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08-498-EL-AIS
89-6007-EL-TRF

The Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

April 11, 2008

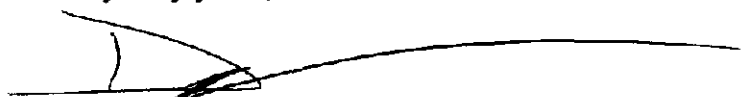
Re: **OHIO POWER COMPANY**

Gentlemen:

Enclosed on behalf of Ohio Power Company are one executed and five conformed copies of an Application for authority for authority to assume the obligations of JMG Funding, Limited Partnership under loan agreements, refinance certain obligations related to those loan agreements, enter into loan agreements in connection with such refinancings, enter into guarantees, and to enter into interest rate management agreements.

An additional copy of the Application is also enclosed. Please indicate by file-stamp the Commission's receipt and return the extra copy so marked to the undersigned.

Very truly yours,



David C. House

DCH/jlh

Enclosures

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
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Before
THE PUBLIC UTILITIES COMMISSION OF OHIO

.....
In the Matter of the application of :
OHIO POWER COMPANY :
for authority to assume the obligations of JMG :
Funding, Limited Partnership under loan :
agreements, refinance certain obligations related :
to those loan agreements, enter into loan agreements :
in connection with such refinancings, enter into :
guarantees, and to enter into :
interest rate management agreements :
.....

Case No. 08-⁴⁹⁸₁-EL-AIS

APPLICATION AND STATEMENT

TO THE HONORABLE

THE PUBLIC UTILITIES COMMISSION OF OHIO:

Your Applicant, Ohio Power Company, respectfully shows:

FIRST: Applicant is an Ohio corporation engaged in the business of supplying to consumers within the State of Ohio electricity for light, heat and power purposes and is a public utility as defined by the Ohio Revised Code.

SECOND: Applicant's authorized and outstanding capital stock as of December 31, 2007 was as follows:

(1) 40,000,000 shares of Common Stock without par value authorized, of which there were 27,952,473 shares issued and outstanding;

(2) 3,762,403 Cumulative Preferred Shares (par value \$100) authorized, of which the following were issued and outstanding: a 4-1/2% Series consisting of 97,373 shares; a 4.40% Series consisting of 31,512 shares; a 4.08% Series consisting of 14,595 shares; and a 4.20% Series consisting of 22,824 shares; and

(3) 4,000,000 Cumulative Preferred Shares (par value \$25) authorized, of

which there were none issued and outstanding.

THIRD: The outstanding funded debt of Applicant as of December 31, 2007 consisted of \$2,878,675,609 of unsecured long-term notes and other long-term debt (including capital leases), all of which notes were issued pursuant to former orders of your Honorable Commission. Applicant had short-term debt outstanding of \$102,248,536 at December 31, 2007.

FOURTH: Attached hereto as Exhibit A are financial statements, including a balance sheet and statements of income and retained earnings of the Applicant as of December 31, 2007.

FIFTH: There are currently outstanding the following series of pollution control revenue refunding bonds issued by the Ohio Air Quality Development Authority (the "Authority") for the benefit of JMG Funding, Limited Partnership ("JMG") which currently pay interest at a floating interest rate established periodically in the auction rate mode (the "Bonds"):

- (i) \$54,500,000 State of Ohio Air Quality Development Revenue Refunding Bonds (JMG Funding, Limited Partnership Project) Series 2005 A due January 1, 2029 [CUSIP No. 677525QL4].
- (ii) \$54,500,000 State of Ohio Air Quality Development Revenue Refunding Bonds (JMG Funding, Limited Partnership Project) Series 2005 B due July 1, 2028 [CUSIP No. 677525QM2].
- (iii) \$54,500,000 State of Ohio Air Quality Development Revenue Refunding Bonds (JMG Funding, Limited Partnership Project) Series 2005 C due April 1, 2028 [CUSIP No. 677525QJ9].
- (iv) \$54,500,000 State of Ohio Air Development Revenue Refunding Bonds (JMG Funding, Limited Partnership Project) Series 2005 D due October 1, 2028 [CUSIP No. 677525QK6].

