UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
INDIANA & MICHIGAN ELECTRIC COMPANY	)	
and	)	Docket Nos. 50-315
INDIANA & MICHIGAN POWER COMPANY	)	50-316
	)	
(Donald C. Cook Nuclear Plant,	)	
Units 1 and 2)	)	

APPLICATION FOR AMENDMENT OF FACILITY
OPERATING LICENSES NOS. DPR-58 and DPR-74

Indiana & Michigan Electric Company and Indiana & Michigan Power Company ("Licensees") are presently co-holders of Facility Operating Licenses Nos. DPR-58 and DPR-74 for Unit No. 1 and Unit No. 2, respectively, of the Donald C. Cook Nuclear Plant. Indiana & Michigan Power Company is a wholly-owned subsidiary of Indiana & Michigan Electric Company. It is proposed to merge Indiana & Michigan Power Company into Indiana & Michigan Electric Company. Indiana & Michigan Electric Company will be the surviving corporation and will have a 100% direct ownership interest in said Units.

By this application, Licensees respectfully request that the Nuclear Regulatory Commission amend said Facility Operating Licenses Nos. DPR-58 and DPR-74 to (1) reflect the planned merger of Indiana & Michigan Power Company into Indiana & Michigan Electric Company and the transfer of Indiana & Michigan Power Company's ownership interest in said Units to Indiana & Michigan Electric Company

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and (2) delete Indiana & Michigan Power Company from said Facility Operating Licenses, including the Technical Specifications incorporated by reference therein. Licensees further request that the Nuclear Regulatory Commission approve this amendment in such manner that it will become effective as of the effective date of the merger. Licensees will advise the Commission of the merger as soon as possible following the effective date thereof, which is presently anticipated to be on or before December 31, 1979. Following receipt of all necessary regulatory approvals and as of the effective date of the merger, the entire ownership of the Donald C. Cook Nuclear Plant Units Nos. 1 and 2 will be vested in Indiana & Michigan Electric Company and that company will be the sole holder of Facility Operating Licenses Nos. DPR-58 and DPR-74.

Licensees submit that the requested amendment involves no significant hazards consideration within the meaning of 10 CFR §50.91. Employees of Indiana & Michigan Power Company will become employees of Indiana & Michigan Electric Company as of the effective date of merger. There will be no other changes in personnel, operating procedures, or practices as a result of the merger. The merger will have no adverse effect upon the financial qualifications of Indiana & Michigan Electric Company and will not adversely affect the ability of Indiana & Michigan Electric Company to satisfy Commission requirements as to financial qualifications.

The latest published Annual Report of Indiana & Michigan Electric Company and the Financial Statements submitted by the Licensees to the Securities and Exchange Commission with respect to the merger are attached to this Application.

Dated this 24th day of August, 1979.

INDIANA & MICHIGAN ELECTRIC COMPANY

By John E. Dolan
John E. Dolan
Vice President

INDIANA & MICHIGAN POWER COMPANY

By John E. Dolan
John E. Dolan
Vice President

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

John E. Dolan, being duly sworn, deposes and says that he is the Vice President of licensees Indiana & Michigan Electric Company and Indiana & Michigan Power Company; that he has read the foregoing Application for Amendment of Facility Operating Licenses Nos. DPR-58 and DPR-74 and knows the contents thereof; and that said contents are true to the best of his knowledge and belief.

John E. Dolan

Subscribed and sworn to before me this 24th day of August, 1979.

Notary Public

JOHN B. SHINNOCK
Notary Public, State of New York
No. 31-4634146
Qualified in New York County
Commission Expires March 30, 1980

ATTACHMENTS

1. 1978 Annual Report of Indiana & Michigan Electric Company
2. Financial Statements:

   Balance Sheets as of March 31, 1979 and Income and Earned Surplus Statements, per books, for the 12 months ended March 31, 1979, of Indiana & Michigan Electric, of Indiana & Michigan Electric and Indiana & Michigan Power consolidated, of Indiana & Michigan Power, and of American Electric Power Company, Inc. and its subsidiaries consolidated.

INDIANA & MICHIGAN ELECTRIC COMPANY
CORPORATE STATEMENT OF INCOME
(UNAUDITED)

	Three Months Ended March 31, 1979	Three Months Ended March 31, 1978	Twelve Months Ended March 31, 1979	Twelve Months Ended March 31, 1978
	(In Thousands)			
OPERATING REVENUES - Electric (Note 1)	$171,029	$145,106	$629,404	$529,671
OPERATING EXPENSES:				
Operation:				
Fuel for Electric Generation	26,750	18,802	97,725	62,665
Purchased and Interchange Power (Net) (Note 1)	83,657	69,026	324,259	264,792
Other	11,437	10,078	47,520	37,409
Maintenance	6,578	6,037	27,993	25,704
Depreciation	8,247	7,367	31,246	27,920
Taxes, Other Than Income Taxes	5,246	5,281	18,970	18,368
State Income Taxes	218	178	(339)	783
Federal Income Taxes	6,532	149	4,821	4,639
TOTAL OPERATING EXPENSES	148,665	116,918	552,195	442,280
OPERATING INCOME	22,364	28,188	77,209	87,391
OTHER INCOME AND DEDUCTIONS:				
Allowance for Other Funds Used During Construction	5,182	2,466	18,718	8,889
Equity in Earnings of Subsidiaries	13,409	10,753	54,209	45,266
Interest on Notes of Generating Subsidiary	2,027	1,376	6,899	5,004
Miscellaneous Nonoperating Income Less Deductions	79	200	833	940
TOTAL OTHER INCOME AND DEDUCTIONS	20,697	14,795	80,659	60,099
INCOME BEFORE INTEREST CHARGES	43,061	42,983	157,868	147,490
INTEREST CHARGES:				
Interest on Long-term Debt	13,913	11,246	51,917	42,148
Interest on Short-term Debt	2,506	1,190	7,280	5,614
Miscellaneous Interest Charges	409	306	1,070	702
TOTAL INTEREST CHARGES	16,828	12,742	60,267	48,464
Allowance for Borrowed Funds Used During Construction (Credit)	(4,282)	(1,955)	(15,545)	(7,100)
NET INTEREST CHARGES	12,546	10,787	44,722	41,364
CORPORATE NET INCOME	$ 30,515	$ 32,196	$113,146	$106,126

