTC and its participants are on file with the SEC.

Although DTC, Euroclear and Clearstream Banking are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Notes represented by global certificates among their respective participants, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Texas Central, the initial purchasers nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depositary for a global certificate and a successor depositary is not appointed by Texas Central within 90 days, Texas Central will issue certificated notes in exchange for a global certificate which will bear the restrictive legend referred to under "NOTICE TO INVESTORS," subject to the provisions of such legend.

Settlement for the Notes will be made by the initial purchasers in immediately available funds. Texas Central will make all payments of principal and interest in immediately available funds.

Secondary trading in long-term bonds and notes of corporate issuers is generally settled in clearing-house or next-day funds. In contrast, beneficial interests in the Notes that are not certificated Notes will trade in DTC's Same-Day Funds Settlement System until maturity. Therefore, the secondary market trading activity in such interests will settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the Notes.

The information under this sub-caption "—Book-Entry Notes—Registration, Transfer and Payment of Interest and Principal" concerning DTC and DTC's book-entry system has been obtained from sources that Texas Central believe to be reliable, but neither Texas Central nor the initial purchasers take any responsibility for the accuracy of this information.

Restrictions on Transfer

The Notes will be subject to restrictions on transfer and will bear a restrictive legend substantially as described in "NOTICE TO INVESTORS."

Events of Default

"Event of Default" means any of the following:

- failure to pay for three business days the principal of (or premium, if any, on) any Note of a series when due and payable;

- failure to pay for 30 days any interest on any Note of any series when due and payable;

- failure to perform any other requirements in such Notes, or in the Indenture in regard to such Notes, for 90 days after notice;

- certain events of bankruptcy or insolvency; or

- any other event of default specified in a series of Notes.

An Event of Default for a particular series of Notes does not necessarily mean that an Event of Default has occurred for any other series of Notes issued under the Indenture. If an Event of Default occurs and continues, the Trustee or the holders of at least 33% of the principal amount of the Notes of the series affected may require us to repay the entire principal of the Notes of such series immediately (Repayment Acceleration). In most instances, the holders of at least a majority in aggregate principal amount of the Notes of the affected series may rescind a previously triggered Repayment Acceleration. However, if we cause an Event of Default because we have failed to pay (unaccelerated) principal, premium, if any, or interest, Repayment Acceleration may be rescinded only if we have first cured our default by depositing with the Trustee enough money to pay all (unaccelerated) past due amounts and penalties, if any.

The Trustee must within 90 days after a default occurs, notify the holders of the Notes of the series of default unless such default has been cured or waived. We are required to file an annual certificate with the Trustee, signed by an officer, concerning any default by us under any provisions of the Indenture.

Subject to the provisions of the Indenture relating to its duties in case of default, the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any holders unless such holders offer the Trustee reasonable indemnity. Subject to the provisions for indemnification, the holders of a majority in principal amount of the Notes of any series may direct the time, method and place of conducting any proceedings for any remedy available to, or exercising any trust or power conferred on, the Trustee with respect to such Notes.

Modification of Indenture

Under the Indenture, our rights and obligations and the rights of the holders of any Notes may be changed. Any change affecting the rights of the holders of any series of Notes requires the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes of all series affected by the change, voting as one class. However, we cannot change the terms of payment of principal or interest, or a reduction in the percentage required for changes or a waiver of default, unless the holder consents. We may issue additional series of Notes and take other action that does not affect the rights of holders of any series by executing supplemental indentures without the consent of any noteholders.

Legal Defeasance

We will be discharged from our obligations on the Notes of any series at any time if:

- we deposit with the Trustee sufficient cash or government securities to pay the principal, interest, any premium and any other sums due to the stated maturity date or a redemption date of the Notes of the series, and

- we deliver to the Trustee an opinion of counsel stating that the United States federal income tax obligations of noteholders of that series will not change as a result of our performing the action described above, with such opinion based upon a ruling of the Internal Revenue Service (IRS) issued to us or a change of law or regulation occurring after the date hereof.

If this happens, the noteholders of the series will not be entitled to the benefits of the Indenture except for registration of transfer and exchange of Notes and replacement of lost, stolen or mutilated Notes.

Covenant Defeasance

We will be discharged from our obligations under any restrictive covenant applicable to the Notes of a particular series if:

- we deposit with the Trustee cash or government securities sufficient to pay the principal, interest and any premium due on or prior to maturity, and

- we deliver to the Trustee an opinion of counsel stating that the United States federal income tax obligations of the noteholders will not change as a result of the defeasance.