The Bonds were issued under Loan Agreements between JMG and the Authority and the proceeds were used to refinance a portion of the costs of certain solid waste disposal facilities (the "Project") owned by JMG at Applicant's General James M. Gavin Plant located in Gallia County, Ohio (the "Gavin Plant"). JMG is a Delaware limited partnership that was formed for the sole

purpose of acquiring, owning and financing the Project. JMG is leasing the Project to Applicant pursuant to a lease agreement dated as of January 20, 1995 (the "Project Lease"). Applicant was authorized to enter into the Project Lease by this Commission in Case No. 93-793-EL-AIS. Applicant makes rental payments under the Project Lease in an amount sufficient to enable JMG to make all required payments associated with the Bonds. Applicant has the option to terminate the Project Lease and purchase the project in 2010. Applicant will evaluate the cost-effectiveness of continuing the Project Lease prior to that date. Applicant will seek Commission authority if Applicant decides to terminate the Project Lease.

SIXTH: When Bonds are in the auction rate mode, an auction agent conducts auctions at certain periods of less than 365 days (usually 7-, 28- or 35-day periods) to set the interest rate at which the Bonds will bear interest for the next period in accordance with auction procedures that are set forth in the indenture governing the Bonds. All of the Bonds are insured by a financial guaranty insurance policy issued by Financial Guaranty Insurance Company, a municipal bond insurer, and the Bonds were rated by the rating agencies (Moody's Investors Service, Standard & Poor's, a Division of the McGraw-Hill Companies, Inc. and Fitch Ratings) based on the rating of the bond insurer. As a result of the subprime mortgage crisis, the bond insurer has recently been downgraded by one or more of the rating agencies. This has caused a lowering of the ratings on the Bonds and a decrease in the number of interested purchasers of the Bonds. This, among other factors, has resulted in an increase in the interest rate on the Bonds in recent auctions. In addition, these factors have led to an increase in failed auctions where there are not enough qualifying bids to purchase the Bonds being auctioned, which has also increased the interest rate on the Bonds.

SEVENTH: The terms of the Bonds provide that they may be converted from one interest rate mode to another interest rate mode (daily, weekly, commercial paper, long-term interest or auction rate). Any conversion from the auction rate mode could help avoid an increase an interest

due to a failed auction, but would not address the increase in interest rate attributable to the downgrade of the bond insurer. To avoid the negative effect on interest rates attributable to the bond insurer, the Bonds must be refunded and new refunding bonds (the "Refunding Bonds") must be issued with some other form of credit support, such as a letter of credit.

EIGHTH: JMG could cause the Bonds to be redeemed and reissued as a new series without bond insurance, but the reimbursement obligations under any letter of credit issued on behalf of JMG would have to be guaranteed by Applicant or the letter of credit would be issued for the account of Applicant. Alternatively, Applicant could directly assume JMG's obligations under the existing loan agreements and cause the Bonds to be redeemed and reissued as a new series without bond insurance. If the Refunding Bonds are issued by the Authority for the benefit of JMG, Applicant seeks authority from the Commission to guarantee JMG's obligations under the new loan agreements and any new credit agreements providing for a letter of credit or to incur reimbursement obligations under any letter of credit in support of the Refunded Bonds.

NINTH: In order to avoid the increased costs associated with bond insurer downgrades and failed auctions and in order to have the flexibility to act quickly, Applicant requests the authority through April 1, 2009, to assume JMG's obligations under the existing loan agreements and to refund any or all of the Bonds with Refunding Bonds. The Refunding Bonds would bear interest at a long-term fixed interest rate, or a variable rate mode such as a daily, weekly or commercial paper mode. The Refunding Bonds would be issued pursuant to one or more new indentures, and one or more new loan agreements having the same basic provisions as the existing loan agreements. The proposed transactions will be consummated in accordance with the transition plans for Applicant approved by this Commission in Case No. 99-1730-EL-ETP and the rate stabilization plan for Applicant approved by this Commission in Case No. 04-169-EL-UNC.