The common stock of the Company is wholly owned by American Electric Power Company, Inc.

See Note to Corporate Financial Statements. Also see Notes to Consolidated Financial Statements incorporated herein by reference.

INDIANA & MICHIGAN ELECTRIC COMPANY
CORPORATE BALANCE SHEET
(UNAUDITED)

	March 31, 1979	March 31, 1978
	(In Thousands)	
ASSETS AND OTHER DEBITS		
ELECTRIC UTILITY PLANT (at original cost):		
Production	$ 355,681	$ 341,328
Transmission	422,477	401,729
Distribution	258,757	245,948
General and Miscellaneous (includes Nuclear Fuel)	42,486	51,293
Construction Work in Progress	331,822	151,959
TOTAL ELECTRIC UTILITY PLANT	1,411,223	1,192,257
Less Accumulated Provision for Depreciation	337,733	312,346
ELECTRIC UTILITY PLANT, LESS PROVISION	1,073,490	879,911
OTHER PROPERTY AND INVESTMENTS:		
Investments in Generating Subsidiary:		
Common Equity (at equity)	438,338	433,631
Subordinated Notes	69,000	69,000
Other	178,181	141,642
TOTAL OTHER PROPERTY AND INVESTMENTS	685,519	644,273
CURRENT ASSETS:		
Cash and Cash Items	33,087	59,881
Accounts Receivable:		
General (less provision for uncollectible accounts)	63,674	41,798
Associated Companies	9,526	17,157
Materials and Supplies (at average cost or less):		
Construction and Operation Materials and Supplies	12,150	10,427
Fuel	19,632	10,363
Accrued Utility Revenues	8,658	15,745
Prepayments and Other Current Assets	3,177	2,845
TOTAL CURRENT ASSETS	149,904	158,216
DEFERRED DEBITS		
Unamortized Debt Expense	1,794	1,699
Property Taxes	8,847	8,096
Deferred Collection of Fuel Costs	1,512	1,655
Other Work in Progress	4,026	6,194
Other Deferred Debits	32,230	32,466
TOTAL DEFERRED DEBITS	48,409	50,110
TOTAL	$1,957,322	$1,732,510

See Note to Corporate Financial Statements. Also see Notes to Consolidated Financial Statements incorporated herein by reference.

INDIANA & MICHIGAN ELECTRIC COMPANY
CORPORATE BALANCE SHEET
(UNAUDITED)

	March 31, 1979	March 31, 1978
	(In Thousands)	
LIABILITIES AND OTHER CREDITS		
CAPITALIZATION:		
Common Stock--No Par Value:		
Authorized--2,500,000 Shares		
Outstanding--1,400,000 Shares	$ 56,584	$ 56,584
Premium on Capital Stock	381	381
Other Paid-in Capital	484,228	450,228
Retained Earnings	143,619	116,474
Total Common Shareowner's Equity	684,812	623,667
Cumulative Preferred Stock	227,000	227,000
Long-term Debt (less portion due within one year) (Note 2)	721,400	647,876
Total Capitalization (less long-term debt due within one year)	1,633,212	1,498,543
CURRENT LIABILITIES:		
Long-term Debt Due Within One Year	5,254	29,171
Short-term Debt:		
Notes Payable to Banks	41,990	-
Commercial Paper	50,315	-
Accounts Payable:		
General	20,136	30,199
Associated Companies	52,323	34,254
Dividends Declared	15,974	3,854
Taxes Accrued	23,075	21,154
Interest Accrued	15,977	13,898
Other Current Liabilities	10,275	20,427
TOTAL CURRENT LIABILITIES	235,319	152,957
DEFERRED CREDITS AND OPERATING RESERVES:		
Deferred Income Taxes	74,845	68,093
Deferred Investment Tax Credits	6,825	8,088
Other Deferred Credits and Operating Reserves	7,121	4,829
TOTAL DEFERRED CREDITS AND OPERATING RESERVES	88,791	81,010
TOTAL	$1,957,322	$1,732,510

See Note to Corporate Financial Statements. Also see Notes to Consolidated Financial Statements incorporated herein by reference.