If this happens, any later breach of that particular restrictive covenant will not result in Repayment Acceleration. If we cause an Event of Default apart from breaching that restrictive covenant, there may not be sufficient money or government obligations on deposit with the Trustee to pay all amounts due on the Notes of that series. In that instance, we would remain liable for such amounts.

Governing Law

The Indenture and Notes of all series will be governed by the laws of the State of New York.

Concerning the Trustee

We and our affiliates use or will use some of the banking services of the Trustee and other services of its affiliates in the normal course of business.

EXCHANGE OFFER AND REGISTRATION RIGHTS

We will enter into a registration rights agreement with the initial purchasers for the benefit of the holders of the Notes in which we will agree for the benefit of the holders of the Notes (i) to file with the SEC within 210 calendar days after the issuance of the Notes, a registration statement with respect to Notes identical in all material respects to the Notes (the "Exchange Notes") (except that the Exchange Notes will be designated as a new series, will not contain transfer restrictions and will not provide for any increase in the interest rate under the circumstances described below) and (ii) to use our reasonable best efforts to cause the registration statement to be declared effective under the Securities Act within 270 calendar days after the issuance of the Notes.

Promptly after the registration statement has been declared effective, we will offer to holders of the Notes the opportunity to exchange all their Notes for Exchange Notes. We will keep the exchange offer open for not less than 30 calendar days (or longer if required by applicable law) after the date the registration statement is declared effective. For each Note validly tendered to us pursuant to the exchange offer, the holder of that Note will receive an Exchange Note having a principal amount equal to the principal amount of the

tendered Note. Interest on each Exchange Note will accrue from the last interest payment date to which interest was paid on the Note surrendered in exchange or, if no interest has been paid on the Note, from the issuance of the Note.

Based on existing interpretations of the Securities Act by the staff of the SEC set forth in several no-action letters to third parties, and subject to the immediately following sentence, we believe that the Exchange Notes to be issued in the exchange offer may be offered for resale, resold and otherwise transferred by the holders thereof (other than holders who are broker-dealers) without further compliance with the registration and prospectus delivery provisions of the Securities Act. However, any purchaser of a Note who is an affiliate of us who acquired the Note, or is acquiring the Exchange Note to be received, other than in the ordinary course of its business, or who intends to participate in the exchange offer for the purpose of distributing the Exchange Notes, or any broker-dealer who purchased the Notes from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act (i) will not be able to rely on the interpretations of the staff set forth in these no-action letters, (ii) will not be entitled to tender its Notes in the exchange offer, and (iii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the Notes unless such sale or transfer is made pursuant to an exemption from such requirements. We do not intend to seek our own no-action letter, and there can be no assurance that the staff of the SEC would make a similar determination with respect to the Exchange Notes as it has in such no-action letters to third parties.

Each holder of Notes (other than certain specified holders) who wishes to exchange the Notes for Exchange Notes in the exchange offer will be required to represent that (i) it is not an affiliate of ours, (ii) the Notes to be exchanged for Exchange Notes in the exchange offer were acquired in the ordinary course of its business, (iii) it is not a broker-dealer tendering Notes acquired directly from Texas Central, and (iv) at the time of the exchange offer, it has no arrangement with any person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Notes. In addition, in connection with any resale of Exchange Notes, any broker-dealer who acquired the Exchange Notes for its own account as a result of market-making or other trading activities (a "participating broker-dealer") must deliver a prospectus meeting the requirements of the Securities Act. The SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to the Exchange Notes , other than a resale of an unsold allotment from the original sale thereof, with the prospectus contained in the exchange offer registration statement. Under the registration rights agreement, we are required to allow participating broker-dealers and other persons, if any, subject to similar prospectus delivery requirements to use the prospectus contained in the exchange offer registration statement in connection with the resale of such Exchange Notes for a period of 300 calendar days from the date the exchange offer registration statement is declared effective.

