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Indiana Michigan
Power Company
P.O. Box 16631
Columbus, OH 43216

INDIANA
MICHIGAN
POWER

AEP:NRC:0909J
10 CFR 50.71(b) & 140.21(e)

Donald C. Cook Nuclear Plant Units 1 and 2
Docket Nos. 50-315 and 50-316
License Nos. DPR-58 and DPR-74
FINANCIAL INFORMATION FOR INDIANA MICHIGAN
POWER COMPANY

U. S. Nuclear Regulatory Commission
Document Control Desk
Washington, D.C. 20555

Attn: W. T. Russell

April 6, 1994

Dear Mr. Russell:

Enclosure 1 contains the Indiana Michigan Power Company's (I&M) annual report for 1993. Enclosure 2 contains a copy of I&M's projected cash flow for 1994. These reports are submitted pursuant to 10 CFR 50.71(b) and 10 CFR 140.21(e).

Sincerely,

W. G. Smith Jr.

for E. E. Fitzpatrick
Vice President

dr

Enclosures

cc: A. A. Blind
G. Charnoff
J. B. Martin - Region III
NRC Resident Inspector
NFEM Section Chief
J. R. Padgett

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1/1

ENCLOSURE 1 TO AEP:NRC:0909J

INDIANA MICHIGAN POWER COMPANY'S

1993 ANNUAL REPORT

Indiana Michigan Power Company

1993 Annual Report

AEP AMERICAN ELECTRIC POWER

CONTENTS

One Summit Square, P.O. Box 60, Fort Wayne, Indiana 46801

BACKGROUND

INDIANA MICHIGAN POWER COMPANY (the Company) is engaged in the generation, purchase, transmission and distribution of electric power serving approximately 525,000 retail customers in northern and eastern Indiana and a portion of southwestern Michigan and supplying wholesale electric power to other electric utilities, municipalities and electric cooperatives. Approximately 83% of the Company's retail sales are in Indiana and 17% in Michigan. The principal industries served are transportation equipment, primary metals, fabricated metal products, electrical and electronic machinery, rubber and miscellaneous plastic products and chemicals and allied products. The Company is a subsidiary of American Electric Power Company, Inc., and has its principal executive offices in Fort Wayne, Indiana. Indiana Michigan Power Company was organized under the laws of Indiana on February 21, 1925, and is also authorized to transact business in Michigan and West Virginia.

The Company's two wholly-owned subsidiaries, Blackhawk Coal Company and Price River Coal Company, were formerly engaged in coal-mining operations in Utah. Blackhawk Coal Company currently leases or subleases portions of its coal rights, land and related mining equipment to unaffiliated companies. In addition, the Company has a river transportation division (RTD) that barges coal on the Ohio and Kanawha Rivers to AEP System generating plants. The RTD also provides some barging services to unaffiliated companies.

The generating plants and transmission facilities of the Company and certain other affiliated AEP System utility subsidiaries are operated as an integrated system with their costs and benefits shared through the AEP System Power Pool and AEP Transmission Agreement. Wholesale energy sales made by the Power Pool are allocated to the Pool members. The other AEP System Pool members are: Appalachian Power Company, Columbus Southern Power Company, Kentucky Power Company and Ohio Power Company. The Company is also interconnected with its affiliate, AEP Generating Company, and the following unaffiliated entities: Central Illinois Public Service Company, The Cincinnati Gas & Electric Company, Commonwealth Edison Company, Consumers Power Company, Illinois Power Company, Indianapolis Power & Light Company, Louisville Gas and Electric Company, Northern Indiana Public Service Company, PSI Energy Inc. and Richmond Power and Light Company, as well as Indiana-Kentucky Electric Corporation (a subsidiary of Ohio Valley Electric Corporation, an affiliate that is not a member of the AEP System). In addition, the Company is interconnected through the AEP System with two other affiliated companies, Kingsport Power Company and Wheeling Power Company.

DIRECTORS

Mark A. Bailey

Peter J. DeMaria

Richard E. Disbrow (a)

William N. D'Onofrio

A. Joseph Dowd (b)

E. Linn Draper, Jr.

Allen R. Glassburn (c)

William J. Lhota

Gerald P. Maloney

Richard C. Menge

Ronald E. Prater (d)

David B. Synowiec (d)

Dale M. Trenary (c)

William E. Walters

OFFICERS

Richard E. Disbrow (a)
Chairman of the Board and Chief Executive Officer

E. Linn Draper, Jr. (b)
Chairman of the Board and Chief Executive Officer

Richard C. Menge
President and Chief Operating Officer

Mark A. Bailey
Vice President

Peter J. DeMaria
Vice President and Treasurer

William N. D'Onofrio
Vice President

A. Joseph Dowd
Vice President

Eugene E. Fitzpatrick
Vice President

Richard F. Hering (e)
Vice President

William J. Lhota
Vice President

Gerald P. Maloney
Vice President

James J. Markowsky (f)
Vice President

John F. DiLorenzo, Jr.
Secretary

Elio Bafile
Assistant Secretary and
Assistant Treasurer

Jeffrey D. Cross
Assistant Secretary

Carl J. Moos
Assistant Secretary

John B. Shinnock
Assistant Secretary

Leonard V. Assante
Assistant Treasurer

Bruce M. Barber
Assistant Treasurer

Gerald R. Knorr
Assistant Treasurer

As of January 1, 1994 the current directors and officers of Indiana Michigan Power Company were employees of American Electric Power Service Corporation with eight exceptions: Messrs. Bafile, Bailey, D'Onofrio, Menge, Moos, Prater, Synowiec and Walters, who were employees of Indiana Michigan Power Company.

(a) Resigned April 28, 1993
(b) Elected April 28, 1993
(c) Resigned April 27, 1993
(d) Elected April 27, 1993
(e) Resigned July 1, 1993
(f) Elected July 1, 1993

Selected Consolidated Financial Data

	Year Ended December 31,				
	1993	1992	1991	1990	1989
			(in thousands)		
INCOME STATEMENTS DATA:					
Operating Revenues	$1,202,643	$1,196,755	$1,225,867	$1,271,514	$1,135,587
Operating Expenses	992,723	1,001,235	998,578	1,070,023	921,604
Operating Income	209,920	195,520	227,289	201,491	213,983
Nonoperating Income (Loss)	(234)	14,115	(3,721)	7,557	32,737
Income Before Interest Charges	209,686	209,635	223,568	209,048	246,720
Interest Charges	80,373	85,687	86,636	90,657	107,483
Net Income	129,313	123,948	136,932	118,391	139,237
Preferred Stock Dividend Requirements	14,225	15,417	15,417	15,587	18,048
Earnings Applicable to Common Stock	$ 115,088	$ 108,531	$ 121,515	$ 102,804	$ 121,189

	December 31,				
	1993	1992	1991	1990	1989
BALANCE SHEETS DATA:			(in thousands)		
Electric Utility Plant	$4,290,957	$4,266,480	$4,135,820	$4,066,227	$3,969,602
Accumulated Depreciation and Amortization	1,714,829	1,631,438	1,521,349	1,421,285	1,309,072
Net Electric Utility Plant	$2,576,128	$2,635,042	$2,614,471	$2,644,942	$2,660,530
Regulatory Assets (a)	$ 492,822	$ 268,816	$ 204,060	$ 240,754	$ 280,768
Total Assets	$3,765,458	$3,645,798	$3,481,878	$3,501,925	$4,125,534
Common Stock and Paid-in Capital	$ 791,517	$ 782,741	$ 782,741	$ 782,741	$ 782,741
Retained Earnings	177,638	171,309	169,243	150,408	162,213
Total Common Shareowner's Equity	$ 969,155	$ 954,050	$ 951,984	$ 933,149	$ 944,954
Cumulative Preferred Stock:					
Not Subject to Mandatory Redemption	$ 87,000	$ 197,000	$ 197,000	$ 197,000	$ 197,000
Subject to Mandatory Redemption (b)	100,000	-	-	-	18,030
Total Cumulative Preferred Stock	$ 187,000	$ 197,000	$ 197,000	$ 197,000	$ 215,030
Long-term Debt (b)	$1,073,154	$1,211,623	$1,130,709	$1,133,833	$1,532,736
Obligations Under Capital Leases (b)	$ 98,753	$ 126,689	$ 102,985	$ 133,447	$ 123,361
Total Capitalization and Liabilities	$3,765,458	$3,645,798	$3,481,878	$3,501,925	$4,125,534

(a) Effective January 1, 1993 a new accounting standard Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, *was adopted resulting in an increase in regulatory assets. (See Note 1 of Notes to Consolidated Financial Statements).*
(b) Including portion due within one year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Net Income Increases

Net income increased 4.3% in 1993 and decreased 9.5% in 1992. The scheduled refueling of the two nuclear generating units and an unscheduled outage at one of the units in 1992 required the purchase of more expensive replacement power from the AEP System Power Pool (Power Pool) and reduced wholesale sales to the Power Pool reducing net income in 1992. The return to service of the nuclear units along with the retirement and the refinancing of debt at lower interest rates was responsible for the increase in net income in 1993.

Outlook

The electric utility industry is expected to undergo significant changes for the remainder of the decade because of increasing competition in the generation and sale of electricity and increasing energy flows resulting from open transmission access. Although management believes that the Company is well positioned, as a low cost producer, to compete, efforts will continue to further reduce costs and increase effectiveness.

The Company faces additional challenges from compliance with the Clean Air Act Amendments of 1990, other environmental concerns and costs, the cost of operating, maintaining and eventually decommissioning the two nuclear generating units and the disposal of their spent nuclear fuel that could affect financial performance and possibly the ability to meet financial obligations and commitments. While management believes the Company is equipped to meet these challenges, future financial performance is heavily dependent on the ability to obtain favorable rate-making treatment to recover costs of service on a timely basis.

Future results of operations will be affected by several factors, including the continued economic health of our service territory, the weather, competition for wholesale sales, new environmental laws and regulations and the rate-making policies of the Company's regulators. Many of these factors are not generally within management's direct control yet every effort will be made to work with regulators, government officials, and current and prospective customers to positively influence these critical factors and to take advantage of the opportunities increased competition will bring.

