AEP Generating Company

2007 Third Quarter Report

Financial Statements

AEP AMERICAN ELECTRIC POWER

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When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AEGCo	AEP Generating Company, an AEP electric utility subsidiary.
AEP or Parent	American Electric Power Company, Inc.
AEP System or the System	American Electric Power System, an integrated electric utility system, owned and operated by AEP's electric utility subsidiaries.
AEPSC	American Electric Power Service Corporation, a service subsidiary providing management and professional services to AEP and its subsidiaries.
ARO	Asset Retirement Obligations.
CAA	Clean Air Act.
CO_2	Carbon Dioxide.
CSPCo	Columbus Southern Power Company, an AEP electric utility subsidiary.
EITF	Financial Accounting Standards Board's Emerging Issues Task Force.
FASB	Financial Accounting Standards Board.
Federal EPA	United States Environmental Protection Agency.
FERC	Federal Energy Regulatory Commission.
FIN	FASB Interpretation No.
FIN 48	FIN 48, "Accounting for Uncertainty in Income Taxes" and FASB Staff Position FIN 48-1 "Definition of *Settlement* in FASB Interpretation No. 48."
GAAP	Accounting Principles Generally Accepted in the United States of America.
IRS	Internal Revenue Service.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IURC	Indiana Utility Regulatory Commission.
MW	Megawatt.
Rockport Plant	A generating plant, consisting of two 1,300 MW coal-fired generating units near Rockport, Indiana owned by AEGCo and I&M.
SEC	United States Securities and Exchange Commission.
SFAS	Statement of Financial Accounting Standards issued by the Financial Accounting Standards Board.
SFAS 133	Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities."
SFAS 157	Statement of Financial Accounting Standards No. 157, "Fair Value Measurements."
SFAS 159	Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities."
Utility Money Pool	AEP System's Utility Money Pool.

AEP GENERATING COMPANY
CONDENSED STATEMENTS OF INCOME
For the Three and Nine Months Ended September 30, 2007 and 2006
(in thousands)
(Unaudited)

	Three Months Ended 2007	Three Months Ended 2006	Nine Months Ended 2007	Nine Months Ended 2006
OPERATING REVENUES	$ 118,506	$ 74,756	$ 279,082	$ 230,102
EXPENSES				
Fuel Used for Electric Generation	72,236	42,354	156,440	131,402
Rent – Rockport Plant Unit 2	17,070	17,070	51,212	51,212
Other Operation	5,202	3,354	13,057	9,517
Maintenance	4,421	2,522	14,754	7,238
Depreciation and Amortization	8,124	5,978	20,802	17,939
Taxes Other Than Income Taxes	1,189	368	3,378	2,466
TOTAL	108,242	71,646	259,643	219,774
OPERATING INCOME	10,264	3,110	19,439	10,328
Other Income (Expense):				
Interest Income	35	-	35	-
Allowance for Equity Funds Used During Construction	3	-	3	24
Interest Expense	(4,083)	(774)	(7,468)	(2,137)
INCOME BEFORE INCOME TAXES	6,219	2,336	12,009	8,215
Income Tax Expense	1,478	117	1,458	848
NET INCOME	$ 4,741	$ 2,219	$ 10,551	$ 7,367

CONDENSED STATEMENTS OF RETAINED EARNINGS
For the Three and Nine Months Ended September 30, 2007 and 2006
(in thousands)
(Unaudited)

	Three Months Ended 2007	Three Months Ended 2006	Nine Months Ended 2007	Nine Months Ended 2006
BALANCE AT BEGINNING OF PERIOD	$ 34,279	$ 27,176	$ 30,942	$ 26,038
FIN 48 Adoption, Net of Tax	-	-	27	-
Net Income	4,741	2,219	10,551	7,367
Cash Dividends Declared	5,900	-	8,400	4,010
BALANCE AT END OF PERIOD	$ 33,120	$ 29,395	$ 33,120	$ 29,395

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

See Condensed Notes to Condensed Financial Statements.