If: (i) because of any change in law or in currently prevailing interpretations of the staff, we are not permitted to effect the exchange offer, (ii) the exchange offer is not consummated within 300 calendar days of the issuance of the Notes, or (iii) any holder of a Note notifies us prior to the 20th day following the consummation of the exchange offer that (i) such holder was prohibited by applicable law or SEC policy from participating in the exchange offer, (ii) that such holder may not resell the Exchange Notes to the public without delivering a prospectus and that the prospectus contained in the Exchange offer registration statement is not appropriate or available for such resale by such holder or (iii) that it is a participating broker-dealer and holds Notes acquired directly from us or one of our affiliates, then in each case, we will (x) promptly deliver to the holders written notice thereof and (y) at our sole expense (a) as promptly as practicable (but in no event more than 210 days after so required or requested pursuant to the registration rights agreement), file a shelf registration statement covering resales of those Notes, (b) use our reasonable best efforts to cause the shelf registration statement to be declared effective under the Securities Act (but in no event more than 270 days after so required or requested pursuant to the registration rights agreement or, if later, 300 days after the Notes are issued) and (c) use our reasonable best efforts to keep effective the shelf registration statement until the earlier of two years (or, if Rule 144(k) is amended to provide a shorter restrictive period, such shorter period) after the issuance of the Notes or such time as all of the applicable Notes have been sold under the shelf registration statement.

We will, if a shelf registration statement is declared effective, provide to each holder copies of the prospectus that is a part of the shelf registration statement, notify each such holder when the shelf registration statement for the Notes has become effective and take any other actions as are required to permit unrestricted resales of the Notes. A holder that sells Notes pursuant to the shelf registration statement will be required to be named as a selling security holder in the related prospectus, to provide information related thereto and to deliver that prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with the sales and will be bound by the provisions of the registration rights agreement that are applicable to such a holder (including certain indemnification rights and obligations). We will not have any obligation to include in the shelf registration statement holders who do not deliver that information to us.

If we fail to comply with certain provisions of the registration rights agreement, as described below, then a special interest premium will become payable in respect of the Notes.

If: (i) the exchange offer registration statement is not filed with the SEC on or before the 210th calendar day after the issuance of the Notes, (ii) the exchange offer registration statement is not declared effective on or before the 270th calendar day after the issuance of the Notes, or (iii) the exchange offer is not consummated or the shelf registration statement is not declared effective on or before the 300th calendar day after the issuance of the Notes, the special interest premium will accrue in respect of the Notes from and including the next calendar day following each of (a) such 210-day period in the case of clause (i) above, (b) such 270-day period in the case of clause (ii) above, and (c) such 300-day period in the case of clause (iii) above, in the case of clauses (i) and (ii) above at a rate equal to 0.25% per annum and in the case of clause (iii) at a rate equal to 0.50% per annum.

If the exchange offer registration statement is not declared effective on or before the 300th calendar day after the issuance of the Notes and we request holders of the Notes to provide the information called for by the registration rights agreement for inclusion in the shelf registration statement, the Notes owned by holders who do not deliver such information to us when required pursuant to the registration rights agreement will not be entitled to any such increase in the interest rate for any day after the 300th day following the issuance of the Notes. Upon (1) the filing of an exchange offer registration statement after the 210-day period described in clause (i) above, (2) the effectiveness of the exchange offer registration statement after the 270-day period described in clause (ii) above or (3) the consummation of the exchange offer or the effectiveness of a shelf registration statement, as the case may be, after the 300-day period described in clause (iii) above, the interest rate on the Notes from the day of such filing, effectiveness or consummation, as the case may be, will be reduced to the original interest rate set forth on the cover page of this offering memorandum for the Notes.

If a shelf registration statement is declared effective pursuant to the foregoing paragraphs, and if such shelf registration statement ceases to be continuously effective or the prospectus contained in such shelf registration statement ceases to be usable for resales (x) at any time prior to the earlier of two years (or if Rule 144(k) is amended to provide a shorter restrictive period, such shorter period) after the issuance of the Notes or such time as all of the applicable Notes have been sold under the shelf registration statement or (y) due to corporate developments, public filings with the SEC or similar events, or because the prospectus contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, and such failure continues for more than 90 days (whether or not consecutive and whether or not arising out of a single or multiple circumstances) in any twelve-month period (the day, with respect to (x), or the 91st day, with respect to (y), being referred to as the "default day"), then from the default day until the earlier of (i) the date that the shelf registration statement and the prospectus are again deemed effective and usable for resales, respectively, (ii) the date that is the second anniversary of the issuance of the Notes (or, if Rule 144(k) is amended to provide a shorter restrictive period, such shorter period), or (iii) the date as of which all of the Notes are sold pursuant to the shelf registration statement, the special interest premium in respect of the Notes will accrue at a rate equal to 0.50% per annum. The aggregate amount of the special interest premium in respect of the Notes payable pursuant to the above provisions will in no event exceed 0.50% per annum.