Operating Revenues and Energy Sales

Operating revenues increased $6 million in 1993 following a decline of $29 million in 1992. The 1993 increase and the 1992 decrease were attributable to the Donald C. Cook Nuclear Plant (Cook Plant) generating units being out of service for scheduled refueling and maintenance and an unscheduled outage in 1992 which reduced the amount of energy the Company had available for sale to the Power Pool.

The changes in revenues can be analyzed as follows:

(dollars in millions)	Increase (Decrease) From Previous Year 1993 Amount	%	1992 Amount	%
Retail:				
Price variance	$ (75.1)		$ 42.3	
Volume variance	40.3		3.0	
	(34.8)	(4.3)	45.3	5.9
Wholesale:				
Price variance	(137.2)		75.2	
Volume variance	172.7		(141.9)	
	35.5	9.6	(66.7)	(15.3)
Other Operating Revenues	5.2		(7.7)	
Total	$ 5.9	0.5	$ (29.1)	(2.4)

The unfavorable retail and wholesale price variances in 1993 reflect the operation of fuel and power supply cost recovery mechanisms due to the availability of the Cook Plant and lower average cost generation. Under the retail jurisdictional fuel clauses, revenues were accrued in 1992 for future recovery of higher cost replacement power during the nuclear outages.

The increase in 1993 retail sales volume reflects continuing improvement in industrial sales, a return to normal weather and moderate growth in residential and commercial customer classes. The increase in wholesale sales volume in 1993 resulted from the increased availability of energy for delivery to the Power Pool due to availability of the Cook Plant as well as increased sales by the Power Pool to unaffiliated utilities which the Company shares as a member of the Pool.

The substantial retail and wholesale price variance in 1992 resulted from recovery of higher fossil fuel generation costs and power pool purchases which were incurred during the Cook Plant outages. The reduction in 1992 wholesale sales volume reflects a decrease in sales to the Power Pool because of the Cook Plant outages and reduced wholesale sales by the Power Pool. Efforts to improve short-term wholesale sales are affected by the highly competitive nature of the short-term energy market and other factors such as unaffiliated generating plant availability, the weather and the economy, that are not generally within management's control. Future results of operations will be affected by the ability to make cost-effective wholesale sales or, if such sales are reduced, the ability to timely raise retail rates.

Operating Expenses Decline

Changes in the components of operating expenses were as follows:

	Increase (Decrease) From Previous Year			
(dollars in millions)	1993		1992	
	Amount	%	Amount	%
Fuel	$ 26.4	13.6	$(57.5)	(22.9)
Purchased Power	(72.0)	(40.0)	57.8	47.1
Other Operation	12.6	5.0	5.0	2.0
Maintenance	4.9	3.5	18.5	15.6
Depreciation and Amortization	5.4	4.1	1.1	0.8
Amortization of Rockport Plant Unit 1 Phase-in Plan Deferrals	(0.7)	(4.0)	(0.7)	(3.9)
Taxes Other Than Federal Income Taxes	5.7	9.2	(0.6)	(0.9)
Federal Income Taxes	9.2	36.1	(20.9)	(45.1)
Total	$ (8.5)	(0.9)	$ 2.7	0.3

Fuel expense increased in 1993 due to the significant increase in nuclear generation and a 6% increase in fossil generation, partially offset by a decrease in the average cost of fuel. The reduction in fuel expense in 1992 resulted largely from reduced generation due to outages at the two nuclear units as well as lower average fossil fuel costs.

The decline in purchased power expense in 1993 reflects a reduced level of energy receipts from the Power Pool because of the increased availability of the nuclear units and reduced power purchases from AEP Generating Company as a result of Rockport Plant maintenance outages. The increase in purchased power expense in 1992 was the result of an increased level of energy receipts from the Power Pool during the nuclear outages.

Certain other operation and maintenance procedures can be performed only when a nuclear unit is out of service. Therefore, during the 1992 nuclear refueling outages, significant other operation and maintenance expenses were incurred. However, the impact on 1992 earnings from refueling outages was mitigated through the implementation of levelized accounting in 1992. Levelized accounting spreads the incremental cost of refueling outages so that the cost of an average number of refuelings are reflected in each year's expenses. The Company received regulatory approval to defer incremental nuclear refueling outage costs and to amortize them from the start of an outage until the beginning of the next outage. As a result, 1993 operating expenses include the amortization of $35.2 million of incremental nuclear refueling outage expenses that were deferred in 1992.

Taxes other than federal income taxes increased in 1993 primarily due to a substantial increase in Indiana supplemental net income tax because the nuclear refueling outage costs incurred in 1992 were tax deductible in that year. There were no refueling outages in 1993. Federal income taxes attributable to operations increased in 1993 due to an increase in pre-tax operating income and a reduction in interest charges. The decline in federal income taxes attributable to operations in 1992 reflects a decrease in pre-tax operating income.

Nonoperating Income and Financing Costs Decline

Nonoperating income declined in 1993 due to the implementation of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes,* the recordation in 1992 of interest income on federal income tax refunds in connection with the settlement of audits of prior years' tax returns and the reversal of a provision in 1992 as a result of the successful settlement of a coal royalty dispute with the state of Utah.

Interest expense declined in 1993 due to the retirement of $142 million of long-term debt and the refinancing of $150 million of long-term debt and $97 million of installment purchase contracts (IPC) at lower interest rates. The decline in 1992 was largely attributable to the refinancing of $25 million of IPCs and a lower average interest rate on a variable rate IPC.

Accrued Utility Revenues and Taxes Accrued

At December 31, 1992 under retail fuel and power supply cost recovery mechanisms, $38 million of fuel revenues were accrued related to fuel and replacement power costs incurred during the nuclear unit outages. Both retail jurisdictions approved recovery. Recovery was completed in the Indiana jurisdiction and substantially completed in the Michigan jurisdiction in 1993 reducing the accrued utility revenues balance at December 31, 1993. The remaining balance in the Michigan jurisdiction will be recovered in 1994.

Taxes accrued increased in 1993 reflecting the effects of federal income tax return audit settlements recorded in 1992. A significant refund resulting from the audit caused a reduction in the 1992 balance.

Regulatory Assets and Deferred Tax Liabilities Increase

The Company prospectively adopted a new accounting standard for income taxes on January 1, 1993. The new standard required, among other things, that regulated entities record deferred tax liabilities on temporary differences previously flowed-through for rate-making and book accounting. Where rate-making provides for flow-through treatment, corresponding regulatory assets were recorded resulting in an increase in total assets and liabilities.

Construction Spending

Gross plant and property additions were $125 million in 1993 and $176 million in 1992. Management estimates construction expenditures for the next three years to be $410 million. The funds for construction of new facilities and improvement of existing facilities come from a combination of internally generated funds, short-term and long-term borrowings and investments in common equity by the Company's parent, American Electric Power Company, Inc. (AEP Co., Inc.). Approximately 92% of the construction expenditures for the next three years will be financed internally with the remainder financed externally.

Capital Resources

The Company generally issues short-term debt to provide for interim financing of capital expenditures that exceed internally generated funds. At December 31, 1993, unused short-term lines of credit of $537 million shared with other AEP System companies were available. Short-term borrowings increased by $5.9 million in 1993. A charter provision limits short-term borrowings to $127 million. Periodic reductions of outstanding short-term debt are made through issuance of long-term debt and preferred stock and through equity capital contributions by the parent company.

The Company received or has requested regulatory approval to issue up to $185 million of long-term debt and preferred stock. Management expects to use the proceeds to retire short-term debt, refinance higher cost and maturing long-term debt, refund cumulative preferred stock and fund construction expenditures.

Unless the Company meets certain earnings or coverage tests, additional long-term debt or preferred stock cannot be issued. In order to issue long-term debt without refunding an equal amount of existing debt, pre-tax earnings must be equal to at least twice annual interest charges on long-term debt after giving effect to the new debt. To issue additional preferred stock, after-tax gross income must be at least equal to one and one-half times annual interest and preferred stock dividend requirements after giving effect to the new preferred stock. The Company presently exceeds these minimum coverage requirements. At December 31, 1993, long-term debt and preferred stock coverage ratios were 4.59 and 2.48, respectively.

Recently a major credit rating agency reevaluated the credit worthiness of companies in the electric utility industry based on perceived risk from deregulation, increased competition, reduced load growth, escalating nuclear plant costs and environmental concerns. The agency lowered its ratings outlook for approximately one-third of the companies but not for Indiana Michigan Power which was regarded by the agency as being relatively well positioned to meet future competitive challenges.

Competition

Since 1990, the short-term wholesale energy market has been extremely competitive. With the passage of the Energy Policy Act of 1992, which provides for greater ease of transmission access and reduces certain regulatory restrictions for independent power producers (IPPs), competition is expected to increase in the long-term wholesale market and in the construction of new generating capacity. For example, IPPs are no longer required to find an industrial host to utilize the steam byproduct from the generation of electricity to build a generating unit and avoid regulation under the Public Utility Holding Company Act of 1935 (1935 Act). The Energy Policy Act also exempts IPPs from requirements under the 1935 Act which, among other things, permit IPPs to use greater amounts of lower cost debt which may reduce overall cost of capital. Thus IPPs may have a competitive advantage. Although the Energy Policy Act specifically prohibits the Federal Energy Regulatory Commission from ordering retail transmission access, the states can do so and many believe that the next logical step will be the extension of competition for existing industrial customers which will present both opportunities and challenges for the Company.

Although management believes that the Company is well positioned to compete in this evolving competitive market because of its technical skills and expertise and its position as a low cost producer, we intend to continue to examine ways to improve the Company's competitive position. Efforts to improve operations and reduce costs will continue,in order to maintain and enhance our position as a low cost producer.

Although management may have opportunities to improve shareholder value through increased competition as a result of open transmission access and other provisions of the Energy Policy Act of 1992, there is risk and uncertainty, especially for retail ratepayers and shareholders, regarding reliability of future transmission service and fair compensation for use of the Company's extensive high voltage transmission facilities. Management's goal is to ensure that, to the extent the Company's facilities are used by others, there is fair and appropriate compensation.