AEP GENERATING COMPANY
CONDENSED BALANCE SHEETS
ASSETS
September 30, 2007 and December 31, 2006
(in thousands)
(Unaudited)

	2007	2006
CURRENT ASSETS		
Accounts Receivable – Affiliated Companies	$ 35,123	$ 31,060
Fuel	31,804	37,701
Materials and Supplies	16,896	7,873
Accrued Tax Benefits	2,328	3,808
Prepayments and Other	870	57
TOTAL	87,021	80,499
PROPERTY, PLANT AND EQUIPMENT		
Electric – Production	1,383,023	686,776
Other	4,942	2,460
Construction Work in Progress	111,253	15,198
Total	1,499,218	704,434
Accumulated Depreciation and Amortization	794,959	398,422
TOTAL – NET	704,259	306,012
OTHER NONCURRENT ASSETS		
Regulatory Assets	5,334	5,438
Deferred Charges and Other	3,171	1,382
TOTAL	8,505	6,820
TOTAL ASSETS	$ 799,785	$ 393,331

See Condensed Notes to Condensed Financial Statements.

AEP GENERATING COMPANY
CONDENSED BALANCE SHEETS
LIABILITIES AND SHAREHOLDER'S EQUITY
September 30, 2007 and December 31, 2006
(Unaudited)

	2007	2006
CURRENT LIABILITIES	(in thousands)	
Advances from Affiliates	$ 56,298	$ 53,646
Accounts Payable:		
General	8,014	549
Affiliated Companies	22,322	27,935
Long-term Debt Due Within One Year – Nonaffiliated	7,273	-
Accrued Taxes	6,831	3,685
Accrued Rent – Rockport Plant Unit 2	23,427	4,963
Other	843	1,200
TOTAL	125,008	91,978
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	255,753	44,837
Deferred Income Taxes	21,178	19,749
Regulatory Liabilities and Deferred Investment Tax Credits	72,333	79,650
Deferred Gain on Sale and Leaseback – Rockport Plant Unit 2	84,584	88,762
Deferred Credits and Other	16,375	12,979
TOTAL	450,223	245,977
TOTAL LIABILITIES	575,231	337,955
Commitments and Contingencies (Note 3)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $1,000 Per Share:		
Authorized – 1,000 Shares		
Outstanding – 1,000 Shares	1,000	1,000
Paid-in Capital	190,434	23,434
Retained Earnings	33,120	30,942
TOTAL	224,554	55,376
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 799,785	$ 393,331

See Condensed Notes to Condensed Financial Statements.

AEP GENERATING COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2007 and 2006
(in thousands)
(Unaudited)

	2007	2006
OPERATING ACTIVITIES		
Net Income	$ 10,551	$ 7,367
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	20,802	17,939
Deferred Income Taxes	(1,578)	(3,468)
Deferred Investment Tax Credits	(2,461)	(2,482)
Amortization of Deferred Gain on Sale and Leaseback – Rockport Plant Unit 2	(4,178)	(4,178)
Deferred Property Taxes	(1,080)	(893)
Changes in Other Noncurrent Assets	3,563	(2,966)
Changes in Other Noncurrent Liabilities	921	2,776
Changes in Certain Components of Working Capital:		
Accounts Receivable	(4,063)	5,315
Fuel, Materials and Supplies	5,507	(10,138)
Accounts Payable	(593)	(758)
Accrued Taxes, Net	4,157	2,890
Accrued Rent – Rockport Plant Unit 2	18,464	18,464
Other Current Assets	(293)	(96)
Other Current Liabilities	(210)	(423)
Net Cash Flows From Operating Activities	49,509	29,349
INVESTING ACTIVITIES		
Construction Expenditures	(17,310)	(4,978)
Acquisition of Lawrenceburg Generating Station	(324,782)	-
Acquisition of Dresden Plant	(85,327)	-
Other	(379)	-
Net Cash Flows Used For Investing Activities	(427,798)	(4,978)
FINANCING ACTIVITIES		
Capital Contributions from Parent	167,000	-
Issuance of Long-term Debt – Nonaffiliated	219,034	-
Change in Advances from Affiliates, Net	2,652	(20,193)
Retirement of Long-term Debt – Nonaffiliated	(1,818)	-
Principal Payments for Capital Lease Obligations	(179)	(168)
Dividends Paid on Common Stock	(8,400)	(4,010)
Net Cash Flows From (Used For) Financing Activities	378,289	(24,371)
Net Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Period	-	-
Cash and Cash Equivalents at End of Period	$ -	$ -
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 7,308	$ 2,413
Net Cash Paid for Income Taxes	3,517	6,037
Noncash Acquisitions Under Capital Leases	12	78
Noncash Assumption of Liabilities Related to Acquisition of Lawrenceburg and Dresden Plants	5,301	-

See Condensed Notes to Condensed Financial Statements.

CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING MATTERS

General

The accompanying unaudited condensed financial statements and footnotes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP for complete annual financial statements.

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods. The results of operations for the nine months ended September 30, 2007 are not necessarily indicative of results that may be expected for the year ending December 31, 2007. The accompanying condensed financial statements are unaudited and should be read in conjunction with the audited 2006 financial statements and notes thereto, which are included in AEGCo's 2006 Annual Report as filed with the SEC on February 28, 2007.

Related Party Transactions

Lawrenceburg Unit Power Agreement (UPA) between CSPCo and AEGCo

In March 2007, CSPCo and AEGCo entered into a 10-year UPA for the entire output from the Lawrenceburg Plant effective with AEGCo's purchase of the plant in May 2007. The UPA has an option for an additional 2-year period. I&M operates the plant under an agreement with AEGCo.

Under the UPA, CSPCo pays AEGCo for the capacity, depreciation, fuel, operation and maintenance and tax expenses. These payments are due regardless of whether the plant is operating. The fuel and operation and maintenance payments are based on actual costs incurred. All expenses are trued up periodically.

AEGCo recorded revenue of $41.9 million and $57.8 million from CSPCo in the three and nine months ended September 30, 2007, respectively.

Reclassifications

Certain prior period financial statement items have been reclassified to conform to current period presentation. These revisions had no impact on AEGCo's previously reported results of operations or changes in shareholder's equity.

On its statements of income, AEGCo reclassified regulatory credits related to regulatory asset cost deferral on ARO from Depreciation and Amortization to Other Operation expense to offset the ARO accretion expense. The reclassifications for the three and nine months ended September 30, 2006 were $27,000 and $81,000, respectively.

2. NEW ACCOUNTING PRONOUNCEMENTS

Upon issuance of exposure drafts or final pronouncements, management thoroughly reviews the new accounting literature to determine the relevance, if any, to AEGCo's business. The following represents a summary of new pronouncements issued or implemented in 2007 and standards issued but not implemented that management has determined relate to the AEGCo's operations.

SFAS 157 "Fair Value Measurements" (SFAS 157)

In September 2006, the FASB issued SFAS 157, enhancing existing guidance for fair value measurement of assets and liabilities and instruments measured at fair value that are classified in shareholder's equity. The statement defines fair value, establishes a fair value measurement framework and expands fair value disclosures. It emphasizes that fair value is market-based with the highest measurement hierarchy being market prices in active markets. The standard requires fair value measurements be disclosed by hierarchy level, an entity include its own credit standing in the measurement of its liabilities and modifies the transaction price presumption.

SFAS 157 is effective for interim and annual periods in fiscal years beginning after November 15, 2007. Management expects that the adoption of this standard will impact mark-to-market valuations of certain contracts. Management is evaluating the effect of the adoption of SFAS 157 on results of operations and financial condition. Although the statement is applied prospectively upon adoption, the effect of certain transactions is applied retrospectively as of the beginning of the fiscal year of application, with a cumulative effect adjustment to the appropriate balance sheet items. Although management has not completed its analysis, management expects this cumulative effect adjustment will have an immaterial impact on the financial statements. AEGCo will adopt SFAS 157 effective January 1, 2008.

SFAS 159 "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159)

In February 2007, the FASB issued SFAS 159, permitting entities to choose to measure many financial instruments and certain other items at fair value. The standard also establishes presentation and disclosure requirements designed to facilitate comparison between entities that choose different measurement attributes for similar types of assets and liabilities.

SFAS 159 is effective for annual periods in fiscal years beginning after November 15, 2007. If the fair value option is elected, the effect of the first remeasurement to fair value is reported as a cumulative effect adjustment to the opening balance of retained earnings. If AEGCo elects the fair value option promulgated by this standard, the valuations of certain assets and liabilities may be impacted. The statement is applied prospectively upon adoption. AEGCo will adopt SFAS 159 effective January 1, 2008. Although management has not completed its analysis, management expects the adoption of this standard to have an immaterial impact on the financial statements.