TENTH: The price, maturity date(s), interest rate(s) and the redemption provisions and other terms of each series of Refunding Bonds (including the method of determining a variable rate of interest) would be determined by the Applicant, the issuer and the purchasers of such Refunding Bonds. The Refunding Bonds may be issued initially with a long-term fixed interest rate or with an interest rate that fluctuates on a weekly, monthly or other basis. Applicant reserves the right, from time to time, to convert the Refunding Bonds to other interest rate modes.

ELEVENTH: It is contemplated that each series of the Refunding Bonds will be sold pursuant to arrangements with an underwriter or a group of underwriters. Applicant will not agree, without further Order of this Commission, to the issuance of any series of Refunding Bonds if (i) the stated maturity of any such Refunding Bonds shall be more than 40 years; (ii) the initial long-term rate of interest to be borne by any such Refunding Bonds shall exceed 8% or the initial rate of interest to be born by any such Refunding Bonds bearing a variable rate of interest shall exceed 8%; (iii) the discount on the proceeds of the issuance of the Refunding Bonds will exceed 5% of the principal amount thereof; and (iv) the initial public offering price of any such Refunding Bond is less than 95% of the principal amount thereof.

TWELFTH: If it is deemed advisable, Applicant may provide some form of credit enhancement for any of the Refunding Bonds, such as a letter of credit or surety bond, or other insurance, and Applicant may pay a fee in connection therewith.

THIRTEENTH: Applicant proposes, with the consent and approval of your Honorable Commission, to utilize interest rate management techniques and enter into Interest Rate Management Agreements. Such authority will allow Applicant sufficient alternatives and flexibility when striving to reduce its effective interest cost and manage interest cost on financings.

A. Interest Rate Management Agreements

The Interest Rate Management Agreements will be products commonly used in today's capital markets, consisting of "interest rate swaps", "caps", "collars", "floors", "options", or hedging products such as "forwards" or "futures", or similar products, the purpose of which is to manage and minimize interest costs. Applicant expects to enter into these agreements with counterparties that are highly rated financial institutions. The transactions will be for a fixed period and a stated principal amount, and may be for underlying fixed or variable obligations of Applicant. Applicant will not agree to any covenant more restrictive than those contained in the underlying obligation unless such Interest Rate Management Agreement either expires by its terms or is unwindable on or prior to December 31, 2008.

B. Pricing Parameters

Applicant proposes that the pricing parameters for Interest Rate Management Agreements be governed by the parameters contained herein. Fees and commissions in connection with any Interest Rate Management Agreement will be in addition to the above parameters and will not exceed 1.00% of the amount of the underlying obligation involved.

C. Accounting

Applicant proposes to account for these transactions in accordance with generally accepted accounting principles.

D. Commission Authorization

Since market opportunities for these interest rate management alternatives are transitory, Applicant must be able to execute interest rate management transactions when the opportunity arises to obtain the most competitive pricing. Thus, Applicant seeks approval to enter into any or all of the described transactions within the parameters discussed above prior to the time Applicant reaches agreement with respect to the terms of such transactions.

If Applicant utilizes Interest Rate Management Agreements, Applicant's annual

long-term interest charges could change. The authorization of the Interest Rate Management Agreements consistent with the parameters herein in no way relieves Applicant of its responsibility to obtain the best terms available for the product selected and, therefore, it is appropriate and reasonable for this Commission to authorize Applicant to agree to such terms and prices consistent with said parameters.

The authorization which Applicant requests herein to enter into Interest Rate Management Agreements is consistent with the authority granted by your Honorable Commission to Applicant in Case No. 02-2628-EL-AIS.