Environmental Concerns and Cost Pressures

Clean Air Act

The Clean Air Act Amendments of 1990 (CAAA) require, among other things, substantial reductions in sulfur dioxide and nitrogen oxides emitted from electric generating plants.

Two of the Company's generating units, Tanners Creek Unit 4 and the Breed Plant, are affected by the first phase of the CAAA. Tanners Creek Unit 4 will comply by fuel switching at minimal capital cost. Management decided early in 1994 to close the 325 megawatt (mw) Breed Plant as of March 31, 1994, due to its design and age (commercial operation began in 1960) as well as the additional cost of complying with the CAAA.

The closing of the Breed Plant is not expected to adversely affect results of operations or financial condition except as it impacts ongoing Power Pool credits and charges.

The ongoing earnings effect of closing the Breed Plant will be that the Company will receive less capacity credits for being a net supplier to the Power Pool, partially offset by a reduction in operation, maintenance and depreciation expenses. As of December 31, 1993 the unfavorable effect on earnings is expected to be $10 million annually. The Company will seek recovery of this additional cost in future rate cases.

Phase II of the CAAA, effective in the year 2000, will require further actions to comply. Additional costs will be incurred and recovery from customers will be sought for all CAAA costs.

Global Warming

Concern about global climate change, or "the greenhouse effect" has been the focus of intensive debate within the United States and around the world. Much of the uncertainty about what effects greenhouse gas concentrations will have on the global climate results from a myriad of factors that affect climate. Based on the terms of a 1992 United Nations treaty that pledged the United States to reduce greenhouse gas emissions, the Clinton Administration developed a voluntary plan to reduce by the year 2000 greenhouse gas emissions to 1990 levels. The AEP System supports the plan and will work with the U.S. Department of Energy (DOE) and other electric utility companies to formulate a cost effective framework for limiting future greenhouse gas emissions.

The AEP System strongly supports a policy of proactive environmental stewardship, whereby actions are taken that make economic and environmental sense on their own merits, irrespective of the uncertain threat of global climate change. To reduce emissions, we support energy conservation programs, development of more efficient generation and end-use technologies, and forest management activities because they are cost effective and bring long-term benefits to our service area. Should significant new measures to control the burning of coal be enacted, they could affect the Company's competitiveness and, if not recovered from customers, adversely impact results of operations and financial condition.

EMF

The potential for electric and magnetic fields (EMF) from transmission and distribution facilities to adversely affect the public health is being extensively researched. The AEP System continues to support EMF research to help determine the extent, if any, to which EMF may adversely impact public health. Our concern is that new laws imposing EMF limits may be passed or new regulations promulgated without sufficient scientific study and evidence to support them. As long as there is uncertainty about EMF, we will have difficulty finding acceptable sites for our transmission facilities, which could hamper economic growth within our service area. If the present energy delivery system must be changed because of EMF concerns, or if the courts conclude that EMF exposure harms individuals and that utilities are liable for damages, then results of operations and financial condition could be adversely affected, unless the costs can be recovered from customers.

Hazardous Material

By-products from the generation of electricity include materials such as ash, slag, sludge, low level radioactive waste and spent nuclear fuel. In addition, generating plants and transmission and distribution facilities have used asbestos, polychlorinated biphenyls (PCBs) and other hazardous and non-hazardous materials. Substantial costs to store and dispose of hazardous and non-hazardous materials have been and will continue to be incurred. Significant additional costs could be incurred to comply with new laws and regulations if enacted and to clean up disposal sites under existing legislation.

The Superfund created by the Comprehensive Environmental Response Compensation and Liability Act addresses cleanup of hazardous substance disposal sites and authorizes the United States Environmental Protection Agency (Federal EPA) to administer the cleanup programs. The Company has been named by the Federal EPA as a "potentially responsible party" (PRP) for seven sites and has received information requests for three other sites. For two of the PRP sites, liability has been settled with little impact on results of operations. I&M also has been named a PRP at one Illinois site and has received an information request for one Indiana site under analogous state cleanup laws. Although the potential liability associated with each site must be evaluated individually, several general statements can be made regarding such potential liability.

Whether the Company disposed of hazardous substances at a particular site is often unsubstantiated; the quantity of material disposed of at a site was generally small; and the nature of the material generally disposed of was non-hazardous. Typically, the Company is one of many parties named PRPs for a site and, although liability is joint and several, at least some of the other parties are financially sound enterprises. Therefore, present estimates do not anticipate material cleanup costs for identified disposal sites. However, if for unknown reasons, significant costs are incurred for cleanup, results of operations and possibly financial condition would be adversely affected unless the costs can by recovered from insurance proceeds and/or customers.

Nuclear Operating Cost

Operation and maintenance costs of the Company's two-unit 2,110 mw Donald C. Cook Nuclear Plant are directly impacted by increasing Nuclear Regulatory Commission requirements and increasing maintenance requirements related to the aging of the units (Unit 1 began commercial operation in 1975 and Unit 2 in 1978). While nuclear fuel cost has declined, the estimated cost to decommission the plant has increased to a range of $588 million to $1.1 billion. The increase in the range from previous estimates is attributable to uncertainty regarding future delays in the DOE's mandatory Spent Nuclear Fuel (SNF) disposal program. Delays in finding a permanent repository for SNF have increased costs reflecting a need to store SNF at the plant site for an extended time after the plant ceases operations. Management intends to continue to seek recovery of increasing decommissioning costs over the remaining plant life. We continue to examine our operations for better ways to operate and maintain our two nuclear units to control the growth in operation, maintenance and decommissioning costs. Management recently restructured its nuclear operations and staff to address these concerns. Efforts are continuing to shorten refueling and maintenance outages, to reduce their cost and to minimize the cost of replacement energy during the outage periods. Should the nuclear units be retired early for any reason or costs of maintaining, operating and decommissioning the plant and disposing of its spent nuclear fuel not be recovered through rates, results of operations and financial condition would be adversely affected.

Litigation

The Company is involved in a number of legal proceedings and claims. While we are unable to predict the outcome of such litigation, it is not expected that the resolution of these matters will have a material adverse effect on financial condition.

New Accounting Standards

Two new accounting standards were issued in 1993 that were adopted in 1994. The implementation of these new standards will not have a significant effect on results of operations or financial condition.

Effects of Inflation

Inflation affects the cost of replacing utility plant and the cost of operating and maintaining such plant. The rate-making process generally limits recovery to the historical cost of assets resulting in economic losses when inflation effects are not recovered from customers on a timely basis. However, economic gains that result from the repayment of long-term debt with inflated dollars partly offset such losses.

INDEPENDENT AUDITORS' REPORT

To the Shareowners and Board of
Directors of Indiana Michigan Power Company:

We have audited the accompanying consolidated balance sheets of Indiana Michigan Power Company and its subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, retained earnings, and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Indiana Michigan Power Company and its subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 6 in Notes to Consolidated Financial Statements, effective January 1, 1993, the Company changed its method of accounting for income taxes to conform with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes," and its method of accounting for postretirement benefits other than pensions to conform with Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Deloitte & Touche

DELOITTE & TOUCHE
Columbus, Ohio

February 22, 1994

Consolidated Statements of Income

	Year Ended December 31,		
	1993	1992	1991
		(in thousands)	
OPERATING REVENUES	$1,202,643	$1,196,755	$1,225,867
OPERATING EXPENSES:			
Fuel	220,206	193,830	251,325
Purchased Power	108,274	180,365	122,573
Other Operation	264,543	251,897	246,935
Maintenance	142,637	137,787	119,242
Depreciation and Amortization	138,794	133,365	132,285
Amortization of Rockport Plant Unit 1 Phase-in Plan Deferrals	15,644	16,303	16,961
Taxes Other Than Federal Income Taxes	67,918	62,189	62,783
Federal Income Taxes	34,707	25,499	46,474
Total Operating Expenses	992,723	1,001,235	998,578
OPERATING INCOME	209,920	195,520	227,289
NONOPERATING INCOME (LOSS)	(234)	14,115	(3,721)
INCOME BEFORE INTEREST CHARGES	209,686	209,635	223,568
INTEREST CHARGES	80,373	85,687	86,636
NET INCOME	129,313	123,948	136,932
PREFERRED STOCK DIVIDEND REQUIREMENTS	14,225	15,417	15,417
EARNINGS APPLICABLE TO COMMON STOCK	$ 115,088	$ 108,531	$ 121,515

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

	December 31, 1993	December 31, 1992
	(in thousands)	
ASSETS		
ELECTRIC UTILITY PLANT:		
Production	$2,602,527	$2,559,905
Transmission	839,198	829,507
Distribution	608,752	576,309
General (including nuclear fuel)	152,470	182,414
Construction Work in Progress	88,010	118,345
Total Electric Utility Plant	4,290,957	4,266,480
Accumulated Depreciation and Amortization	1,714,829	1,631,438
NET ELECTRIC UTILITY PLANT	2,576,128	2,635,042
OTHER PROPERTY AND INVESTMENTS	432,459	403,111
CURRENT ASSETS:		
Cash and Cash Equivalents	3,752	7,459
Accounts Receivable:		
Customers	67,246	62,325
Affiliated Companies	24,507	41,139
Miscellaneous	30,087	31,536
Allowance for Uncollectible Accounts	(504)	(562)
Fuel - at average cost	34,476	53,210
Materials and Supplies - at average cost	57,800	54,004
Accrued Utility Revenues	34,642	78,555
Prepayments	12,043	11,163
TOTAL CURRENT ASSETS	264,049	338,829
REGULATORY ASSETS:		
Amounts Due From Customers For Future Federal Income Taxes	286,948	-
Other	205,874	268,816
TOTAL REGULATORY ASSETS	492,822	268,816
TOTAL	$3,765,458	$3,645,798

See Notes to Consolidated Financial Statements.