EITF Issue No. 06-11 "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" (EITF 06-11)

In June 2007, the FASB ratified the EITF consensus on the treatment of income tax benefits of dividends on employee share-based compensation. The issue is how a company should recognize the income tax benefit received on dividends that are paid to employees holding equity-classified nonvested shares, equity-classified nonvested share units or equity-classified outstanding share options and charged to retained earnings under SFAS 123R, "Share-Based Payments." Under EITF 06-11, a realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings and are paid to employees for equity-classified nonvested equity shares, nonvested equity share units and outstanding equity share options should be recognized as an increase to additional paid-in capital.

EITF 06-11 will be applied prospectively to the income tax benefits of dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning after September 15, 2007. Management expects that the adoption of this standard will have an immaterial impact on the financial statements. AEGCo will adopt EITF 06-11 effective January 1, 2008.

FIN 48 "Accounting for Uncertainty in Income Taxes" and FASB Staff Position FIN 48-1 "Definition of Settlement in FASB Interpretation No. 48" (FIN 48)

In July 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" and in May 2007, the FASB issued FASB Staff Position FIN 48-1 "Definition of *Settlement* in FASB Interpretation No. 48." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing a recognition threshold (whether a tax position is more likely than not to be sustained) without which, the benefit of that position is not recognized in the financial statements. It requires a measurement determination for recognized tax positions based on the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

FIN 48 requires that the cumulative effect of applying this interpretation be reported and disclosed as an adjustment to the opening balance of retained earnings for that fiscal year and presented separately. AEGCo adopted FIN 48 effective January 1, 2007. The impact of this interpretation was a favorable adjustment to retained earnings of $27,000.

FIN 39-1 "Amendment of FASB Interpretation No. 39" (FIN 39-1)

In April 2007, the FASB issued FIN 39-1. It amends FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts" by replacing the interpretation's definition of contracts with the definition of derivative instruments per SFAS 133. It also requires entities that offset fair values of derivatives with the same party under a netting agreement to also net the fair values (or approximate fair values) of related cash collateral. The entities must disclose whether or not they offset fair values of derivatives and related cash collateral and amounts recognized for cash collateral payables and receivables at the end of each reporting period.

FIN 39-1 is effective for fiscal years beginning after November 15, 2007. Management expects this standard to change the method of netting certain balance sheet amounts but is unable to quantify the effect. It requires retrospective application as a change in accounting principle for all periods presented. AEGCo will adopt FIN 39-1 effective January 1, 2008.

Future Accounting Changes

The FASB's standard-setting process is ongoing and until new standards have been finalized and issued by the FASB, management cannot determine the impact on the reporting of operations and financial position that may result from any such future changes. The FASB is currently working on several projects including business combinations, revenue recognition, liabilities and equity, derivatives disclosures, emission allowances, leases, insurance, subsequent events and related tax impacts. Management also expects to see more FASB projects as a result of its desire to converge International Accounting Standards with GAAP. The ultimate pronouncements resulting from these and future projects could have an impact on future results of operations and financial position.

3. COMMITMENTS, GUARANTEES AND CONTINGENCIES

AEGCo is subject to certain claims and legal actions arising in its ordinary course of business. In addition, business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation cannot be predicted. For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material adverse effect on the financial statements. The Commitments, Guarantees and Contingencies note within the 2006 Annual Report should be read in conjunction with this report.

COMMITMENTS

Rockport Plant Environmental Upgrades

In 1999, the Federal EPA, a number of states and certain special interest groups filed complaints alleging that certain of AEGCo's affiliates including Appalachian Power Company, CSPCo, I&M and Ohio Power Company modified units at certain of their coal-fired generating plants in violation of the New Source Review (NSR) requirements of the CAA. The alleged modifications occurred at the AEP System's generating units over a 20-year period.

As part of a global consent decree covering all coal-fired units in the five eastern states of the AEP System to resolve all past NSR allegations and secure a covenant not to sue for future claims from the Federal EPA, AEGCo and I&M will install additional emissions control equipment at Rockport Plant. Unit 1's controls will be completed in 2017 and Unit 2's controls will be completed in 2019. The estimated total cost of the investment in additional environmental controls for Rockport Plant will be shared equally by AEGCo and I&M and included in future construction budgets.