INDIANA & MICHIGAN ELECTRIC COMPANY
CORPORATE STATEMENT OF SOURCES OF
FUNDS FOR PLANT AND PROPERTY ADDITIONS
(UNAUDITED)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1979	1978	1979	1978
	(In Thousands)			
FUNDS FROM OPERATIONS	$ 38,933	$ 35,747	$125,159	$121,536
FUNDS FROM FINANCINGS:				
Issuances and Contributions:				
Long-term Debt	79,529	99,610	79,757	175,001
Cumulative Preferred Stock	-	38,547	(61)	76,667
Capital Contributions from Parent Company	14,000	40,000	34,000	74,000
Short-term Debt (Net)	-	-	92,305	-
TOTAL	93,529	178,157	206,001	325,668
Less - Retirements:				
Long-term Debt	903	30,885	30,395	35,861
Short-term Debt (Net)	32,635	101,850	-	155,534
NET FUNDS FROM FINANCINGS	59,991	45,422	175,606	134,273
DIVIDENDS ON COMMON STOCK	(18,970)	(14,980)	(66,682)	(55,300)
DIVIDENDS ON CUMULATIVE PREFERRED STOCK	(4,755)	(3,854)	(19,257)	(14,901)
SALES OF PROPERTY	32,246	267	75,252	85,264
OTHER CHANGES (NET)	(541)	(9,829)	1,859	(6,993)
DECREASE (INCREASE) IN WORKING CAPITAL - EXCLUDING SHORT-TERM DEBT AND LONG-TERM DEBT DUE WITHIN ONE YEAR	(42,942)	6,491	22,285	(52,562)
TOTAL	$ 63,962	$ 59,264	$314,222	$211,317
PLANT AND PROPERTY ADDITIONS:				
Gross Additions to Utility Plant	$ 61,934	$ 58,296	298,139	192,668
Gross Other Additions	7,210	3,434	34,801	27,538
TOTAL GROSS ADDITIONS	69,144	61,730	332,940	220,206
Allowance for Other Funds Used During Construction	(5,182)	(2,466)	(18,718)	(8,889)
TOTAL	$ 63,962	$ 59,264	$314,222	$211,317

See Note to Corporate Financial Statements. Also see Notes to Consolidated Financial Statements incorporated herein by reference.

INDIANA & MICHIGAN ELECTRIC COMPANY
STATEMENT OF RETAINED EARNINGS
(UNAUDITED)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1979	1978	1979	1978
	(In Thousands)			
BALANCE AT BEGINNING OF PERIOD	$136,829	$104,566	$116,474	$ 83,882
CORPORATE NET INCOME	30,515	32,196	113,146	106,126
TOTAL	167,344	136,762	229,620	190,008
DEDUCTIONS:				
Cash Dividends Declared:				
Common Stock	18,970	14.980	66,682	55,300
Cumulative Preferred Stock	4,755	3,854	19,257	14,901
TOTAL DIVIDENDS	23,725	18,834	85,939	70,201
Capital Stock Expense	-	1,454	62	3,333
TOTAL DEDUCTIONS	23,725	20,288	86,001	73,534
BALANCE AT END OF PERIOD	$143,619	$116,474	$143,619	$116,474

See Note to Corporate Financial Statements. Also see Notes to Consolidated Financial Statements incorporated herein by reference.

INDIANA & MICHIGAN ELECTRIC COMPANY
NOTES TO CORPORATE FINANCIAL STATEMENTS
March 31, 1979
(UNAUDITED)

A. PROPOSED ESTABLISHMENT OF COAL-MINING SUBSIDIARY

The Company has filed with the Securities and Exchange Commission a request to transfer to a new subsidiary certain coal-mining assets having a net book cost of approximately $119,000,000, less related liabilities amounting to approximately $8,000,000 in exchange for such subsidiary's common stock and indebtedness to the Company.

INDIANA & MICHIGAN ELECTRIC COMPANY AND GENERATING SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1979	1978	1979	1978
	(In Thousands)			
OPERATING REVENUES - Electric (Note 1)	$171,029	$145,106	$629,404	$529,671
OPERATING EXPENSES:				
Operation:				
Fuel for Electric Generation	42,729	25,300	142,704	82,931
Purchased and Interchange Power (Net) (Note 1)	12,669	35,905	93,516	140,635
Other	15,818	12,541	62,838	45,997
Maintenance	8,753	7,466	34,011	29,751
Depreciation	18,232	12,879	65,198	49,831
Taxes, Other Than Income Taxes	7,529	6,910	27,051	23,728
State Income Taxes	218	178	(339)	783
Federal Income Taxes	17,437	2,374	38,501	15,871
TOTAL OPERATING EXPENSES	123,385	103,553	463,480	389,527
OPERATING INCOME	47,644	41,553	165,924	140,144
OTHER INCOME AND DEDUCTIONS:				
Allowance for Other Funds Used During Construction	5,326	7,531	25,770	28,008
Miscellaneous Nonoperating Income Less Deductions	79	251	867	1,066
TOTAL OTHER INCOME AND DEDUCTIONS	5,405	7,782	26,637	29,074
INCOME BEFORE INTEREST CHARGES	53,049	49,335	192,561	169,218
INTEREST CHARGES:				
Interest on Long-term Debt	23,928	21,099	92,225	77,412
Interest on Short-term Debt	2,506	1,190	7,280	5,614
Miscellaneous Interest Charges	495	344	1,437	885
TOTAL INTEREST CHARGES	26,929	22,633	100,942	83,911
Allowance for Borrowed Funds Used During Construction (Credit)	(4,395)	(5,494)	(21,527)	(20,819)
NET INTEREST CHARGES	22,534	17,139	79,415	63,092
CONSOLIDATED NET INCOME	$ 30,515	$ 32,196	$113,146	$106,126

The common stock of the Company is wholly owned by American Electric Power Company, Inc.