If we fail to keep the shelf registration statement continuously effective or useable for resales pursuant to the preceding paragraph, we will give the holders notice to suspend the sale of the Notes and will extend the relevant period referred to above during which we are required to keep effective the shelf registration statement (or the period during which participating broker-dealers are entitled to use the prospectus included in an exchange offer registration statement in connection with the resale of exchange Notes) by the number of days during the period from and including the date of the giving of such notice to and including the date when holders will have received copies of the supplemented or amended prospectus necessary to permit resales of the Notes or to and including the date on which we have given notice that the sale of the Notes may be resumed, as the case may be.

Each Note will contain a legend to the effect that the holder of the Note, by its acceptance thereof, will be deemed to have agreed to be bound by the provisions of the registration rights agreement.

The registration rights agreement will be governed by, and construed in accordance with, the laws of the State of New York. The summary herein of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a form of which is available upon request to us. In addition, the information set forth above concerning certain interpretations and positions taken by the staff is not intended to constitute legal advice, and prospective investors should consult their own legal advisors with respect to these matters.

NOTICE TO INVESTORS

The Notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act) except in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) in the United States to qualified institutional buyers under Rule 144A under the Securities Act, (2) in the United States to institutional "accredited investors," as defined in Rule 501(a) (1), (2), (3) or (7) under the Securities Act, in private sales exempt from the registration requirements of the Securities Act, and (3) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act. Each institutional investor that is a purchaser of Notes from an initial purchaser will be required to sign a letter in the form attached as Annex A to this offering memorandum provided by such initial purchaser and containing certain representations and agreements. The only Notes that will be eligible to be deposited with DTC are Notes held by qualified institutional buyers or sold to foreign purchasers in reliance upon Regulation S under the Securities Act.

Each purchaser of the Notes, by accepting such Notes, will be deemed to have acknowledged, represented and agreed as follows:

(1) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Notes pursuant to Rule 144A, Regulation S or any exemption from registration available under the Securities Act;

(2) It is:

(i) a "qualified institutional buyer" as defined in Rule 144A who is aware that the sale to it is being made in reliance on Rule 144A and who is acquiring the Notes for its own account or for the account of a qualified institutional buyer; or

(ii) an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act who is purchasing Notes with a principal amount of at least $250,000 and, if the Notes are to be purchased for one or more accounts (the "investor accounts") for which it is acting as fiduciary or agent, each such account is an institutional accredited investor who is purchasing the Notes with a principal amount of at least $250,000. In the normal course of business or its investing activities, it invests in or purchases securities similar to the Notes and it has such knowledge and experience in financial business matters that it is capable of evaluating the merits and risks of purchasing the Notes. It is aware that it (or any investor account) may be required to bear the economic risk of an investment in the Notes for an indefinite period of time and it (or such investor account) is able to bear such risk for an indefinite period; or

(iii) a non-U.S. person acquiring the Notes in an offshore transaction outside the United States complying with the provisions of Regulation S;

(3) It acknowledges that none of ourselves, the initial purchasers or any persons representing any of us has made any representation to it with respect to any such entity or the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. Accordingly, it acknowledges that no representation or warranty is made by the initial purchasers as to the accuracy or completeness of such materials. It has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase any of our Notes, including an opportunity to ask questions of, and request information from, us and the initial purchasers;

(4) It understands and agrees that the offer and sale of the Notes have not been registered under the Securities Act and that such Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that (A) if it decides to resell, pledge or otherwise transfer such Notes on which the legend set forth below appears, such Notes may be resold, pledged or otherwise transferred only (i) to us, (ii) in a transaction entitled to an exemption from registration provided by Rule 144 under the Securities Act, (iii) so long as such Notes are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A, (iv) outside the United States in a transaction meeting the requirements of Regulation S, (v) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to us), in each case in accordance with any applicable securities laws of any state of the United States or (vi) pursuant to a registration statement which has been declared effective under the Securities Act and (B) the purchaser will, and each subsequent holder is required to, notify any purchaser of Notes from it of the resale restrictions referred to in (A) above, if then applicable. It acknowledges that the foregoing transfer restrictions apply to holders of beneficial interests in the Notes, as well as to holders of the Notes. With respect to any transfer of Notes by an institutional accredited investor, such holder will deliver to us and the trustee such certificates and other information as we or they may reasonably require to confirm that the transfer by it complies with the foregoing restrictions;