FOURTEENTH: Applicant presently proposes, if market conditions warrant, in accordance with the terms of the applicable agreements of sale and loan agreements, to formally request the Authority to issue and sell Refunding Bonds to refund the outstanding Bonds.

FIFTEENTH: All proceeds realized from the sale of the Refunding Bonds, together with any other funds which may become available to Applicant, will be used to refund the Bonds.

SIXTEENTH: The actual cost of the Refunding Bonds will be determined at the time of the sale or sales thereof. The net effect on revenue requirements resulting from their issuance will be reflected in the determination of required revenue in rate proceedings in which all factors affecting rates are taken into account according to law.

SEVENTEENTH: Given the likelihood that the interest rate on the Bonds will increase substantially under current market conditions, Applicant hereby requests that this Commission enter an order approving this Application on or before May 1, 2008.

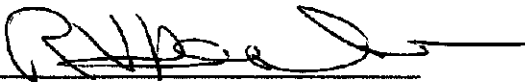
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WHEREFORE: Applicant prays for authority from your Honorable Commission to consummate and carry out the transactions proposed herein through April 1, 2009 with respect to (i) the assumption of JMG's obligations under loan agreements with the Ohio Air Quality Development Authority, all as proposed and described in this Application; (ii) incurring obligations in connection with the refunding of the Bonds, all as proposed and described in this Application; (iii) entering into guarantees of JMG's obligations for, or reimbursement obligations under any credit support for, the Refunded Bonds, including any obligations under any new loan agreements and credit agreements and (iv) entering into Interest Rate Management Agreements within the parameters proposed and described in this Application.

Applicant prays for all other and further relief necessary and appropriate in the premises.

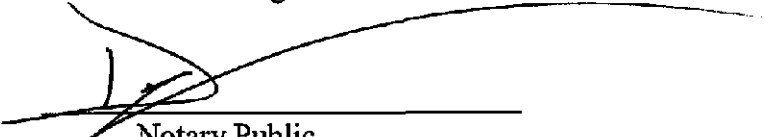
Respectfully submitted this 9th day of April, 2008.

OHIO POWER COMPANY

By 
Renee V. Hawkins
Assistant Treasurer

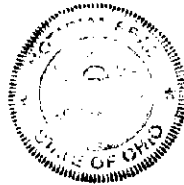
STATE OF OHIO)
) SS:
COUNTY OF FRANKLIN)

Before me, a Notary Public in and for Franklin County in the State of Ohio, personally appeared Renee V. Hawkins, Assistant Treasurer of Ohio Power Company, the Applicant in the foregoing application, and she being duly sworn says that the facts and allegations herein contained are true to the best of her knowledge and belief.



Notary Public
My Commission expires

Dated: April 9, 2008



DAVID C. HOUSE, ATTORNEY AT LAW
NOTARY PUBLIC, STATE OF OHIO
My commission expires 12/31/2010
Section 147.03 R.C.

EXHIBIT A

Financial Statements of Applicant as of December 31, 2007

OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2007, 2006 and 2005
(in thousands)