See Notes to Consolidated Financial Statements.

INDIANA & MICHIGAN ELECTRIC COMPANY AND GENERATING SUBSIDIARY
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	March 31, 1979	March 31, 1978
	(In Thousands)	
ASSETS AND OTHER DEBITS		
ELECTRIC UTILITY PLANT (at original cost):		
Production	$1,357,937	$ 895,208
Transmission	422,477	401,729
Distribution	258,757	245,948
General and Miscellaneous (includes Nuclear Fuel)	43,166	51,939
Construction Work in Progress	346,793	570,801
TOTAL ELECTRIC UTILITY PLANT	2,429,130	2,165,625
Less Accumulated Provision for Depreciation	427,570	368,233
ELECTRIC UTILITY PLANT, LESS PROVISION	2,001,560	1,797,392
OTHER PROPERTY AND INVESTMENTS	178,181	141,642
CURRENT ASSETS:		
Cash and Cash Items	35,355	107,355
Accounts Receivable:		
General (less provision for uncollectible accounts)	63,911	42,108
Associated Companies	7,293	12,465
Materials and Supplies (at average cost or less):		
Construction and Operation Materials and Supplies	14,462	12,031
Fuel	19,678	10,414
Accrued Utility Revenues	8,658	15,745
Prepayments and Other Current Assets	3,772	3,318
TOTAL CURRENT ASSETS	153,129	203,436
DEFERRED DEBITS:		
Unamortized Debt Expense	3,171	2,178
Property Taxes	8,847	8,096
Deferred Collection of Fuel Costs	1,512	1,655
Other Work in Progress	9,073	9,136
Other Deferred Debits	30,120	38,840
TOTAL DEFERRED DEBITS	52,723	59,905
TOTAL	$2,385,593	$2,202,375

See Notes to Consolidated Financial Statements.

INDIANA & MICHIGAN ELECTRIC COMPANY AND GENERATING SUBSIDIARY
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	March 31, 1979	March 31, 1978
	(In Thousands)	
LIABILITIES AND OTHER CREDITS		
CAPITALIZATION:		
Common Stock--No Par Value:		
Authorized--2,500,000 Shares		
Outstanding--1,400,000 Shares	$ 56,584	$ 56,584
Premium on Capital Stock	381	381
Other Paid-in Capital	484,228	450,228
Retained Earnings	143,619	116,474
Total Common Shareowner's Equity	684,812	623,667
Cumulative Preferred Stock	227,000	227,000
Long-term Debt (less portion due within one year) (Note 2)	1,095,969	1,090,914
Total Capitalization (less long-term debt due within one year)	2,007,781	1,941,581
CURRENT LIABILITIES:		
Long-term Debt Due Within One Year	7,504	31,421
Short-term Debt:		
Notes Payable to Banks	41,990	-
Commercial Paper	50,315	-
Accounts Payable:		
General	21,633	32,216
Associated Companies	21,319	2,872
Dividends Declared	15,974	3,854
Taxes Accrued	26,900	22,979
Interest Accrued	27,143	24,409
Other Current Liabilities	18,548	23,333
TOTAL CURRENT LIABILITIES	231,326	141,084
DEFERRED CREDITS AND OPERATING RESERVES:		
Deferred Income Taxes	128,303	105,299
Deferred Investment Tax Credits	10,748	8,954
Other Deferred Credits and Operating Reserves	7,435	5,457
TOTAL DEFERRED CREDITS AND OPERATING RESERVES	146,486	119,710
TOTAL	$2,385,593	$2,202,375

See Notes to Consolidated Financial Statements.

INDIANA & MICHIGAN ELECTRIC COMPANY AND GENERATING SUBSIDIARY
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(UNAUDITED)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1979	1978	1979	1978
	(In Thousands)			
BALANCE AT BEGINNING OF PERIOD	$136,829	$104,566	$116,474	$ 83,882
CONSOLIDATED NET INCOME	30,515	32,196	113,146	106,126
TOTAL	167,344	136,762	229,620	190,008
DEDUCTIONS:				
Dividends:				
Common Stock	18,970	14,980	66,682	55,300
Cumulative Preferred Stock	4,755	3,854	19,258	14,901
TOTAL DIVIDENDS	23,725	18,834	85,940	70,201
Capital Stock Expense	-	1,454	61	3,333
TOTAL DEDUCTIONS	23,725	20,288	86,001	73,534
BALANCE AT END OF PERIOD	$143,619	$116,474	$143,619	$116,474

See Notes to Consolidated Financial Statements.