(5) It understands that the notification requirement referred to in (4)(B) above will be satisfied, in the case only of transfers by physical delivery of certificated Notes other than a global certificate, by virtue of the fact that the following legend will be placed on the Notes unless otherwise agreed by us:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF THE COMPANY THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OTHER THAN (A)(I) TO THE COMPANY, (2) IN A TRANSACTION ENTITLED TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT, (3) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (RULE 144A), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (4) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT, (5) IN ACCORDANCE WITH ANOTHER APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY) OR (6) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND (B) IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF EACH STATE OF THE UNITED STATES. AN INSTITUTIONAL ACCREDITED INVESTOR HOLDING THIS SECURITY AGREES IT WILL FURNISH TO THE COMPANY AND THE TRUSTEE SUCH CERTIFICATES AND OTHER INFORMATION AS THEY MAY REASONABLY REQUIRE TO CONFIRM THAT ANY TRANSFER BY IT OF THIS SECURITY COMPLIES WITH THE FOREGOING RESTRICTIONS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A OR (2) AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(A)(l), (2),(3) OR (7) UNDER THE SECURITIES ACT AND THAT IT IS HOLDING THIS SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION OR (3) A NON- U.S. PERSON OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT;"

(6) It acknowledges that we, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify us, the trustee and the initial purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each account; and that each such investor account is eligible to purchase the Notes; and

(7) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S under the Securities Act, it acknowledges that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S under the Securities Act, any offer or sale of the securities shall not be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act, other than pursuant to Rule 144A of the Securities Act.

CERTAIN UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON- U.S. HOLDERS

The following summary describes the material United States federal income tax consequences of the ownership of Notes by a Non-U.S. Holder (as defined below) who has acquired the Notes upon original issuance at their initial offering price. Except where noted, it deals only with Notes held as capital assets by Non-U.S. Holders. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. **Persons considering the purchase, ownership or disposition of Notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.**

As used herein, a "U.S. Holder" of a Note means a holder that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust if it (x) is subject to the supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (y) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person. A "Non-U.S. Holder" is a holder that is not a U.S. Holder.

This summary does not represent a detailed description of the United States federal income tax consequences to investors in light of their particular circumstances. In addition, special rules may apply to certain Non-U.S. Holders, such as United States expatriates, "controlled foreign corporations," "passive foreign investment companies," "foreign personal holding companies," and investors in pass-through entities. Such Non-U.S. Holders should consult their own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

If a partnership holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Persons who are partners of partnerships holding Notes should consult their own tax advisors.

Under current United States federal income and estate tax law, and subject to the discussion below concerning backup withholding:

(a) no withholding of United States federal income tax will be required with respect to the payment by us or any paying agent of principal or interest on a Note owned by a Non-U.S. Holder under the "portfolio interest" rule, provided that (i) interest paid on the Notes is not effectively connected with the beneficial owner's conduct of a trade of business in the United States, (ii) the beneficial owner does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of section 871(h)(3) of the Code and the regulations thereunder, (iii) the beneficial owner is not a controlled foreign corporation that is related to us through stock ownership, (iv) the beneficial owner is not a bank whose receipt of interest on a Note is described in section 881(c)(3)(A) of the Code and (v) the beneficial owner satisfies the statement requirement (described generally below) set forth in section 871(h) and section 881(c) of the Code and the regulations thereunder.

(b) no withholding of United States federal income tax generally will be required with respect to any gain realized by a Non-U.S. Holder upon the sale, exchange, retirement or other disposition of a Note; and

(c) a Note beneficially owned by an individual who at the time of death is not a citizen or resident of the United States will not be subject to United States federal estate tax as a result of such

individual's death, provided that any payment to such holder on the Note would be eligible for exemption from the 30% federal withholding tax under the "portfolio interest" rule described in paragraph (a) above without regard to the statement requirement described in (a)(v) above.

To satisfy the requirement referred to in (a)(v) above, the beneficial owner of such Note (or a financial institution holding the Note on behalf of such owner) must provide, in accordance with specified procedures, us or any paying agent, as the case may be, with a statement to the effect that the beneficial owner is not a United States person. Currently, these requirements will be met if (1) the beneficial owner provides its name and address, and certifies, under penalties of perjury, that it is not a United States person (which certification may be made on an IRS Form W-8BEN) or (2) a financial institution holding the Note on behalf of the beneficial owner certifies, under penalties of perjury, that such statement has been received by it, and furnishes us or any paying agent, as the case may be, with a copy thereof. The statement requirement referred to in (a)(v) above may also be satisfied with other documentary evidence with respect to Notes held through an offshore account or through certain foreign intermediaries.