	December 31, 1993	December 31, 1992
	(in thousands)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Common Stock - No Par Value:		
Authorized - 2,500,000 Shares		
Outstanding - 1,400,000 Shares	$ 56,584	$ 56,584
Paid-in Capital	734,933	726,157
Retained Earnings	177,638	171,309
Total Common Shareowner's Equity	969,155	954,050
Cumulative Preferred Stock:		
Not Subject to Mandatory Redemption	87,000	197,000
Subject to Mandatory Redemption	100,000	-
Long-term Debt	1,073,154	1,168,721
TOTAL CAPITALIZATION	2,229,309	2,319,771
OTHER NONCURRENT LIABILITIES	288,197	297,475
CURRENT LIABILITIES:		
Long-term Debt Due Within One Year	-	42,902
Short-term Debt - Commercial Paper	50,075	44,200
Accounts Payable:		
General	40,437	37,214
Affiliated Companies	17,481	12,471
Taxes Accrued	54,473	15,829
Interest Accrued	18,894	22,759
Obligations Under Capital Leases	20,585	32,745
Other	79,367	71,891
TOTAL CURRENT LIABILITIES	281,312	280,011
DEFERRED FEDERAL INCOME TAXES	553,920	316,877
DEFERRED INVESTMENT TAX CREDITS	186,032	195,043
DEFERRED GAIN ON SALE AND LEASEBACK - ROCKPORT PLANT UNIT 2	211,446	218,754
DEFERRED CREDITS	15,242	17,867
COMMITMENTS AND CONTINGENCIES (Note 3)		
TOTAL	$3,765,458	$3,645,798

Consolidated Statements of Cash Flows

	Year Ended December 31, 1993	1992	1991
		(in thousands)	
OPERATING ACTIVITIES:			
Net Income	$ 129,313	$ 123,948	$ 136,932
Adjustments for Noncash Items:			
Depreciation and Amortization	148,270	141,453	141,813
Amortization of Rockport Plant Unit 1 Phase-in Plan Deferrals	15,644	16,303	16,961
Amortization (Deferral) of Incremental Nuclear Refueling Outage Expenses (net)	33,827	(47,200)	-
Deferred Federal Income Taxes	(49,905)	29,897	(21,877)
Deferred Investment Tax Credits	(8,543)	(9,673)	(9,188)
Changes in Certain Current Assets and Liabilities:			
Accounts Receivable (net)	13,102	(7,432)	(4,389)
Fuel, Materials and Supplies	14,938	1,018	(14,520)
Accrued Utility Revenues	43,913	(41,068)	3,816
Accounts Payable	8,233	(15,088)	(15,222)
Taxes Accrued	38,644	4,514	9,937
Other (net)	(17,064)	(16,448)	4,446
Net Cash Flows From Operating Activities	370,372	180,224	248,709
INVESTING ACTIVITIES:			
Construction Expenditures	(108,867)	(125,908)	(122,597)
Proceeds from Sales of Property and Other	5,385	903	3,246
Net Cash Flows Used For Investing Activities	(103,482)	(125,005)	(119,351)
FINANCING ACTIVITIES:			
Capital Contributions from Parent Company	10,000	-	-
Issuance of Cumulative Preferred Stock	98,776	-	-
Issuance of Long-term Debt	243,426	271,722	78,634
Retirement of Cumulative Preferred Stock	(112,300)	-	-
Retirement of Long-term Debt	(392,093)	(203,185)	(92,623)
Change in Short-term Debt (net)	5,875	(6,750)	12,055
Dividends Paid on Common Stock	(108,696)	(106,465)	(102,680)
Dividends Paid on Cumulative Preferred Stock	(15,585)	(15,417)	(15,417)
Net Cash Flows Used For Financing Activities	(270,597)	(60,095)	(120,031)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,707)	(4,876)	9,327
Cash and Cash Equivalents January 1	7,459	12,335	3,008
Cash and Cash Equivalents December 31	$ 3,752	$ 7,459	$ 12,335

See Notes to Consolidated Financial Statements.

Consolidated Statements of Retained Earnings

	Year Ended December 31,		
	1993	1992	1991
		(in thousands)	
Retained Earnings January 1	$171,309	$169,243	$150,408
Net Income	129,313	123,948	136,932
	300,622	293,191	287,340
Deductions:			
Cash Dividends Declared:			
Common Stock	108,696	106,465	102,680
Cumulative Preferred Stock:			
4-1/8% Series	495	495	495
4.56% Series	273	273	273
4.12% Series	165	165	165
5.90% Series	374	-	-
6-1/4% Series	161	-	-
6-7/8% Series	1,799	-	-
7.08% Series	2,124	2,124	2,124
7.76% Series	2,716	2,716	2,716
8.68% Series	2,517	2,604	2,604
$2.15 Series	3,001	3,440	3,440
$2.25 Series	600	3,600	3,600
Total Cash Dividends Declared	122,921	121,882	118,097
Other	63	-	-
Total Deductions	122,984	121,882	118,097
Retained Earnings December 31	$177,638	$171,309	$169,243

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES:

Organization

Indiana Michigan Power Company (the Company or I&M) is a wholly-owned subsidiary of American Electric Power Company, Inc. (AEP Co., Inc.), a public utility holding company. The Company is engaged in the generation, purchase, transmission and distribution of electric power in northern and eastern Indiana and a portion of southwestern Michigan. As a member of the American Electric Power (AEP) System Power Pool (Power Pool) and a signatory company to the AEP Transmission Equalization Agreement, its facilities are operated in conjunction with the facilities of certain other AEP Co., Inc. owned utilities as an integrated utility system.

The Company has two wholly-owned subsidiaries, Blackhawk Coal Company and Price River Coal Company, that were formerly engaged in coal-mining operations. Blackhawk Coal Company currently leases and subleases portions of its Utah coal rights, land and related mining equipment to unaffiliated companies. Price River Coal Company, which owns no land or mineral rights, is inactive.

Regulation

As a member of the AEP System, I&M is subject to regulation by the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (1935 Act). Retail rates are regulated by the Indiana Utility Regulatory Commission (IURC) and the Michigan Public Service Commission (MPSC). The Federal Energy Regulatory Commission (FERC) regulates wholesale rates.

Principles of Consolidation

The consolidated financial statements include I&M and its wholly-owned subsidiaries. Significant intercompany items were eliminated in consolidation.

Basis of Accounting

As a rate-regulated entity, I&M's financial statements reflect the actions of regulators that result in the recognition of revenues and expenses in different time periods than enterprises that are not rate regulated. In accordance with Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation* (SFAS 71), regulatory assets and liabilities are recorded to defer expenses or revenues reflecting such rate-making differences.

Utility Plant

Electric utility plant is stated at original cost and is generally subject to first mortgage liens. Additions, major replacements and betterments are added to the plant accounts. Retirements from the plant accounts and associated removal costs, net of salvage, are deducted from accumulated depreciation.

The costs of labor, materials and overheads incurred to operate and maintain utility plant are included in operating expenses.

Allowance for Funds Used During Construction (AFUDC)

AFUDC is a noncash income item that is recovered over the service life of utility plant through depreciation and represents the estimated cost of borrowed and equity funds used to finance construction projects. The average rates used to accrue AFUDC were 8.75% in 1993 and 9.25% in 1992 and 1991 and the amounts of AFUDC accrued were $1.7 million, $3.8 million and $2.1 million in 1993, 1992 and 1991, respectively.

Depreciation and Amortization

Depreciation is provided on a straight-line basis over the estimated useful lives of utility plant and is calculated largely through the use of composite rates by functional class (i.e., production, transmission, distribution, etc.). Amounts to be used for demolition of non-nuclear plant are presently recovered through depreciation charges included in rates. The accounting and rate-making treatment afforded nuclear decommissioning costs and nuclear fuel disposal costs are discussed in Note 3.

Rockport Plant

Rockport Plant consists of two 1,300 megawatt (mw) coal-fired units. I&M and AEP Generating Company (AEGCo), an affiliate, each owns 50% of one unit (Rockport 1) and each leases a 50% interest in the other unit (Rockport 2) from unaffiliated lessors under an operating lease. The gain on the sale and leaseback of Rockport 2 was deferred and is being amortized, with related taxes, over the initial lease term which expires in 2022.

Rate phase-in plans provide for the recovery and straight-line amortization through 1997 of prior-year deferrals of Rockport 1 costs. Deferred amounts under the phase-in plans were $59 million and $75 million at December 31, 1993 and 1992, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include temporary cash investments with original maturities of three months or less.

Operating Revenues

Revenues include an accrual for electricity consumed but unbilled at month-end as well as billed revenues.

Fuel Costs

Fuel costs are matched with revenues in accordance with rate commission orders. Revenues are accrued related to unrecovered fuel in both retail jurisdictions and for replacement power costs in the Michigan jurisdiction until approved for billing. Wholesale jurisdictional fuel cost changes are expensed and billed as incurred.

Levelization of Nuclear Refueling Outage Costs

Incremental operation and maintenance costs associated with refueling outages at the Donald C. Cook Nuclear Plant (Cook Plant) are deferred with the approval of regulators for amortization over the period (generally eighteen months) beginning with the commencement of an outage until the beginning of the next outage. Deferred amounts were $13.4 million and $47.2 million at December 31, 1993, and 1992, respectively.

Income Taxes

Effective January 1, 1993, the Company adopted the liability method of accounting for income taxes as prescribed by SFAS 109, *Accounting for Income Taxes*. Under this standard deferred federal income taxes are provided for all temporary differences between the book cost and tax basis of assets and liabilities which will result in a future tax consequence. In prior years deferred federal income taxes were provided for timing differences between book and taxable income except where flow-through accounting for certain differences was reflected in rates. Flow-through accounting is a method whereby federal income tax expense for a particular item is the same for accounting and rate-making as in the federal income tax return. As a result of the adoption of SFAS 109 significant additional deferred tax liabilities were recorded for items afforded flow-through treatment in rates. In accordance with SFAS 71 significant corresponding regulatory assets were also recorded to reflect the future recovery of additional taxes due when the temporary differences reverse. As a result of this change in accounting effective January 1, 1993, deferred federal income tax liabilities increased by $259.6 million and regulatory assets by $254.3 million, and net income was reduced by $5.3 million.

Investment tax credits utilized in prior years' federal income tax returns were deferred and are being amortized over the life of the related plant investment in accordance with rate-making treatment.

Debt and Preferred Stock

Gains and losses on reacquired debt are deferred and amortized over the term of the reacquired debt. If the debt is refinanced the reacquisition costs are deferred and amortized over the term of the replacement debt.