Management believes AEGCo can recover any capital and operating costs of additional pollution control equipment that may be required as a result of the consent decree through regulated rates. If AEGCo is unable to recover such costs, it would adversely affect AEGCo's future results of operations, cash flows and possibly financial condition.

GUARANTEES

There are certain immaterial liabilities recorded for guarantees in accordance with FIN 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third parties.

Indemnifications and Other Guarantees

Contracts

AEGCo enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. There are no material liabilities recorded for any indemnifications.

CONTINGENCIES

Carbon Dioxide Public Nuisance Claims

In 2004, eight states and the City of New York filed an action in federal district court for the Southern District of New York against AEP, AEPSC, Cinergy Corp, Xcel Energy, Southern Company and Tennessee Valley Authority. The Natural Resources Defense Council, on behalf of three special interest groups, filed a similar complaint against the same defendants. The actions allege that CO_2 emissions from the defendants' power plants constitute a public nuisance under federal common law due to impacts of global warming, and sought injunctive relief in the form of specific emission reduction commitments from the defendants. The defendants' motion to dismiss the lawsuits was granted in September 2005. The dismissal was appealed to the Second Circuit Court of Appeals. Briefing and oral argument have concluded. On April 2, 2007, the U.S. Supreme Court issued a decision holding that the Federal EPA has authority to regulate emissions of CO_2 and other greenhouse gases under the CAA, which may impact the Second Circuit's analysis of these issues. The Second Circuit requested supplemental briefs addressing the impact of the Supreme Court's decision on this case. Management believes the actions are without merit and intends to defend against the claims.

4. ACQUISITIONS

Lawrenceburg Generating Station

In January 2007, AEGCo agreed to purchase Lawrenceburg Generating Station (Lawrenceburg) from an affiliate of Public Service Enterprise Group (PSEG) for $325 million and the assumption of liabilities of $3 million. AEGCo completed the purchase in May 2007. Lawrenceburg is located in Lawrenceburg, Indiana, adjacent to I&M's Tanners Creek Plant, and is a natural gas, combined cycle power plant with a generating capacity of 1,096 MW. AEGCo sells the power to CSPCo through a FERC-approved unit power contract.

On June 15, 2007, AEGCo filed a capital funds agreement for approval with the IURC in connection with the acquisition and financing of Lawrenceburg. Under the agreement, AEP has committed to provide all such amounts of capital to enable AEGCo to perform its financial obligations. This agreement will terminate after AEGCo's obligations related to Lawrenceburg are paid in full.

Dresden Plant

In August 2007, AEGCo agreed to purchase the partially completed Dresden Plant from Dominion Resources, Inc. for $85 million and the assumption of liabilities of $2 million. AEGCo completed the purchase in September 2007. Management estimates that approximately $180 million (excluding AFUDC) in additional costs will be required to finish the construction of the plant. The Dresden Plant is located near Dresden, Ohio and is a natural gas, combined cycle power plant. When completed in 2009, the Dresden Plant will have a generating capacity of 580 MW.

5. BUSINESS SEGMENTS

AEGCo has one reportable segment, an electricity generation business. AEGCo's other activities are insignificant.

6. INCOME TAXES

AEGCo joins in the filing of a consolidated federal income tax return with its affiliates in the AEP System. The allocation of the AEP System's current consolidated federal income tax to the AEP System companies allocates the benefit of current tax losses to the AEP System companies giving rise to such losses in determining their current expense. The tax benefit of the Parent is allocated to its subsidiaries with taxable income. With the exception of the loss of the Parent, the method of allocation approximates a separate return result for each company in the consolidated group.

Audit Status

AEGCo also files income tax returns in various state and local jurisdictions. With few exceptions, AEGCo and other AEP subsidiaries are no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2000. The IRS and other taxing authorities routinely examine the tax returns. Management believes that AEGCo and other AEP subsidiaries have filed tax returns with positions that may be challenged by the tax authorities. AEGCo and other AEP subsidiaries are currently under examination in several state and local jurisdictions. However, management does not believe that the ultimate resolution of these audits will materially impact results of operations.