INDIANA & MICHIGAN ELECTRIC COMPANY
AND GENERATING SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1979
(Unaudited)

1. AMOUNTS SUBJECT TO REFUND

The Company has collected from wholesale rate increases placed into effect subject to refund aggregate amounts approximately as follows:

	1979	1978
	(In Thousands)	
Three Months Ended March 31,.....	$ 7,144	$ 5,794
Twelve Months Ended March 31,.....	21,111	18,190
Cumulative to March 31,.....	48,626	-

Commencing in June 1975, operating expenses include the effect of changes in rates charged for interchange power transactions between the Company and other companies in the American Electric Power System. The effect of such changes was to increase the charges to the Company subject to possible refund by its interchange power suppliers, by the following estimated amounts:

	1979	1978
	(In Thousands)	
Three Months Ended March 31,.....	$ 2,507	$ 7,317
Twelve Months Ended March 31,.....	20,172	28,241
Cumulative to March 31,.....	105,824	-

On February 23, 1978, an administrative law judge of the FERC issued an initial decision ordering one of the affiliated interchange power suppliers to make certain refunds, after recomputing interchange charges for the period subsequent to June 1975 on the basis of the interconnection agreement in effect prior to that date, but excluding from such calculations as member capacity, in the case of the Company, the capacity owned by the Generating Subsidiary and, in the case of another member of the System, the capacity owned by its generating subsidiary. If the change is finally

ordered by FERC, the Company could become entitled to refunds in a substantial amount. Certain intervenors have urged that changes be made in the interconnection agreement which would have the opposite effect, increasing the amounts payable by the Company. The AEP System subsidiaries, including the Company, have filed a brief which urges that the action of the administrative law judge be revised so as to sustain the 1975 modification, but cannot predict the final outcome of the proceeding or the effect thereof on the Company.

2. LONG-TERM DEBT:

Long-term debt by major category was outstanding as follows (less portion due within one year):

	March 31, 1979	March 31, 1978
	(In Thousands)	
First Mortgage Bonds	$ 956,205	$ 581,762
Sinking Fund Debentures	23,953	25,117
Notes Payable to Banks due 1980	11,000	375,000
Installment Purchase Contracts	99,931	99,841
Other Long-term Debt	4,880	9,194
Total (less portion due within one year)	$1,095,969	$1,090,914

3. CONTINGENCIES

The Company continues to be involved in the legal proceedings disclosed in the 1978 annual report.

4. RECLASSIFICATIONS

Certain prior-period amounts have been reclassified to conform with classifications used currently.

5. FINANCING AND RELATED ACTIVITIES

In January, 1979, the Company issued and sold $80,000,000 principal amount of its 10-1/4% first mortgage bonds due 1987.

In February, 1979, the Company cancelled and redeemed $750,000 principal amount of its 10% first mortgage bonds due 1985, required by the sinking fund provision of such Bonds.

As was previously reported in the Company's 1978 Annual Report, on March 1, 1979, the Generating Subsidiary issued and sold, to certain insurance companies, $45,000,000 aggregate principal amount of its First Mortgage Bonds, 9-1/2% Series due 2003, at a price equal to the principal amount thereof. On the same day, the Generating Subsidiary applied proceeds from the sale of the bonds towards prepayment of $71,000,000 aggregate principal amount of Notes Payable to Banks, due 1980.

In January, 1979, the Company received $14,000,000 of cash capital contributions from its parent, American Electric Power Company, Inc..

6. EVENT SUBSEQUENT TO MARCH 31, 1979

In May 1979, the City of Sullivan, Indiana issued and sold $20,000,000 principal amount of pollution control revenue bonds ($7,000,000 at 7 3/8% due 2004 and $13,000,000 at 7 1/2% due 2009), secured by a pledge of payments to be made to the City under an Agreement of Sale between the City and the Company. The proceeds from the sale of these bonds were used to provide a portion of the funds required for the acquisition, construction, installation and equipping of certain air pollution control facilities at the Company's Breed Plant.

INDIANA & MICHIGAN POWER COMPANY
STATEMENT OF INCOME
(UNAUDITED)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1979	1978	1979	1978
	(In Thousands)			
OPERATING REVENUES - Electric:				
Sales to Parent Company--Indiana & Michigan Electric Company	$70,988	$33,064	$234,461	$124,107
OPERATING EXPENSES:				
Operation:				
Fuel for Electric Generation	15,979	6,498	44,979	20,160
Other	4,381	2,406	19,036	8,645
Maintenance	2,175	1,429	6,016	4,047
Depreciation	9,985	5,512	33,952	21,911
Taxes, Other Than Federal Income Taxes	2,283	1,629	8,081	5,360
Federal Income Taxes	10,905	2,225	33,680	11,232
Total Operating Expenses	45,708	19,699	145,746	71,355
OPERATING INCOME	25,280	13,365	88,715	52,752
OTHER INCOME AND DEDUCTIONS:				
Allowance for Other Funds Used During Construction	144	5,065	7,052	19,119
Interest Income Less Deductions	-	51	32	125
Total Other Income and Deductions	144	5,116	7,084	19,244
INCOME BEFORE INTEREST CHARGES	25,424	18,481	95,799	71,996
INTEREST CHARGES:				
Interest on Long-term Debt (Other than to Parent Company)	10,015	9,853	40,308	35,264
Interest on Long-term Debt to Parent Company	2,027	1,376	6,899	5,004
Miscellaneous Interest Charges	86	38	367	183
Total Interest Charges	12,128	11,267	47,574	40,451
Allowance for Borrowed Funds Used During Construction (Credit)	(113)	(3,539)	(5,982)	(13,719)
Net Interest Charges	12,015	7,728	41,592	26,732
NET INCOME	$13,409	$10,753	$ 54,207	$ 45,264

The common stock of the Company is wholly owned by Indiana & Michigan Electric Company.