Debt discount or premium and debt issuance expenses are amortized over the term of the related debt, with the amortization included in interest charges.

Redemption premiums paid to reacquire preferred stock are deferred and amortized in accordance with rate-making treatment. The excess of par value over costs of preferred stock reacquired to meet sinking fund requirements is credited to paid-in capital.

Other Property and Investments

Other property and investments are generally stated at cost.

Reclassifications

Certain prior-period amounts were reclassified to conform with current-period presentation.

2. RATE MATTERS:

Rate Activity

In November 1993 the IURC granted a $34.7 million annual rate increase in response to the Company's request for a $44.8 million increase filed in April 1992. The new rates include, among other things, recovery of the ongoing amounts being accrued for postretirement benefits other than pensions (OPEB), an increase in the provision for nuclear plant decommissioning costs and the amortization of deferred incremental nuclear plant refueling outage costs.

In October 1993 the MPSC approved a settlement agreement that provides for a three-step increase in recovery of nuclear decommissioning costs for the Cook Plant. The first step increase of $1.2 million annually was effective in November 1993. The second and third steps provide for recoveries to be increased by $1 million annually in May 1994 and an additional $1 million annually in November 1994. The MPSC also ordered that a new decommissioning study be filed before December 1994.

Unaffiliated Coal and Affiliated Transportation Cost Recovery

In October 1993 the FERC denied a request by a wholesale customer seeking rehearing of a February 1993 order. The February 1993 order reversed a 1990 administrative law judge's initial decision and dismissed the wholesale customer's complaint concerning the reasonableness of coal costs from an unaffiliated supplier who leased a Utah mining operation from the Company in 1986 and affiliated coal transportation charges. In December 1993 the wholesale customer appealed the FERC order to the U.S. Court of Appeals.

3. COMMITMENTS AND CONTINGENCIES:

Construction and Other Commitments

Substantial construction commitments have been made although no new generating capacity is expected to be constructed until the next century. The aggregate construction program expenditures for 1994-1996 are estimated to be $410 million and include the capital cost of compliance with the Clean Air Act Amendments of 1990 (CAAA).

Long-term fuel supply contracts contain clauses for periodic adjustments. The retail jurisdictions have fuel clause mechanisms that provide with the regulators' review and approval for deferred recovery of changes in the cost of fuel. The contracts are for various terms, the longest of which extend to 2014, and contain various clauses that would release the Company from its obligation under certain force majeure conditions.

Unit Power Agreements

The Company is committed under unit power agreements to purchase 70% of AEGCo's Rockport Plant capacity unless it is sold to unaffiliated utilities. AEGCo has one long-term contract with an unaffiliated utility that expires in 1999 for 455 mw of Rockport Plant capacity.

The Company sells under contract up to 250 mw of Rockport Plant capacity to Carolina Power and Light Company, an unaffiliated utility. The contract expires in 2009.

Litigation

An appeal to the Indiana Court of Appeals by a local distribution utility of a 1992 DeKalb County Circuit Court of Indiana decision is pending. The circuit court dismissed the case filed under a provision of Indiana law that allows the local distribution utility to seek damages equal to the gross revenues received by the Company for rendering service in the designated service territory of the local distribution utility. The Company had received approximately $29 million in gross revenues from a major industrial customer in the local distri-

bution utility's service territory. The case resulted from a Supreme Court of Indiana decision which overruled an appeals court and voided an IURC order which assigned the major industrial customer to the Company.

The Company is involved in other legal proceedings and claims. While management is unable to predict the outcome of litigation, it is not expected that the resolution of these other matters will have a material adverse effect on financial condition.

Clean Air

The CAAA require significant reductions in sulfur dioxide and nitrogen oxides emitted from various AEP System generating plants. The law established a deadline of 1995 for the first phase of reductions in sulfur dioxide emissions (Phase I) and the year 2000 for the second phase (Phase II) as well as a permanent nationwide cap on sulfur dioxide emissions after 1999.

The AEP Systemwide compliance plan calls for fuel switching to medium-sulfur coal at I&M's Tanners Creek Unit 4 with minimal capital cost. The Breed unit which is a Phase I affected unit is scheduled to close on March 31, 1994. The Company's other generating units are not affected in Phase I.

The Company will incur additional costs to comply with Phase II requirements at its generating plants. In addition, a portion of the costs of compliance for the AEP System may be incurred through the Power Pool (which is described in Note 5). If I&M is unable to recover compliance costs from its customers, results of operations and financial condition would be adversely impacted.

Other Environmental Matters

The Company and its subsidiaries are regulated by federal, state and local authorities with respect to air and water quality and other environmental matters.

The generation of electricity produces non-hazardous and hazardous by-products. Asbestos, polychlorinated biphenyls (PCBs) and other hazardous materials have been used in the generating plants and transmission/distribution facilities. Substantial costs to store and dispose of hazardous and non-hazardous materials have been incurred and will be incurred. Significant additional costs could be incurred in the future to meet the requirements of new laws and regulations, if enacted, and to clean up disposal sites under existing legislation.

The Superfund created by the Comprehensive Environmental Response Compensation and Liability Act addresses cleanup of hazardous substance disposal sites and authorizes the United States Environmental Protection Agency (Federal EPA) to administer the cleanup programs. The Company has been named by the Federal EPA as a "potentially responsible party" (PRP) for seven sites and has received information requests for three other sites. For two of the PRP sites, liability has been settled with little impact on results of operations. I&M also has been named a PRP at one Illinois site and has received an information request for one Indiana site under analogous state cleanup laws. Although the potential liability associated with each site must be evaluated individually, several general statements can be made regarding such potential liability.

Whether the Company disposed of hazardous substances at a particular site is often unsubstantiated; the quantity of material disposed of at a site was generally small; and the nature of the material generally disposed of was non-hazardous. Typically, the Company is one of many parties named PRPs for a site and, although liability is joint and several, at least some of the other parties are generally financially sound enterprises. Therefore, present estimates do not anticipate material cleanup costs for identified disposal sites. However, if for unknown reasons, significant costs are incurred for cleanup, results of operations and possibly financial condition would be adversely affected unless the costs can by recovered from insurance proceeds and/or customers.

Nuclear Plant

I&M owns and operates the two-unit 2,110 mw Cook Plant under licenses granted by regulatory authorities. The operation of a nuclear facility involves special risks, potential liabilities, and specific regulatory and safety requirements. Should a nuclear incident occur at any facility in the United States liability could be substantial. Should nuclear losses or liabilities be underinsured or exceed accumulated funds, or should rate recovery be denied, results of operations and financial condition would be negatively affected. Specific information about risk management and potential liabilities is discussed below.

Nuclear Insurance

Public liability is limited by law to $9.4 billion should an incident occur at any licensed reactor in the United States. Commercially available insurance provides $200 million of this coverage. In the event of a nuclear incident at any nuclear plant in the United States the remainder of the liability would be provided by a deferred premium assessment of $79.3 million on each licensed reactor payable in annual installments of $10 million. As a result, I&M could be assessed $158.6 million per nuclear incident payable in annual installments of $20 million. The number of incidents for which payments could be required is not limited.

Nuclear insurance pools and other insurance policies provide $2.75 billion of property damage, decommissioning and decontamination coverage for Cook Plant. Additional insurance provides coverage for extra costs resulting from a prolonged accidental Cook Plant outage. Some of the policies have deferred premium provisions which could be triggered by losses in excess of the insurer's resources. The losses could result from claims at the Cook Plant or certain other nuclear units. The Company could be assessed up to $24 million under these policies.

Spent Nuclear Fuel Disposal

Federal law provides for government responsibility for permanent spent nuclear fuel disposal and assesses nuclear plant owners fees for spent fuel disposal. The fee of one mill per kilowatthour for fuel consumed after April 6, 1983 is being collected from customers and remitted to the U.S. Treasury. Fees and related interest of $148 million for fuel consumed prior to April 7, 1983 have been recorded as long-term debt and a regulatory asset. The regulatory asset is being amortized as rate recovery occurs. I&M has not paid the government the pre-April 1983 fees due to various factors including continued delays and uncertainties related to the federal disposal program. At December 31, 1993, funds collected from customers to dispose of nuclear fuel and related earnings totalling $133 million were held in external funds included in the financial statements as other property and investments.

Decommissioning

Decommissioning costs are accrued over the service life of the Cook Plant. The licenses to operate the two nuclear units expire in 2014 and 2017. After expiration of the licenses the plant is expected to be decommissioned through dismantling. Estimated decommissioning costs range from $588 million to $1.1 billion in 1991 dollars. The wide range is caused by variables in the estimated length of time spent nuclear fuel must be stored at the plant subsequent to ceasing operations which depends on future developments in the federal government's spent nuclear fuel disposal program. Decommissioning costs are being recovered based on at least the lower end of the range in the current and prior studies. I&M records decommissioning costs in other operation expense and records a noncurrent decommissioning liability equal to the rate recovery which was $13 million in 1993, $12 million in 1992 and $11 million in 1991. Decommissioning amounts recovered from customers are deposited in external trusts. Trust fund earnings increase the fund assets and the recorded liability. Trust fund earnings decrease the amount to be recovered from ratepayers. At December 31, 1993, the decommissioning trust fund balance and the accumulated provision for decommissioning were $170 million.

In recent rate increases, which are discussed in Note 2, the Company received additional annual amounts for the decommissioning of the Cook Plant of $10 million in its Indiana jurisdiction and $3.2 million phased-in in its Michigan jurisdiction.

4. COMMON SHAREOWNER'S EQUITY:

Mortgage indentures, debentures, charter provisions and orders of regulatory authorities place various restrictions on the use of retained earnings for the payment of cash dividends on common stock. At December 31, 1993, $5.9 million of retained earnings were restricted. Regulatory approval is required to pay dividends out of paid-in capital.

In 1993, I&M's parent made a cash capital contribution of $10 million. Also in 1993 $1.2 million, representing the issuance costs for three series of cumulative preferred stock, was charged to paid-in capital. There were no other transactions affecting the common stock or paid-in capital accounts in 1993, 1992 or 1991.