If a Non-U.S. Holder cannot satisfy the requirements of the "portfolio interest" exception described in (a) above, payments of interest made to such Non-U.S. Holder will be subject to a 30% withholding tax unless the beneficial owner of the Note provides us or any paying agent, as the case may be, with a properly executed (1) IRS Form W-8BEN claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI stating that interest paid on the Note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States. Alternative documentation may be applicable in certain situations.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on the Note is effectively connected with the conduct of such trade or business, the non-U.S. Holder, although exempt from the withholding tax discussed above, will be subject to United States federal income tax on such interest on a net income basis in the same manner as if it were a U.S. Holder. In addition, if such holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or a lesser rate under an applicable income tax treaty) of such amount, subject to adjustments.

Any gain realized upon the sale, exchange, retirement or other disposition of a Note generally will not be subject to United States federal income tax unless (i) such gain or income is effectively connected with a trade or business in the United States of the Non-U.S. Holder, or (ii) in the case of a Non-U.S. Holder who is an individual, such individual is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition, and certain other conditions are met.

The exchange of Notes for Exchange Notes in the exchange offer will not constitute a taxable event to Non-U.S. Holders.

As more fully described under "EXCHANGE OFFER AND REGISTRATION RIGHTS," upon the occurrence of certain enumerated events we may be required to make additional payments on the Notes to you. It is possible that such payments might be subject to United States federal withholding tax.

Information reporting will generally apply to payments of interest to Non-U.S. Holders of the Notes and the amount of tax, if any, withheld with respect to such payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

In general, no backup withholding will be required with respect to payments made by us or any paying agent to Non-U.S. Holders if a statement described in (a)(v) above has been received (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person).

In addition, information reporting and, depending on the circumstances, backup withholding, will apply to the proceeds of the sale of a Note within the United States or conducted through United States-related financial intermediaries unless the statement described in (a)(v) above has been received (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person) or the holder otherwise establishes an exemption.

PLAN OF DISTRIBUTION

Lehman Brothers Inc. and Salomon Smith Barney Inc., as representatives (the "representatives") of the initial purchasers named below (the "initial purchasers") have severally agreed, subject to the terms and conditions of the purchase agreement, dated the date hereof, among the initial purchasers and us, to purchase from us, and we have agreed to sell to the initial purchasers, the respective principal amounts of Notes set forth opposite their respective names below:

Initial Purchasers	Principal Amount of 2013 Notes	Principal Amount of 2033 Notes
Lehman Brothers Inc.	$ 82,500,000	$ 82,500,000
Salomon Smith Barney Inc.	82,500,000	82,500,000
Banc of America Securities LLC	23,375,000	23,375,000
ABN AMRO Incorporated	12,375,000	12,375,000
Banc One Capital Markets, Inc.	12,375,000	12,375,000
Barclays Capital Inc.	12,375,000	12,375,000
BNY Capital Markets, Inc.	12,375,000	12,375,000
McDonald Investments Inc.	12,375,000	12,375,000
TD Securities (USA) Inc.	12,375,000	12,375,000
UBS Warburg LLC	12,375,000	12,375,000
Total	$ 275,000,000	$ 275,000,000

The purchase agreement provides that the obligation of the initial purchasers to pay for and accept delivery of the Notes is subject to certain conditions, including delivery of certain legal opinions by legal counsel.

Under the terms and conditions of the purchase agreement, the initial purchasers are committed to take and pay for all of the Notes if any are taken and have agreed to resell such Notes to purchasers as described herein and under "NOTICE TO INVESTORS."

The initial purchasers propose initially to offer the Notes in part to investors at the offering prices set forth on the cover page of this offering memorandum and in part to certain dealers at the respective offering prices less a concession not in excess of 0.400% of the principal amount of the 2013 Notes and 0.500% of the principal amount of the 2033 Notes. Any initial purchaser may allow, and any dealer may reallow, a concession not in excess of 0.250% of the principal amount of the Notes to certain other dealers. After the initial offering of the Notes, the initial purchasers may from time to time vary the offering price and other selling terms.

Each initial purchaser and certain of its affiliates have engaged, and may in the future engage, in transactions with and perform services for Texas Central and certain of Texas Central's affiliates in the ordinary course of business, including as lenders under certain of their credit facilities, for which they have received or will receive customary fees and expenses. In addition, a significant portion of the net proceeds of the offering of the Notes will be used by affiliates of Texas Central to repay the remaining outstanding portion of AEP's $1.725 billion corporate separation credit facility. Assuming the proceeds are used for this purpose, affiliates of each of the initial purchasers, as lenders to our affiliates, would ultimately receive a significant portion of the net proceeds of the offering of the Notes.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act or contribute to payments that each initial purchaser may be required to make in respect thereof. In addition, we also agree to pay the reasonable expenses of the initial purchasers in connection with the offering of the Notes, except the fees and disbursements of counsel to the initial purchasers.