	2007	2006	2005
REVENUES			
Electric Generation, Transmission and Distribution	\$ 2,019,632	\$ 2,006,279	\$ 1,922,280
Sales to AEP Affiliates	757,052	685,343	681,852
Other - Affiliated	22,705	16,775	15,437
Other - Nonaffiliated	14,823	16,478	14,980
TOTAL	<u>2,814,212</u>	<u>2,724,875</u>	<u>2,634,549</u>
EXPENSES			
Fuel and Other Consumables Used for Electric Generation	908,317	960,119	975,180
Purchased Electricity for Resale	123,849	100,958	77,173
Purchased Electricity from AEP Affiliates	125,108	113,651	116,890
Other Operation	388,745	382,573	340,085
Maintenance	208,675	228,151	207,226
Depreciation and Amortization	339,817	321,954	302,495
Taxes Other Than Income Taxes	193,349	192,178	190,013
TOTAL	<u>2,287,860</u>	<u>2,299,584</u>	<u>2,209,062</u>
OPERATING INCOME	526,352	425,291	425,487
Other Income (Expense):			
Interest Income	1,366	2,363	3,311
Carrying Costs Income	14,472	13,841	48,510
Allowance for Equity Funds Used During Construction	2,311	2,556	1,441
Interest Expense	<u>(127,352)</u>	<u>(97,084)</u>	<u>(103,352)</u>
INCOME BEFORE INCOME TAXES	417,149	346,967	375,397
Income Tax Expense	<u>148,585</u>	<u>118,324</u>	<u>124,978</u>
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	268,564	228,643	250,419
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAX	<u>-</u>	<u>-</u>	<u>(4,575)</u>
NET INCOME	268,564	228,643	245,844
Preferred Stock Dividend Requirements Including Capital Stock Expense	<u>732</u>	<u>732</u>	<u>906</u>
EARNINGS APPLICABLE TO COMMON STOCK	<u>\$ 267,832</u>	<u>\$ 227,911</u>	<u>\$ 244,938</u>

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

See Notes to Financial Statements of Registrant Subsidiaries beginning on page H-1.

OHIO POWER COMPANY CONSOLIDATED

CONSOLIDATED BALANCE SHEETS

ASSETS

December 31, 2007 and 2006

(in thousands)

	2007	2006
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,666	\$ 1,625
Accounts Receivable:		
Customers	104,783	86,116
Affiliated Companies	119,560	108,214
Accrued Unbilled Revenues	26,819	10,106
Miscellaneous	1,578	1,819
Allowance for Uncollectible Accounts	(3,396)	(824)
Total Accounts Receivable	249,344	205,431
Fuel	92,874	120,441
Materials and Supplies	108,447	84,612
Risk Management Assets	45,490	86,947
Prepayments and Other	20,532	41,941
TOTAL	523,353	540,997
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Production	5,641,537	4,413,340
Transmission	1,068,387	1,030,934
Distribution	1,394,988	1,322,103
Other	318,805	299,637
Construction Work in Progress	716,640	1,339,631
Total	9,140,357	8,405,645
Accumulated Depreciation and Amortization	2,967,285	2,836,584
TOTAL - NET	6,173,072	5,569,061
OTHER NONCURRENT ASSETS		
Regulatory Assets	323,105	414,180
Long-term Risk Management Assets	51,334	70,092
Deferred Charges and Other	272,799	224,403
TOTAL	647,238	708,675
TOTAL ASSETS	\$ 7,343,663	\$ 6,818,733

See Notes to Financial Statements of Registrant Subsidiaries beginning on page H-1.

**OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
December 31, 2007 and 2006**

	2007	2006
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	\$ 101,548	\$ 181,281
Accounts Payable:		
General	141,196	250,025
Affiliated Companies	137,389	145,197
Short-term Debt – Nonaffiliated	701	1,203
Long-term Debt Due Within One Year – Nonaffiliated	55,188	17,854
Risk Management Liabilities	42,740	73,386
Customer Deposits	33,615	31,465
Accrued Taxes	185,011	165,338
Accrued Interest	41,880	35,497
Other	149,658	123,631
TOTAL	888,926	1,024,877
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	2,594,410	2,183,887
Long-term Debt – Affiliated	200,000	200,000
Long-term Risk Management Liabilities	32,234	52,929
Deferred Income Taxes	914,170	911,221
Regulatory Liabilities and Deferred Investment Tax Credits	160,721	185,895
Deferred Credits and Other	229,635	219,127
TOTAL	4,131,170	3,753,059
TOTAL LIABILITIES	5,020,096	4,777,936
Minority Interest	15,923	15,825
Cumulative Preferred Stock Not Subject to Mandatory Redemption	16,627	16,630
Commitments and Contingencies (Note 6)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value:		
Authorized – 40,000,000 Shares		
Outstanding – 27,952,473 Shares	321,201	321,201
Paid-in Capital	536,640	536,639
Retained Earnings	1,469,717	1,207,265
Accumulated Other Comprehensive Income (Loss)	(36,541)	(56,763)
TOTAL	2,291,017	2,008,342
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 7,343,663	\$ 6,818,733

See Notes to Financial Statements of Registrant Subsidiaries beginning on page H-1.

