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FILE

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

February 29, 2008

08-196-EL-AIS

Re: **OHIO POWER COMPANY**

Gentlemen:

Enclosed on behalf of Ohio Power Company are one executed and five conformed copies of an Application for authority to authority to refinance portions of environmental and pollution control facilities, to enter into loan agreements or installment agreements of sale with the West Virginia Economic Development Authority, Marshall County, West Virginia and Mason County, West Virginia, 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/ljlh

Enclosures

FILE

Before
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the application of OHIO POWER COMPANY for authority to refinance the terms of loan agreements or installment agreements of sale with the West Virginia Economic Development Authority, Marshall County, West Virginia and Mason County, West Virginia and to enter into interest rate management agreements	Case No. 08-196-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 $102,248,536at 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 West Virginia Economic Development Authority (the "WVEDA"), Marshall County, West Virginia ("Marshall") and Mason County, West Virginia ("Mason", and collectively with WVEDA and Marshall, the "Authority") and authorized in previous orders by this Commission under various orders for the benefit of Applicant which currently provide that a floating interest rate is established periodically in the auction rate mode (the "Bonds"):

(i) $50,000,000 Marshall County, West Virginia Revenue Refunding Bonds (Ohio Power Company Kammer Plant Project) Series C due July 1, 2014 [CUSIP No. 572287AT7].

(ii) $35,000,000 Marshall County, West Virginia Revenue Refunding Bonds (Ohio Power Company Kammer Plant Project) Series F due April 1, 2022 [CUSIP No. 572287AU4].

(iii) $50,000,000 Mason County, West Virginia Revenue Refunding Bonds (Ohio Power Company Project) Series C due December 1, 2016 [CUSIP No. 575200AY6].

(iv) $50,000,000 Marshall County, West Virginia Revenue Refunding Bonds (Ohio Power Company Project) Series E due June 1, 2022 [CUSIP No. 572287AS9].

(v) $65,000,000 West Virginia Economic Development Authority Solid Waste Disposal Facilities Revenue Bonds (Ohio Power Company Mitchell Project) Series 2006A due April 1, 2036 [CUSIP No. 95648VAB5].

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. It is possible that if there are not sufficient acceptable bids, there could be a failed auction. In the case of two successive failed auctions, the interest rate on the Bonds could increase substantially.

SIXTH: All of the Bonds are insured by a financial guaranty insurance policy issued by either AMBAC Assurance Corporation or XL Capital Assurance Inc., each 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, these bond insurers have recently been downgraded or are under watch for possible downgrade 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 of 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 fixed rate, auction rate). While such conversions result in a change in interest rate modes, they are merely remarketing of the Bonds pursuant to the existing terms of the Bonds and are not refundings or reissuances of new securities and do not require Commission approval.

EIGHTH: Alternatively, uncertainty resulting from a number of factors, including market volatility, questions regarding bond insurers, capital market flexibility and other considerations may require Applicant to refund and reissue the Bonds as new designated series.

NINTH: In order to avoid failed auctions and in order to have the flexibility to act quickly in the event remarketings are not feasible, Applicant requests the authority through March 1, 2009, 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 reissued pursuant to the indentures under which the current Bonds were issued and under the agreements of sale or loan agreements previously approved by the Commission or under new indentures, agreements of sale or loan agreements having the same basic provisions as those previously approved by this Commission.

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 an interest rate that fluctuates on a weekly, monthly or other basis or on a fixed rate 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 fixed 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 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 March 19, 2008.

* * *

WHEREFORE: Applicant prays for authority from your Honorable Commission (i) to consummate and carry out the transactions proposed herein with respect to the refinancing of the terms of Applicant's installment agreements of sale and loan agreements with the West Virginia Economic Development Authority, Marshal County, West Virginia and Mason County, West Virginia, all as proposed and described in this Application; and (ii) to enter 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 28th day of February, 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: February 28, 2008

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	2,814,212	2,724,875	2,634,549
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	2,287,860	2,299,584	2,209,062
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	(127,352)	(97,084)	(103,352)
INCOME BEFORE INCOME TAXES	417,149	346,967	375,397
Income Tax Expense	148,585	118,324	124,978
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	268,564	228,643	250,419
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAX	-	-	(4,575)
NET INCOME	268,564	228,643	245,844
Preferred Stock Dividend Requirements Including Capital Stock Expense	732	732	906
EARNINGS APPLICABLE TO COMMON STOCK	$ 267,832	$ 227,911	$ 244,938

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 STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2007, 2006 and 2005
(in thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
DECEMBER 31, 2004	$ 321,201	$ 462,485	$ 764,416	$ (74,264)	$ 1,473,838
Common Stock Dividends			(30,000)		(30,000)
Preferred Stock Dividends			(732)		(732)
Other		4,152	(174)		3,978
TOTAL					1,447,084
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $262				(486)	(486)
Minimum Pension Liability, Net of Tax of $40,657				75,505	75,505
NET INCOME			245,844		245,844
TOTAL COMPREHENSIVE INCOME					320,863
DECEMBER 31, 2005	321,201	466,637	979,354	755	1,767,947
Capital Contribution from Parent		70,000			70,000
Preferred Stock Dividends			(732)		(732)
Gain on Reacquired Preferred Stock		2			2
TOTAL					1,837,217
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $3,504				6,507	6,507
Minimum Pension Liability, Net of Tax of $110				(204)	(204)
NET INCOME			228,643		228,643
TOTAL COMPREHENSIVE INCOME					234,946
Minimum Pension Liability Elimination, Net of Tax of $110				204	204
SFAS 158 Adoption, Net of Tax of $34,475				(64,025)	(64,025)
DECEMBER 31, 2006	321,201	536,639	1,207,265	(56,763)	2,008,342
FIN 48 Adoption, Net of Tax			(5,380)		(5,380)
Preferred Stock Dividends			(732)		(732)
Gain on Reacquired Preferred Stock		1			1
TOTAL					2,002,231
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of $3,287				(6,105)	(6,105)
Pension and OPEB Funded Status, Net of Tax of $14,176				26,327	26,327
NET INCOME			268,564		268,564
TOTAL COMPREHENSIVE INCOME					288,786
DECEMBER 31, 2007	$ 321,201	$ 536,640	$ 1,469,717	$ (36,541)	$ 2,291,017

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