We have been advised by the initial purchasers that the initial purchasers propose to resell the Notes purchased by them (a) to qualified institutional buyers in reliance on Rule 144A under the Securities Act, (b) outside the United States to certain persons in reliance on Regulation S under the Securities Act and in accordance with applicable law and (c) to a limited number of institutional "accredited investors," as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act. See "NOTICE TO INVESTORS." Any offer or sale of the Notes in reliance on Rule 144A or to institutional accredited investors will be made by broker-dealers who are registered as such under the Securities Exchange Act. Terms used above have the meanings assigned to them in Regulation S under the Securities Act.

The initial purchasers have acknowledged and agreed that, except as permitted by the purchase agreement, they will not offer, sell or deliver the Notes (1) as part of their distribution at any time or (2) otherwise until 40 days after the later of the commencement of the offering and the original issue date of the Notes, within the United States to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A under the Securities Act or to institutional accredited investors, and that they will send to each distributor, dealer, or other person receiving a selling concession or similar fee to which they sell the Notes in reliance on Regulation S during the 40-day restricted period, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used above have the meanings assigned to them in Regulation S under the Securities Act.

In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

Each of the initial purchasers has represented and agreed that (1) it has not offered or sold and, prior to the expiry of the period of six months after the date of issue of the Notes, will not offer or sell any Notes to the persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulation 1995; (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2002 (the FSMA)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us; and (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

None of the Notes have been registered under the Securities Act or any state securities laws and, unless so registered, they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to the requirements of, the Securities Act and applicable state securities laws. See "NOTICE TO INVESTORS." There is no established trading market for the Notes. We do not intend to list the Notes on any national securities exchange. We have been advised by the initial purchasers that they currently intend to make a market in the Notes. The initial purchasers are not obligated to do so, however, and market-making activities with respect to the Notes may be discontinued at any time without notice in their sole discretion. In addition, any market-making activities will be subject to the limits imposed by the Securities Act and the Securities Exchange Act, and may be limited during the exchange offer and the pendency of any shelf registration statement. Accordingly, no assurance can be given that an active public or other market will develop for the Notes or as to the liquidity of the trading market for the Notes.

In connection with the offering, the representatives, on behalf of the initial purchasers, may engage in certain transactions that stabilize the price of the Notes. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Notes. If the representatives, on behalf of the initial purchasers, create a short position in the Notes in connection with the offering, by selling more Notes

than are listed on the cover page of this offering memorandum, then the representatives, on behalf of the initial purchasers, may reduce that short position by purchasing Notes in the open market. In general, the purchase of a security for the purpose of stabilization or reducing a short position could cause the price of that security to be higher than it might otherwise be in the absence of these purchases.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the initial purchasers make any representation that anyone will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

LEGAL OPINIONS

Our counsel, Simpson Thacher & Bartlett, New York, NY, and one of our lawyers will each issue an opinion about the legality of the Notes for us. Dewey Ballantine LLP, New York, NY will issue an opinion for the initial purchasers. From time to time, Dewey Ballantine LLP acts as counsel to our affiliates for some matters.

INDEPENDENT AUDITORS

The financial statements and the related financial statement schedule as of December 31, 2001 and 2000 and for the years then ended incorporated in this offering memorandum by reference from Texas Central's Annual Report on Form 10-K for the year ended December 31, 2001, as updated by our Current Report on Form 8-K dated November 18, 2002 and our Current Report on Form 8-K/A dated November 26, 2002, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports, which are incorporated herein by reference.

In connection with the audit by Arthur Andersen LLP (Andersen), who have ceased operations, of our consolidated financial statements for the year ended December 31, 1999 incorporated by reference from Texas Central's Annual Report on Form 10-K for the year ended December 31, 2001 in this offering memorandum, there were no disagreements between Andersen and us on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Andersen would have caused them to make reference thereto in its report on the financial statements for such year.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges for each of the periods indicated is as follows:

Twelve Months Period Ended	Ratio
December 31, 1997	2.48
December 31, 1998	3.21
December 31, 1999	3.40
December 31, 2000	3.17
December 31, 2001	3.40
September 30, 2002	3.08

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. You may also examine our SEC filings through the SEC's web site at http://www.sec.gov.

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this offering memorandum, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until we sell all the Notes.