5. RELATED PARTY TRANSACTIONS:

Benefits and costs of the System's generating plants are shared by members of the Power Pool. Under the terms of the System Interconnection Agreement, capacity charges and credits are designed to allocate the cost of the System's capacity among the Power Pool members based on their relative peak demands and generating reserves. Power Pool members are compensated for the out-of-pocket costs of energy delivered to the Power Pool and charged for energy received from the Power Pool.

Operating revenues include $204.6 million in 1993, $154.1 million in 1992 and $204.8 million in 1991 for supplying energy and capacity to the Power Pool. Purchased power expense includes charges of $20.9 million in 1993, $82.6 million in 1992 and $24.6 million in 1991 for energy received from the Power Pool.

Power Pool members share in wholesale sales to unaffiliated utilities made by the Power Pool. The Company's share was included in operating revenues in the amount of $57 million in 1993, $45.8 million in 1992 and $65.5 million in 1991.

In addition, the Power Pool purchases power from unaffiliated companies for immediate resale to other unaffiliated utilities. The Company's share of these purchases was included in purchased power expense and totaled $5.1 million in 1993, $6.5 million in 1992 and $13.7 million in 1991. Revenues from these transactions are included in the above Power Pool wholesale sales.

The cost of power purchased from AEGCo, an affiliated company that is not a member of the Power Pool, was included in purchased power expense in the amounts of $78.9 million, $88 million and $83 million in 1993, 1992 and 1991, respectively.

The Company operates the Rockport Plant and bills AEGCo for its share of operating costs.

AEP System companies participate in a transmission equalization agreement. This agreement combines certain AEP System companies' investments in transmission facilities and shares the costs of ownership in proportion to the System companies' respective peak demands. Pursuant to the terms of the agreement, credits of $47.4 million, $48.2 million and $46.2 million were recorded in other operation expense for transmission services in 1993, 1992 and 1991, respectively.

Revenues from providing barging services were recorded in nonoperating income as follows:

	Year Ended December 31,		
	1993	1992	1991
	(in thousands)		
Affiliated Companies	$25,372	$24,753	$23,863
Unaffiliated Companies	1,717	3,964	4,641
Total	$27,089	$28,717	$28,504

American Electric Power Service Corporation (AEPSC) provides certain managerial and professional services to AEP System companies. The costs of the services are determined by AEPSC on a direct-charge basis to the extent practicable and on reasonable bases of proration for indirect costs. The charges for services are made at cost and include no compensation for the use of equity capital, which is furnished to AEPSC by AEP Co., Inc. Billings from AEPSC are capitalized or expensed depending on the nature of the services rendered. AEPSC and its billings are subject to the regulation of the SEC under the 1935 Act.

6. BENEFIT PLANS:

The Company and its subsidiaries participate in the AEP System pension plan, a trusteed, noncontributory defined benefit plan covering all employees meeting eligibility requirements. Benefits are based on service years and compensation levels. Effective January 1, 1992 employees may retire without reduction of benefits at age 62 and with reduced benefits as early as age 55. Pension costs are allocated by first charging each System company with its service cost and then allocating the remaining pension cost in proportion to its share of the projected benefit obligation. The funding policy is to make annual trust fund contributions equal to the net periodic pension cost up to the maximum amount deductible for federal income taxes, but not less than the minimum contribution required by law.

Net pension costs for the years ended December 31, 1993, 1992 and 1991 were $4.7 million, $5.6 million and $2.3 million, respectively.

An employee savings plan is offered which allows participants to contribute up to 16% of their salaries into three investment alternatives, including AEP Co., Inc. common stock. The Company contributes an amount equal to one-half of the first 6% of the employees' contribution. The Company's contribution is invested in AEP Co., Inc. common stock and totaled $3.5 million in 1993, $3.3 million in 1992 and $3.1 million in 1991.

The AEP System provides certain other benefits for retired employees under an AEP System other postretirement benefit plan. Substantially all employees are eligible for health care and life insurance benefits if they have at least 10 service years and, effective January 1, 1992, are age 55 at retirement. Prior to 1993, net costs of these benefits were recognized as an expense when paid and totaled $2.7 million and $2.6 million in 1992 and 1991, respectively.

SFAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, was adopted in January 1993. SFAS 106 requires the accrual of the present value liability for the cost of postretirement benefits other than pensions (OPEB) during the employee's service years. Prior service costs are being recognized as a transition obligation over 20 years in accordance with SFAS 106. OPEB costs are based on actuarially-determined stand alone costs for each System company. The funding policy is to contribute incremental amounts recovered through rates and cash generated by the corporate owned life insurance (COLI) program. The annual accrued costs for 1993 required by SFAS 106 for employees and retirees, which includes the recognition of one-twentieth of the prior service transition obligation, was $12.4 million.

The Company received approval from the IURC to recover the increased OPEB costs. In the Michigan and wholesale jurisdictions, the Company received authority to defer the increased OPEB costs which are not being currently recovered in rates. Future recovery of the deferrals and the annual ongoing OPEB costs will be sought in the next base rate filings. At December 31, 1993, $6.2 million of incremental OPEB costs were deferred.

To reduce the impact of adopting SFAS 106, management took several measures. First, a Voluntary Employees Beneficiary Association (VEBA) trust fund for OPEB benefits was established. A $4.3 million advance contribution was made to the trust fund in 1990, the maximum amount deductible for federal income tax purposes. In 1993, a $700,000 contribution was made to the VEBA trust fund from amounts recovered from ratepayers. In addition, to help fund and reduce the future costs of OPEB benefits, a COLI program was implemented, except where restricted by state law. The insurance policies have a substantial cash surrender value which is recorded, net of equally substantial policy loans, as other property and investments. The policies generated cash of $600,000 in 1993, $1,700,000 in 1992 and $700,000 in 1991 inclusive of related tax benefits which was contributed to the VEBA trust fund. In 1997 the premium will be fully paid and the cash generated by the policies should increase significantly.

7. SUPPLEMENTARY INFORMATION:

	Year Ended December 31,		
	1993	1992	1991
		(in thousands)	
Taxes other than federal income taxes include:			
Real and Personal Property	$35,683	$35,818	$33,265
State Gross Receipts, Excise, Franchise and Miscellaneous State and Local	15,008	15,179	15,902
Payroll	9,001	8,911	8,075
State Income	8,226	2,281	5,541
Total	$67,918	$62,189	$62,783
Cash was paid for:			
Interest (net of capitalized amounts)	$82,509	$84,691	$84,581
Income Taxes	68,303	15,285	73,694
Noncash acquisitions under capital leases were	15,467	47,905	25,624

8. FEDERAL INCOME TAXES:

The details of federal income taxes as reported are as follows:

	Year Ended December 31, 1993	1992 (in thousands)	1991
Charged (Credited) to Operating Expenses (net):			
Current	$ 93,974	$ 9,122	$ 73,702
Deferred	(50,959)	25,405	(18,793)
Deferred Investment Tax Credits	(8,308)	(9,028)	(8,435)
Total	34,707	25,499	46,474
Charged (Credited) to Nonoperating Income (net):			
Current	6,026	1,569	3,348
Deferred	1,054	4,492	(3,084)
Deferred Investment Tax Credits	(235)	(645)	(753)
Total	6,845	5,416	(489)
Total Federal Income Taxes as Reported	$ 41,552	$30,915	$ 45,985

The following is a reconciliation of the difference between the amount of federal income taxes computed by multiplying book income before federal income taxes by the statutory tax rate, and the amount of federal income taxes reported.

	Year Ended December 31, 1993	1992 (in thousands)	1991
Net Income	$129,313	$123,948	$136,932
Federal Income Taxes	41,552	30,915	45,985
Pre-tax Book Income	$170,865	$154,863	$182,917
Federal Income Tax on Pre-tax Book Income at Statutory Rate (35% in 1993 and 34% in 1992 and 1991)	$59,803	$52,653	$62,192
Increase (Decrease) in Federal Income Tax Resulting From the Following Items:			
Removal Costs	(2,632)	(3,042)	(2,259)
Adoption of SFAS 109	5,271	-	-
Investment Tax Credits (net)	(8,543)	(9,011)	(9,087)
Corporate Owned Life Insurance	(4,697)	(4,402)	(3,044)
Other	(7,650)	(5,283)	(1,817)
Total Federal Income Taxes as Reported	$41,552	$30,915	$45,985
Effective Federal Income Tax Rate	24.3%	20.0%	25.1%

The following are the principal components of federal income taxes as reported:

	Year Ended December 31, 1993	1992 (in thousands)	1991
Current:			
Federal Income Taxes	$100,000	$10,029	$ 76,949
Investment Tax Credits	-	662	101
Total Current Federal Income Taxes	100,000	10,691	77,050
Deferred:			
Depreciation	(12,167)	(8,356)	(6,969)
Unrecovered and Levelized Fuel	(13,795)	11,729	(670)
Nuclear Fuel	(3,271)	5,410	(6,484)
Deferred Return - Rockport Plant Unit 1	(2,644)	(2,772)	(2,864)
Deferred Net Gain - Rockport Plant Unit 2	3,922	4,230	3,098
Levelized Nuclear Refueling Costs	(11,488)	16,048	-
Accrued Interest Income	(3,854)	3,854	-
Adoption of SFAS 109	5,271	-	-
Other	(11,879)	(246)	(7,988)
Total Deferred Federal Income Taxes	(49,905)	29,897	(21,877)
Total Deferred Investment Tax Credits	(8,543)	(9,673)	(9,188)
Total Federal Income Taxes as Reported	$ 41,552	$30,915	$ 45,985

The Company and its subsidiaries join in the filing of a consolidated federal income tax return with their affiliates in the AEP System. The allocation of the AEP System's current consolidated federal income tax to the System companies is in accordance with SEC rules under the 1935 Act. These rules permit the allocation of the benefit of current tax losses and investment tax credits utilized to the System companies giving rise to them in determining their current tax expense. The tax loss of the System parent company, AEP Co., Inc., is allocated to its subsidiaries with taxable income. With the exception of the loss of the parent company, the method of allocation approximates a separate return result for each company in the consolidated group.

The AEP System settled with the Internal Revenue Service (IRS) all issues from the audits of the consolidated federal income tax returns for the years prior to 1988. Returns for the years 1988 through 1990 are presently being audited by the IRS. In the opinion of management, the final settlement of open years will not have a material effect on results of operations.