OHIO POWER COMPANY CONSOLIDATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007, 2006 and 2005
(in thousands)

	2007	2006	2005
OPERATING ACTIVITIES			
Net Income	\$ 268,564	\$ 228,643	\$ 245,844
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	339,817	321,954	302,495
Deferred Income Taxes	16,238	(43,997)	59,593
Cumulative Effect of Accounting Change, Net of Tax	-	-	4,575
Carrying Costs Income	(14,472)	(13,841)	(48,510)
Allowance for Equity Funds Used During Construction	(2,311)	(2,556)	(1,441)
Mark-to-Market of Risk Management Contracts	664	6,545	(2,372)
Pension Contributions to Qualified Plan Trusts	-	-	(132,496)
Change in Other Noncurrent Assets	(39,513)	1,821	7,247
Change in Other Noncurrent Liabilities	783	10,126	(15,180)
Changes in Certain Components of Working Capital:			
Accounts Receivable, Net	(54,730)	116,496	(60,627)
Fuel, Materials and Supplies	17,845	(21,914)	(34,880)
Accounts Payable	(19,536)	(14,114)	56,403
Customer Deposits	2,150	(19,744)	28,589
Accrued Taxes, Net	41,623	23,620	(114,217)
Other Current Assets	(1,798)	24,862	46,737
Other Current Liabilities	17,671	8,345	27,045
Net Cash Flows from Operating Activities	572,995	626,246	368,805
INVESTING ACTIVITIES			
Construction Expenditures	(933,162)	(999,603)	(710,536)
Change in Advances to Affiliates, Net	-	-	125,971
Proceeds from Sales of Assets	9,023	15,443	13,410
Other	158	(1,935)	(29)
Net Cash Flows Used for Investing Activities	(923,981)	(986,095)	(571,184)
FINANCING ACTIVITIES			
Capital Contribution from Parent	-	70,000	-
Issuance of Long-term Debt - Nonaffiliated	461,912	408,710	545,746
Change in Short-term Debt, Net - Nonaffiliated	(502)	(9,163)	(13,132)
Change in Advances from Affiliates, Net	(79,733)	111,210	70,071
Retirement of Long-term Debt - Nonaffiliated	(17,854)	(12,354)	(365,354)
Retirement of Long-term Debt - Affiliated	-	(200,000)	-
Retirement of Cumulative Preferred Stock	(2)	(7)	(5,000)
Principal Payments for Capital Lease Obligations	(7,062)	(7,430)	(7,317)
Dividends Paid on Common Stock	-	-	(30,000)
Dividends Paid on Cumulative Preferred Stock	(732)	(732)	(732)
Net Cash Flows from Financing Activities	356,027	360,234	194,282
Net Increase (Decrease) in Cash and Cash Equivalents	5,041	385	(8,097)
Cash and Cash Equivalents at Beginning of Period	1,625	1,240	9,337
Cash and Cash Equivalents at End of Period	\$ 6,666	\$ 1,625	\$ 1,240
SUPPLEMENTARY INFORMATION			
Cash Paid for Interest, Net of Capitalized Amounts	\$ 122,591	\$ 94,051	\$ 102,656
Net Cash Paid for Income Taxes	110,197	142,895	198,078
Noncash Acquisitions Under Capital Leases	2,058	3,288	9,218
Construction Expenditures Included in Accounts Payable at December 31,	39,678	125,962	74,848

See Notes to Financial Statements of Registrant Subsidiaries beginning on page H-1.