See Notes to Financial Statements.

INDIANA & MICHIGAN POWER COMPANY
BALANCE SHEET
(UNAUDITED)

	March 31, 1979	March 31, 1978
	(In Thousands)	
ASSETS AND OTHER DEBITS		
ELECTRIC UTILITY PLANT (at original cost):		
Production--Nuclear	$1,002,256	$ 553,880
General and Miscellaneous	680	646
Construction Work in Progress	14,971	418,842
Total Electric Utility Plant	1,017,907	973,368
Less Accumulated Provision for Depreciation	89,837	55,887
Electric Utility Plant, Less Provision	928,070	917,481
CURRENT ASSETS:		
Cash and Cash Items	2,268	40,001
Temporary Cash Investments (at cost, which approximates market)	-	7,473
Accounts Receivable:		
Associated Companies	31,150	32,080
Miscellaneous	237	310
Construction and Operation Materials and Supplies (at average cost or less)	2,358	1,655
Prepayments and Other Current Assets	595	473
Total Current Assets	36,608	81,992
DEFERRED DEBITS:		
Unamortized Debt Expense	1,377	479
Other Work in Progress	5,047	2,942
Other Deferred Debits	4,093	6,072
Total Deferred Debits	10,517	9,493
TOTAL	$ 975,195	$1,008,966

See Notes to Financial Statements.

INDIANA & MICHIGAN POWER COMPANY
BALANCE SHEET
(UNAUDITED)

	March 31, 1979	March 31, 1978
	(In Thousands)	
LIABILITIES AND OTHER CREDITS		
CAPITALIZATION:		
Common Stock--Par Value $1:		
Authorized--2,000,000 Shares		
Outstanding--1,500,000 Shares	$ 1,500	$ 1,500
Premium on Capital Stock	106,541	106,541
Other Paid-in Capital	266,375	266,375
Retained Earnings	63,922	59,215
Total Common Shareowner's Equity	438,338	433,631
Long-term Debt (less portion due within one year) (Note 2)	443,569	512,037
Total Capitalization (less long-term debt due within one year)	881,907	945,668
CURRENT LIABILITIES:		
Long-term Debt Due Within One Year	2,250	2,250
Accounts Payable:		
General	1,497	2,017
Associated Companies	350	736
Dividends Declared on Common Stock	-	3,000
Taxes Accrued	3,825	1,825
Interest Accrued	13,192	11,887
Other Current Liabilities	8,273	2,906
Total Current Liabilities	29,387	24,621
DEFERRED CREDITS:		
Deferred Income Taxes	59,664	37,183
Deferred Investment Tax Credits	3,923	866
Other Deferred Credits	314	628
Total Deferred Credits	63,901	38,677
TOTAL	$ 975,195	$1,008,966

See Notes to Financial Statements.

INDIANA & MICHIGAN POWER COMPANY
STATEMENT OF RETAINED EARNINGS
(UNAUDITED)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1979	1978	1979	1978
	(In Thousands)			
Balance at Beginning of Period	$64,013	$57,462	$ 59,215	$49,951
Net Income	13,409	10,753	54,207	45,264
Total	77,422	68,215	113,422	95,215
Deduct Cash Dividends Declared on Common Stock	13,500	9,000	49,500	36,000
Balance at End of Period	$63,922	$59,215	$ 63,922	$59,215

See Notes to Financial Statements.

INDIANA & MICHIGAN POWER COMPANY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1979
(UNAUDITED)

1. FINANCING ACTIVITY

As was previously reported in the Company's 1978 Annual Report, on March 1, 1979, the Company issued and sold, to certain insurance companies, $45,000,000 aggregate principal amount of its First Mortgage Bonds, 9-1/2% Series due 2003, at a price equal to the principal amount thereof. On the same day, the Company applied proceeds from the sale of the bonds towards prepayment of $71,000,000 aggregate principal amount of Notes Payable to Banks, due 1980.

2. LONG-TERM DEBT:

Long-term debt by major category was outstanding as follows (less portion due within one year):

	March 31,	
	1979	1978
	(In Thousands)	
First Mortgage Bonds.....	$363,569	$ 68,037
Notes Payable to Banks, Due 1980...	11,000	375,000
Subordinated Notes Payable to Parent Company, Due 1981.....	69,000	69,000
Total (less portion due within one year).....	$443,569	$512,037