The net deferred tax liability of $553.9 million at December 31, 1993 is composed of deferred tax assets of $233.4 million and deferred tax liabilities of $787.3 million. The significant temporary differences giving rise to the net deferred tax liability are:

	Deferred Tax Asset (Liability) (in thousands)
Property Related Temporary Differences	$(494,966)
Amounts Due From Customers For Future Federal Income Taxes	(100,432)
Deferred Net Gain - Rockport Plant Unit 2	62,761
All Other (net)	(21,283)
Total Net Deferred Tax Liability	$(553,920)

9. LEASES:

Leases of property, plant and equipment are for periods up to 35 years and require payments of related property taxes, maintenance and operating costs. The majority of the leases have purchase or renewal options and will be renewed or replaced by other leases.

Lease rentals are generally charged to operating expense in accordance with rate-making treatment. The components of rentals are as follows:

	Year Ended December 31,		
	1993	1992	1991
	(in thousands)		
Operating Leases	$103,884	$109,466	$101,013
Amortization of Capital Leases	46,063	24,124	54,528
Interest on Capital Leases	8,873	7,473	9,907
Total Rental Payments	$158,820	$141,063	$165,448

Properties under capital leases and related obligations recorded on the Consolidated Balance Sheets are as follows:

	December 31,	
	1993	1992
	(in thousands)	
Electric Utility Plant:		
Production	$ 8,033	$ 11,407
Distribution	14,717	14,702
General:		
Nuclear Fuel (net of amortization)	45,661	84,208
Other	48,418	46,494
Total Electric Utility Plant	116,829	156,811
Accumulated Amortization	27,359	30,630
Net Electric Utility Plant	89,470	126,181
Other Property	11,269	2,327
Accumulated Amortization	1,986	1,819
Net Other Property	9,283	508
Net Properties under Capital Lease	$ 98,753	$126,689
Obligations under Capital Leases	$ 98,753	$126,689
Less Portion Due Within One Year	20,585	32,745
Noncurrent Liability	$ 78,168	$ 93,944

Properties under operating leases and related obligations are not included in the Consolidated Balance Sheets.

Future minimum lease rentals consisted of the following at December 31, 1993:

	Capital Leases	Non-Cancelable Operating Leases
	(in thousands)	
1994	$ 9,380	$ 98,667
1995	8,574	98,203
1996	7,601	97,885
1997	6,889	96,029
1998	6,257	91,118
Later Years	38,383	2,011,781
Total Future Minimum Lease Payments	77,084(a)	$2,493,683
Less Estimated Interest Element	23,992	
Estimated Present Value of Future Minimum Lease Payments	53,092	
Unamortized Nuclear Fuel	45,661	
Total	$98,753	

(a) Minimum lease rentals do not include nuclear fuel rentals. The rental payments are based on the heat produced plus carrying charges on the unamortized nuclear fuel balance.

10. CUMULATIVE PREFERRED STOCK:

At December 31, 1993, authorized shares of cumulative preferred stock were as follows:

Par Value	Shares Authorized
$100	2,250,000
25	11,200,000

The cumulative preferred stock is callable at the price indicated plus accrued dividends. The involuntary liquidation preference is par value. Unissued shares of the cumulative preferred stock may or may not possess mandatory redemption characteristics upon issuance. The Company issued 350,000 shares of 6.30% Cumulative Preferred Stock Subject to Mandatory Redemption, par value $100, on February 8, 1994 and redeemed 350,000 shares of 7.76% Cumulative Preferred Stock Not Subject to Mandatory Redemption, par value $100, on February 14, 1994.

A. Cumulative Preferred Stock Not Subject to Mandatory Redemption:

Series	Call Price December 31, 1993	Par Value	Number of Shares Redeemed Year Ended December 31,			Shares Outstanding December 31, 1993	Amount December 31, (in thousands)	
			1993	1992	1991		1993	1992
4-1/8%	$106.125	$100	-	-	-	120,000	$ 12,000	$ 12,000
4.56%	102	100	-	-	-	60,000	6,000	6,000
4.12%	102.728	100	-	-	-	40,000	4,000	4,000
7.08%	101.85	100	-	-	-	300,000	30,000	30,000
7.76%	102.28	100	-	-	-	350,000	35,000	35,000
8.68%	-	-	300,000	-	-	-	-	30,000
$2.15	-	-	1,600,000	-	-	-	-	40,000
$2.25	-	-	1,600,000	-	-	-	-	40,000
							$ 87,000	$197,000

B. Cumulative Preferred Stock Subject to Mandatory Redemption:

Series(a)	Par Value	Shares Outstanding December 31, 1993	Amount December 31, (in thousands)	
			1993	1992
5.90% (b)	$100	400,000	$ 40,000	$ -
6-1/4%(c)	100	300,000	30,000	-
6-7/8%(d)	100	300,000	30,000	-
			$100,000	$ -

(a) Not callable until after 2002. There are no aggregate sinking fund provisions through 2002.
(b) Shares issued November 1993. Commencing in 2004 and continuing through the year 2008, a sinking fund for the 5.90% cumulative preferred stock will require the redemption of 20,000 shares each year and the redemption of the remaining shares outstanding on January 1, 2009, in each case at $100 per share.
(c) Shares issued November 1993. Commencing in 2004 and continuing through the year 2008, a sinking fund for the 6-1/4% cumulative preferred stock will require the redemption of 15,000 shares each year and the redemption of the remaining shares outstanding on April 1, 2009, in each case at $100 per share.
(d) Shares issued February 1993. Commencing in 2003 and continuing through the year 2007, a sinking fund for the 6-7/8% cumulative preferred stock will require the redemption of 15,000 shares each year and the redemption of the remaining shares outstanding on April 1, 2008, in each case at $100 per share.

11. LONG-TERM DEBT AND LINES OF CREDIT:

Long-term debt by major category was outstanding as follows:

	December 31, 1993	December 31, 1992
	(in thousands)	
First Mortgage Bonds	$ 571,468	$ 713,916
Installment Purchase Contracts	307,823	308,333
Other Long-term Debt (a)	147,810	143,321
Notes Payable to Banks	40,000	40,000
Sinking Fund Debentures	6,053	6,053
	1,073,154	1,211,623
Less Portion Due Within One Year	-	42,902
Total	$1,073,154	$1,168,721

(a) Nuclear Fuel Disposal Costs including interest accrued. See Note 3.

First mortgage bonds outstanding were as follows:

% Rate	Due	December 31, 1993	December 31, 1992
		(in thousands)	
4-3/8	1993 - August 1	$ -	$ 42,902
7-7/8	1997 - February 1	-	50,000
9-1/8	1997 - July 1	-	75,000
7	1998 - May 1	35,000	35,000
7.30	1999 - December 15	35,000	35,000
8-7/8	2000 - April 1	-	50,000
7.60	2002 - November 1	50,000	50,000
7.70	2002 - December 15	40,000	40,000
6.80	2003 - July 1	20,000	-
6.55	2003 - October 1	20,000	-
6.10	2003 - November 1	30,000	-
8-3/8	2003 - December 1	-	40,000
9-1/2	2008 - March 1	-	34,034
8-3/4	2017 - February 1	100,000	100,000
9.50	2021 - May 1	10,000	10,000
9.50	2021 - May 1	10,000	10,000
9.50	2021 - May 1	20,000	20,000
8.75	2022 - May 1	50,000	50,000
8.50	2022 - December 15	75,000	75,000
7.80	2023 - July 1	20,000	-
7.35	2023 - October 1	20,000	-
7.20	2024 - February 1	40,000	-
Unamortized Discount (net)		(3,532)	(3,020)
		571,468	713,916
Less Portion Due Within One Year		-	42,902
Total		$571,468	$671,014

Certain indentures relating to the first mortgage bonds contain improvement, maintenance and replacement provisions requiring the deposit of cash or bonds with the trustee, or in lieu thereof, certification of unfunded property additions.

Installment purchase contracts have been entered into in connection with the issuance of pollution control revenue bonds by governmental authorities as follows:

% Rate	Due	December 31, 1993	December 31, 1992
		(in thousands)	
City of Lawrenceburg, Indiana:			
7	2006 - May 1	$ -	$ 40,000
6-7/8	2006 - May 1	-	12,000
7	2015 - April 1	25,000	25,000
5.9	2019 - November 1	52,000	-
City of Rockport, Indiana:			
9-1/4	2014 - August 1	50,000	50,000
6-3/4(a)	2014 - August 1	50,000	50,000
(b)	2014 - August 1	50,000	50,000
7.6	2016 - March 1	40,000	40,000
City of Sullivan, Indiana:			
7-3/8	2004 - May 1	-	7,000
6-7/8	2006 - May 1	-	25,000
7-1/2	2009 - May 1	-	13,000
5.95	2009 - May 1	45,000	-
Unamortized Discount		(4,177)	(3,667)
Total		$307,823	$308,333

(a) The adjustable interest rate changed on August 1, 1990 and will change every five years thereafter.
(b) The variable interest rate is determined weekly. The average weighted interest was 3.0% in 1993 and 3.7% for 1992.

Under the terms of certain installment purchase contracts, the Company is required to pay amounts sufficient to enable the cities to pay interest on and the principal (at stated maturities and upon mandatory redemption) of related pollution control revenue bonds issued to finance the construction of pollution control facilities at certain generating plants. On certain series the principal is payable at stated maturities or on the demand of the bondholders at periodic interest adjustment dates. Accordingly, the installment purchase contracts have been classified for repayment purposes based on their next interest rate adjustment date. Certain series are supported by bank letters of credit which expire in 1995.

A $40 million unsecured promissory note payable to a bank is due November 19, 1995 at an annual interest rate of 9.07%.

The sinking fund debentures are due May 1, 1998 at an interest rate of 7-1/4%. Prior to December 31, 1993, sufficient principal amounts of debentures had been reacquired in anticipation of all future sinking fund requirements. Additional debentures of up to $300,000 may be called annually.