The AEP System settled with the IRS on all issues from the audits of consolidated federal income tax returns for years prior to 1997. The AEP System effectively settled all outstanding proposed IRS adjustments for years 1997 through 1999 and through June 2000 for the CSW pre-merger tax period and anticipates payment for the agreed adjustments to occur during 2007. Returns for the years 2000 through 2005 are presently being audited by the IRS and management anticipates that the audit of the 2000 through 2003 years will be completed by the end of 2007.

FIN 48 Adoption

AEGCo adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, AEGCo recognized a $27,000 decrease in the liabilities for unrecognized tax benefits, as well as related interest expense and penalties, which was accounted for as an increase to the January 1, 2007 balance of retained earnings.

At January 1, 2007, AEGCo's total amount of unrecognized tax benefits under FIN 48 was $0.1 million. Management believes it is reasonably possible that there will be a $0.5 million net decrease in unrecognized tax benefits due to the settlement of audits and the expiration of statute of limitations within 12 months of the reporting date. There are $0.1 million of tax positions, for which the ultimate deductibility is highly certain but the timing of such deductibility is uncertain. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

Prior to the adoption of FIN 48, AEGCo and other AEP subsidiaries recorded interest and penalty accruals related to income tax positions in tax accrual accounts. With the adoption of FIN 48, AEGCo and other AEP subsidiaries began recognizing interest accruals related to income tax positions in interest expense and penalties in Other Operations. As of January 1, 2007, AEGCo accrued $0.1 million for the payment of uncertain interest and penalties.

7. FINANCING ACTIVITIES

Long-term Debt

Long-term debt and other securities issued and principal payments made during the first nine months of 2007 were:

	Type of Debt	Principal Amount	Interest Rate	Due Date
		(in thousands)	(%)	
Issuances:	Senior Unsecured Notes	$ 220,000	6.33	2037 (a)

	Type of Debt	Principal Amount	Interest Rate	Due Date
		(in thousands)	(%)	
Principal Payments:	Senior Unsecured Notes	$ 1,818	6.33	2037 (a)

(a) AEGCo's Senior Unsecured Notes due 2037 are payable over the life of the notes as a $7.3 million annual principal amount plus accrued interest paid semiannually in March and September.

Lines of Credit

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of its subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds the utility subsidiaries. The AEP System corporate borrowing program operates in accordance with the terms and conditions approved in a regulatory order. The amount of outstanding loans (borrowings) to/from the Utility Money Pool as of September 30, 2007 and December 31, 2006 are included in Advances to/from Affiliates on AEGCo's balance sheets. AEGCo's Utility Money Pool activity and corresponding authorized borrowing limits for the nine months ended September 30, 2007 are described in the following table:

Maximum Borrowings from Utility Money Pool	Maximum Loans to Utility Money Pool	Average Borrowings from Utility Money Pool	Average Loans to Utility Money Pool	Borrowings from Utility Money Pool as of September 30, 2007	Authorized Short-Term Borrowing Limit
(in thousands)					
$ 261,636(a)	$ 20,124	$ 65,820	$ 8,211	$ 56,298	$ 190,000(a)

(a) In April 2007, AEGCo's short-term borrowing limit increased to $410 million under regulatory orders to facilitate the acquisition of Lawrenceburg Generating Station until long-term financing could be arranged. Following the issuance of AEGCo's long-term debt of $220 million in June 2007, AEGCo's short-term borrowing limit was reduced to $190 million under regulatory orders.

Maximum, minimum and average interest rates for funds either borrowed from or loaned to the Utility Money Pool for the nine months ended September 30, 2007 and 2006 are summarized in the following table:

	Maximum Interest Rates for Funds Borrowed from the Utility Money Pool	Minimum Interest Rates for Funds Borrowed from the Utility Money Pool	Maximum Interest Rates for Funds Loaned to the Utility Money Pool	Minimum Interest Rates For Funds Loaned to the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Loaned to the Utility Money Pool
	(in percentage)					
2007	5.94	5.30	5.94	5.49	5.39	5.86
2006	5.41	3.63	5.11	5.11	4.85	5.11

Dividend Restrictions

Under the Federal Power Act, AEGCo is restricted from paying dividends out of stated capital.