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1979	1978*	1979	1978*
	(In Thousands, Except Per-Share Amounts)			
OPERATING REVENUES - Approximately 98% Electric (Note 1)	$726,340	$571,357	$2,544,073	$2,074,811
OPERATING EXPENSES:				
Operation:				
Fuel for Electric Generation	317,861	234,764	1,114,187	858,000
Various Other	69,636	74,516	261,693	243,468
Maintenance	42,414	38,498	168,772	143,107
Depreciation, Depletion, and Amortization	55,745	48,593	210,848	188,004
Taxes, Other than Income Taxes	41,080	36,056	150,231	131,877
State Income Taxes	751	432	563	1,958
Federal Income Taxes	35,803	(1,261)	89,497	20,401
TOTAL OPERATING EXPENSES	563,290	431,598	1,995,791	1,586,815
OPERATING INCOME	163,050	139,759	548,282	487,996
OTHER INCOME AND DEDUCTIONS:				
Allowance for Other Funds Used During Construction	9,124	13,935	39,590	55,794
Miscellaneous Nonoperating Income Less Deductions	837	1,206	3,558	6,115
TOTAL OTHER INCOME AND DEDUCTIONS	9,961	15,141	43,148	61,909
INCOME BEFORE INTEREST CHARGES	173,011	154,900	591,430	549,905
INTEREST CHARGES:				
Interest on Long-term Debt	78,819	72,805	308,655	278,746
Interest on Short-term Debt	11,303	3,880	33,586	13,776
Miscellaneous Interest Charges	1,283	2,390	4,516	8,813
TOTAL INTEREST CHARGES	91,405	79,075	346,757	301,335
Allowance for Borrowed Funds Used During Construction (Credit)	(12,394)	(11,282)	(51,460)	(44,401)
NET INTEREST CHARGES	79,011	67,793	295,297	256,934
CONSOLIDATED INCOME BEFORE PREFERRED STOCK DIVIDEND REQUIREMENTS OF SUBSIDIARIES	94,000	87,107	296,133	292,971
PREFERRED STOCK DIVIDEND REQUIREMENTS OF SUBSIDIARIES	13,586	12,118	54,377	46,994
CONSOLIDATED NET INCOME	$ 80,414	$ 74,989	$ 241,756	$ 245,977
EARNINGS PER AVERAGE SHARE OF COMMON STOCK	$ .73	$ .73	$ 2.27	$ 2.45
CASH DIVIDENDS PAID PER SHARE OF COMMON STOCK	$ .54½	$ .53	$ 2.15	$ 2.09
AVERAGE NUMBER OF SHARES OUTSTANDING	110,876	103,093	106,408	100,584

* Restated. (See Note 1)

See Notes to Consolidated Financial Statements.

AMERICAN ELECTRIC POWER COMPANY, INC.
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	March 31, 1979	March 31, 1978
	(In Thousands)	
ASSETS AND OTHER DEBITS		
UTILITY PLANT (at original cost):		
Production	$4,126,010	$3,428,557
Transmission	1,511,948	1,440,280
Distribution	1,312,971	1,186,892
General and Miscellaneous (includes Nuclear Fuel and Mining Plant)	615,657	623,088
Construction Work in Progress	1,097,749	1,246,029
TOTAL UTILITY PLANT	8,664,335	7,924,846
Less Accumulated Provisions for Depreciation, Depletion, and Amortization	1,858,603	1,673,399
UTILITY PLANT, LESS PROVISIONS	6,805,732	6,251,447
EXCESS OF COST OF INVESTMENTS in Subsidiaries over Book Value at Dates of Acquisition	48,260	48,311
OTHER PROPERTY AND INVESTMENTS	270,854	248,918
CURRENT ASSETS:		
Cash and Cash Items	117,432	281,910
Accounts Receivable (less accumulated provision for uncollectible accounts)	240,476	195,437
Materials and Supplies (at average cost or less):		
Fuel	260,843	112,473
Construction and Operation Materials and Supplies	96,226	93,787
Accrued Utility Revenues	51,259	62,360
Prepayments and Other Current Assets	29,125	26,359
TOTAL CURRENT ASSETS	795,361	772,326
DEFERRED DEBITS:		
Unamortized Debt Expense	9,909	9,062
Property Taxes	57,801	55,782
Deferred Collection of Fuel Costs	17,893	20,563
Deferred Strike Costs (Note 2)	11,658	44,403
Other Work in Progress	52,571	54,989
Other Deferred Debits	85,031	60,489
TOTAL DEFERRED DEBITS	234,863	245,288
TOTAL	$8,155,070	$7,566,290

See Notes to Consolidated Financial Statements.

AMERICAN ELECTRIC POWER COMPANY, INC.
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	March 31, 1979	March 31, 1978
	(In Thousands)	
LIABILITIES AND OTHER CREDITS		
CAPITALIZATION:		
Common Stock - Par Value $6.50:		
Shares Authorized (1979: 150,000,000; 1978: 125,000,000)		
Shares Outstanding (1979: 111,232,001; 1978: 103,326,804)	$ 723,008	$ 671,624
Premiums on Capital Stocks	1,082,640	970,375
Other Paid-in Capital	820	641
Retained Earnings	600,231	585,559
Total Common Shareowners' Equity	2,406,699	2,228,199
Cumulative Preferred Stocks of Subsidiaries (Note 4)	650,258	652,484
Long-term Debt (less portion due within one year) (Note 3)	3,591,919	3,707,555
TOTAL CAPITALIZATION (less long-term debt due within one year)	6,648,876	6,588,238
CURRENT LIABILITIES:		
Long-term Debt Due Within One Year	223,495	73,051
Notes Payable to Banks	224,841	47,766
Commercial Paper	186,745	71,865
Accounts Payable	154,099	164,573
Dividends Declared on Cumulative Preferred Stocks	6,612	5,737
Taxes Accrued	128,624	110,366
Interest Accrued	100,432	93,518
Revenue Refunds Accrued	9,540	29,212
Other Current Liabilities	85,630	82,548
TOTAL CURRENT LIABILITIES	1,120,018	678,636
DEFERRED CREDITS AND OPERATING RESERVES:		
Deferred Income Taxes	291,849	230,683
Deferred Investment Tax Credits	53,055	24,581
Other Deferred Credits and Operating Reserves	41,272	44,152
TOTAL DEFERRED CREDITS AND OPERATING RESERVES	386,176	299,416
TOTAL	$8,155,070	$7,566,290

See Notes to Consolidated Financial Statements.