- Annual Report on Form 10-K for the year ended December 31, 2001;
- Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002;
- Current Report on Form 8-K dated November 18, 2002; and
- Current Report on Form 8-K/A dated November 26, 2002.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Mr. R. Todd Rimmer
American Electric Power Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215
614-223-1000

You should rely only on the information incorporated by reference or provided in this offering memorandum. We have not authorized anyone else to provide you with different information. We are not making an offer of these Notes in any state where the offer is not permitted. You should not assume that the information in this offering memorandum or any supplement is accurate as of any date other than the date on the front of those documents.

Exhibit A

ACCREDITED INVESTOR LETTER

Ladies and Gentlemen:

In connection with our proposed purchase of the 5.50% Senior Notes, Series A due 2013 and 6.65% Senior Notes, Series B due 2033 (the Notes) issued by AEP Texas Central Company, a Texas corporation (Issuer), we confirm that:

1. We are purchasing the Notes for our own account, or for one or more investor accounts for which we are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, subject to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and subject to our or their ability to resell the Notes pursuant to Rule 144A, Regulation S or any exemption from registration available under the Securities Act.

2. We are an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act who is purchasing Notes with a principal amount of at least $250,000 and, if the Notes are to be purchased for one or more accounts (the "investor accounts") for which we are acting as fiduciary or agent, each such account is an institutional accredited investor who is purchasing Notes with a principal amount of at least $250,000. In the normal course of business or our investing activities, we invest in or purchase securities similar to the Notes and we have such knowledge and experience in financial business matters that we are capable of evaluating the merits and risks of purchasing the Notes. We are aware that we (or any investor account) may be required to bear the economic risk of an investment in the Notes for an indefinite period of time and we (or such investor account) are able to bear such risk for an indefinite period.

3. We acknowledge that none of the Issuer, the initial purchasers or any persons representing any of them has made any representation to us with respect to any such entity or the offering or sale of any Notes, other than the information contained in the Issuer's offering memorandum dated February 12, 2003, related to the Notes, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. Accordingly, we acknowledge that no representation or warranty is made by the initial purchasers as to the accuracy or completeness of such materials. We have had access to such financial and other information concerning the Issuer and the Notes as we have deemed necessary in connection with our decision to purchase any of the Notes including an opportunity to ask questions of, and request information from, the Issuer and the initial purchasers.

4. We understand and agree that the offer and sale of the Notes have not been registered under the Securities Act and that such Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that (A) if we decide to resell, pledge or otherwise transfer such Notes on which a legend setting forth these restrictions appears, such Notes may be resold, pledged or otherwise transferred only (i) to the Issuer, (ii) in a transaction entitled to an exemption from registration provided by Rule 144 under the Securities Act, (iii) so long as such Notes are eligible for resale pursuant to Rule 144A, to a person whom we reasonably believe is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A, (iv) outside the United States in a transaction meeting the requirements of Regulation S, (v) in accordance with another exemption from the registration requirements of the

Securities Act (and based upon an opinion of counsel acceptable to the Issuer), in each case in accordance with any applicable securities laws of any state of the United States or (vi) pursuant to a registration statement which has been declared effective under the Securities Act and (B) we will, and each subsequent holder is required to, notify any purchaser of Notes from us or it of the resale restrictions referred to in (A) above, if then applicable. We acknowledge that the foregoing restrictions apply to holders of beneficial interest in the Notes, as well as to holders of the Notes.

5. We understand that, on any proposed resale of any Notes, we will be required to furnish to the trustee and the Issuer such certifications, legal opinions and other information as the trustee and the Issuer may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect.

6. We acknowledge that the Issuer, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the foregoing acknowledgements, representations or agreements are no longer accurate, we shall promptly notify the Issuer, the trustee and the initial purchasers. If we are acquiring the Notes as a fiduciary or agent for one or more investor accounts, we represent that we have sole investment discretion with respect to each such account and we have full power to make the foregoing acknowledgements, representations and agreements on behalf of each account and that each such investor account is eligible to purchase the Notes.

7. The Issuer, the trustee and the initial purchasers are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

By:
Name:
Title:

$550,000,000

AEP Texas Central Company

$275,000,000 5.50% Senior Notes, Series A due 2013
$275,000,000 6.65% Senior Notes, Series B due 2033

OFFERING MEMORANDUM
February 12, 2003

Joint Book-Running Lead Managers

Lehman Brothers **Salomon Smith Barney**

Joint Lead Manager

Banc of America Securities LLC

ABN AMRO Incorporated
Banc One Capital Markets, Inc.
Barclays Capital
BNY Capital Markets, Inc.
McDonald Investments Inc.
TD Securities
UBS Warburg