AMERICAN ELECTRIC POWER COMPANY, INC.
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(UNAUDITED)

	Three Months Ended March 31,		Twleve Months Ended March 31,	
	1979	1978	1979	1978
	(In Thousands)			
BALANCE AT BEGINNING OF PERIOD:				
As Previously Reported	$580,217	$575,239	$594,271	$560,301
Restatement (Note 1)	-	(8,625)	(8,712)	(7,600)
As Restated	580,217	566,614	585,559	552,701
ADDITIONS:				
Consolidated Net Income	80,414	74,989	241,756	245,977
Transfer from Amortization Reserve - Federal to Appropriated Retained Earnings	-	1,401	-	1,401
TOTAL	660,631	643,004	827,315	800,079
DEDUCTIONS:				
Cash Dividends Declared on Common Stock	60,405	54,618	227,120	209,851
Other	(5)	2,827	(36)	4,669
TOTAL DEDUCTIONS	60,400	57,445	227,084	214,520
BALANCE AT END OF PERIOD	$600,231	$585,559	$600,231	$585,559

See Notes to Consolidated Financial Statements.

AMERICAN ELECTRIC POWER COMPANY, INC.
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1979

(UNAUDITED)

1. AMOUNTS SUBJECT TO REFUND AND RESTATEMENT

As stated in the Company's 1978 Annual Report, consolidated 1978 interim results have been restated to reflect the refund matters discussed therein. Accordingly, the financial statements included herein reflect the restated amounts for the affected periods.

Amounts collected by subsidiaries from rate increases placed into effect subject to refund are estimated as follows:

	1979	1978
	(In Thousands)	
Three Months Ended March 31.....	$ 7,400	$ 5,800
Twelve Months Ended March 31.....	31,100	18,200
Cumulative to March 31, 1979.....	58,600	-

2. DEFERRED STRIKE COSTS

The coal-mining subsidiaries deferred $48,800,000 of ongoing costs applicable to mining and transportation activities incurred during the strike by the United Mine Workers of America which began in early December 1977 and ended in the latter part of March 1978. At March 31, 1979, most of these costs had been amortized and billed to customers of one operating subsidiary, and most of the remaining balance of $11,658,000 is expected to be recovered by another operating subsidiary through cost-of-service determinations or adjustment of the fuel component included in base rates, as it amortizes its subject deferred costs.

3. LONG-TERM DEBT

Long-term debt by major category was outstanding as follows (less portion due within one year):

	March 31, 1979	March 31, 1978
	(In Thousands)	
First Mortgage Bonds	$3,010,659	$2,813,318
Sinking Fund Debentures	114,153	116,920
Notes Payable to Banks	40,500	392,000
Installment Purchase Contracts	418,880	355,490
Other Long-term Debt	7,727	29,827
Total (less portion due within one year)	$3,591,919	$3,707,555

4. FINANCIAL TRANSACTIONS

Long-term financing transactions during the quarter ended March 31, 1979 included the following recorded by subsidiary companies:

Description	Principal Amount (In Thousands)
Issuances:	
10-1/4% First Mortgage Bonds due 1987	$80,000
9-1/2% First Mortgage Bonds due 2008 (issued to refinance certain Long-term Notes Payable to Banks due 1980 - see below)	45,000
Retirements:	
Partial prepayment of Long-term Notes Payable to Banks due 1980	71,000

Cumulative Preferred Stocks of Subsidiaries declined by $732,000 during the quarter ended March 31, 1979 due to redemption of shares at a gain of $178,000, such gain being credited to Other Paid-in Capital.

5. CONTINGENCIES

American Electric Power System companies continue to be involved in certain legal proceedings disclosed in the 1978 Annual Report.

6. RECLASSIFICATIONS

Certain prior-period amounts have been reclassified to conform with classifications used currently.

7. PROPOSED ACQUISITION

In July 1978, the Securities and Exchange Commission issued an opinion in which it indicated that it was disposed to issue an order granting the Company's application to acquire Columbus and Southern Ohio Electric Company through an exchange of stock if the Company completed, to the satisfaction of SEC, the record in the proceeding with respect to the fairness of the proposed exchange offer to the Company's common shareowners and the creation of an entity which would acquire and operate generating facilities in Ohio for the benefit of such Ohio municipal electric distribution systems as desired to participate, the energy from which would be transmitted over American Electric Power System transmission facilities to various delivery points in Ohio. The Company can give no assurance that the SEC will authorize the proposed acquisition or that, if authorized, it will be completed.

8. EVENTS SUBSEQUENT TO MARCH 31, 1979

In May 1979, a subsidiary issued and sold $70,000,000 principal amount of 11% Series First Mortgage Bonds due 1987 and 1,600,000 shares of $2.65 Cumulative Preferred Stock, without Par Value, at $25 per share; and a local government agency issued $20,000,000 principal amount of pollution control revenue bonds in connection with an installment purchase contract with another subsidiary.