At December 31, 1993, annual long-term debt payments, excluding premium or discount, are as follows:

	Principal Amount (in thousands)
1994	$ -
1995	140,000
1996	-
1997	-
1998	41,053
Later Years	899,810
Total	$1,080,863

Short-term debt borrowings are limited by provisions of the 1935 Act to $200 million and further limited by charter provisions to $127 million. Lines of credit are shared with AEP System companies and at December 31, 1993 and 1992 were available in the amounts of $537 million and $521 million, respectively. Commitment fees of approximately 3/16 of 1% a year are paid to the banks to maintain the lines of credit.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts of cash and cash equivalents, accounts receivable, short-term debt, and accounts payable approximate fair value because of the short-term maturity of these instruments. At December 31, 1993 and 1992 fair values for external trust funds were $321 million and $270 million and carrying values were $303 million and $262 million, respectively. Fair values for long-term debt were $1.1 billion and $1.2 billion at December 31, 1993 and 1992, respectively. Fair value at December 31, 1993 for preferred stocks subject to mandatory redemption, which were issued in 1993, was $99 million. Fair values are based on quoted market prices for the same or similar issues and the current dividend or interest rates offered for instruments of the same remaining maturities. External trust funds are used to accumulate funds collected from customers for future nuclear liabilities and are reported on the balance sheet as other property and investments. The carrying amount of the pre-April 1983 spent nuclear fuel disposal liability approximates the Company's best estimate of its fair value.

13. UNAUDITED QUARTERLY FINANCIAL INFORMATION:

Quarterly Periods Ended	Operating Revenues	Operating Income	Net Income
	(in thousands)		
1993			
March 31	$302,968	$53,269	$28,522
June 30	278,100	40,722	21,397
September 30	320,409	52,898	33,658
December 31	301,166	63,031	45,736
1992			
March 31	301,134	54,022	35,035
June 30	280,421	43,535	24,844
September 30	311,080	45,323	24,384
December 31	304,120	52,640	39,685

Fourth quarter 1992 net income includes $13 million comprised of interest on prior years' federal income tax refunds and cost reductions due to favorable benefit plans experience.

OPERATING STATISTICS

	1993	1992	1991	1990	1989
OPERATING REVENUES (in thousands):					
Retail:					
Residential:					
Without Electric Heating	$ 205,315	$ 209,682	$ 206,257	$ 192,822	$ 195,504
With Electric Heating	97,568	98,553	93,289	88,718	95,987
Total Residential	302,883	308,235	299,546	281,540	291,491
Commercial	220,938	228,285	216,303	205,025	205,918
Industrial	250,939	267,643	241,858	244,773	251,279
Miscellaneous	5,593	11,012	12,120	11,799	12,021
Total Retail	780,353	815,175	769,827	743,137	760,709
Wholesale (sales for resale)	404,910	369,379	436,083	518,080	361,962
Total Revenues from Energy Sales	1,185,263	1,184,554	1,205,910	1,261,217	1,122,671
Provision for Refunds of Revenues Collected in Prior Years	(755)	(4,038)	5,176	(5,176)	-
Total Net of Provision for Refunds	1,184,508	1,180,516	1,211,086	1,256,041	1,122,671
Other	18,135	16,239	14,781	15,473	12,916
Total Operating Revenues	$1,202,643	$1,196,755	$1,225,867	$1,271,514	$1,135,587
SOURCES AND SALES OF ENERGY (in millions of kilowatt-hours):					
Sources:					
Net Generated:					
Fossil Fuel	12,236	11,597	12,109	14,451	10,634
Nuclear Fuel	16,313	6,418	15,524	11,115	12,094
Hydroelectric	106	100	109	127	108
Total Net Generated	28,655	18,115	27,742	25,693	22,836
Purchased and Power Pool	4,879	9,342	5,237	7,983	7,630
Total Sources	33,534	27,457	32,979	33,676	30,466
Less: Losses, Company Use, Etc.	1,349	1,466	1,454	1,633	1,647
Net Sources	32,185	25,991	31,525	32,043	28,819
Sales:					
Retail:					
Residential:					
Without Electric Heating	3,178	3,001	3,166	2,955	2,975
With Electric Heating	1,706	1,633	1,625	1,525	1,627
Total Residential	4,884	4,634	4,791	4,480	4,602
Commercial	3,977	3,747	3,726	3,536	3,519
Industrial	6,025	5,685	5,382	5,452	5,512
Miscellaneous	83	194	233	229	236
Total Retail	14,969	14,260	14,132	13,697	13,869
Wholesale (sales for resale)	17,216	11,731	17,393	18,346	14,950
Total Sales	32,185	25,991	31,525	32,043	28,819

OPERATING STATISTICS (Concluded)

	1993	1992	1991	1990	1989
AVERAGE COST OF FUEL CONSUMED (in cents):					
Per Million Btu:					
Coal	130	136	141	145	164
Nuclear	36	54	48	58	61
Overall	72	103	84	105	106
Per Kilowatt-hour Generated:					
Coal	1.27	1.34	1.39	1.42	1.62
Nuclear	.40	.61	.53	.64	.67
Overall	.77	1.08	.91	1.08	1.11
RESIDENTIAL SERVICE - AVERAGES:					
Annual Kwh Use per Customer:					
Total	10,564	10,107	10,539	9,944	10,303
With Electric Heating	17,989	17,513	17,703	16,897	18,337
Annual Electric Bill:					
Total	$655.07	$672.31	$659.01	$624.95	$652.64
With Electric Heating	$1,028.82	$1,056.91	$1,016.24	$983.28	$1,081.78
Price per Kwh (in cents):					
Total	6.20	6.65	6.25	6.28	6.33
With Electric Heating	5.72	6.04	5.74	5.82	5.90
NUMBER OF CUSTOMERS:					
Year-End:					
Retail:					
Residential:					
Without Electric Heating	369,385	366,835	364,154	362,645	360,040
With Electric Heating	95,795	94,175	92,657	91,179	89,881
Total Residential	465,180	461,010	456,811	453,824	449,921
Commercial	53,081	52,542	51,491	50,994	50,043
Industrial	5,157	5,000	4,847	4,801	4,792
Miscellaneous	1,783	1,751	2,226	2,160	2,168
Total Retail	525,201	520,303	515,375	511,779	506,924
Wholesale (sales for resale)	56	53	53	55	51
Total Customers	525,257	520,356	515,428	511,834	506,975

DIVIDENDS AND PRICE RANGES OF CUMULATIVE PREFERRED STOCK
By Quarters (1993 and 1992)

	1993 - Quarters				1992 - Quarters			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
CUMULATIVE PREFERRED STOCK								
($100 Par Value)								
4-1/8% Series								
Dividends Paid Per Share	$1.03125	$1.03125	$1.03125	$1.03125	$1.03125	$1.03125	$1.03125	$1.03125
Market Price - $ Per Share								
(MSE) - High	-	-	-	-	-	-	-	-
- Low	-	-	-	-	-	-	-	-
4.56% Series								
Dividends Paid Per Share	$1.14	$1.14	$1.14	$1.14	$1.14	$1.14	$1.14	$1.14
Market Price - $ Per Share								
(OTC)								
Ask (high/low)	-	-	-	-	-	-	-	-
Bid (high/low)	-	-	-	-	-	-	-	
4.12% Series								
Dividends Paid Per Share	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03	$1.03
Market Price - $ Per Share								
(OTC)								
Ask - High	-	-	-	-	-	-	-	-
- Low	-	-	-	-	-	-	-	-
Bid - High	51	51-1/2	55-1/4	58-1/2	47	47	48	50
- Low	48	48	51	54-3/4	39-1/2	47	47	48
5.90% Series (a)								
Dividends Paid Per Share				$0.9342				
Market Price - $ Per Share								
(OTC)								
Ask (high/low)				-				
Bid (high/low)				-				
6-1/4% Series (a)								
Dividends Paid Per Share				$0.5382				
Market Price - $ Per Share								
(OTC)								
Ask (high/low)				-				
Bid (high/low)				-				
6-7/8% Series (b)								
Dividends Paid Per Share	$.84	$1.71875	$1.71785	$1.71875				
Market Price - $ Per Share								
(OTC)								
Ask (high/low)	-	-	-	-				
Bid (high/low)	-	-	-	-				
7.08% Series								
Dividends Paid Per Share	$1.77	$1.77	$1.77	$1.77	$1.77	$1.77	$1.77	$1.77
Market Price - $ Per Share								
(NYSE) - High	92	96	99-5/8	100-1/8	88-1/2	88-1/2	92	92
- Low	89-1/4	91	96-3/8	95	83-1/4	84-1/2	85-1/2	89
7.76% Series (c)								
Dividends Paid Per Share	$1.94	$1.94	$1.94	$1.94	$1.94	$1.94	$1.94	$1.94
Market Price - $ Per Share								
(NYSE) - High	102-1/4	102	104	102-3/4	95-3/4	96-1/8	98-3/4	98-1/4
- Low	95-3/4	98	100	98-1/2	90-1/2	92-1/4	93-1/2	93

DIVIDENDS AND PRICE RANGES OF CUMULATIVE PREFERRED STOCK
By Quarters (1993 and 1992) (Concluded)

	1993 - Quarters				1992 - Quarters			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
CUMULATIVE PREFERRED STOCK								
($100 Par Value)								
8.68% Series (d)								
Dividends Paid Per Share	$2.17	$2.17	$2.17	$1.8807	$2.17	$2.17	$2.17	$2.17
Market Price - $ Per Share								
(NYSE) - High	103	103-1/2	104	103	102-1/4	102	103	103
- Low	100	101	101	101-1/4	98-1/2	99	100-1/4	100
($25 Par Value)								
$2.15 Series (e)								
Dividends Paid Per Share	$0.5375	$0.5375	$0.5375	$0.2628	$0.5375	$0.5375	$0.5375	$0.5375
Market Price - $ Per Share								
(NYSE) - High	27-1/2	27-1/4	27-3/8	26-1/2	26	26	27-1/4	27
- Low	26	26-1/4	25-3/4	25-5/8	25	25	25-3/8	25-1/2
$2.25 Series (f)								
Dividends Paid Per Share	$0.375				$0.5625	$0.5625	$0.5625	$0.5625
Market Price - $ Per Share								
(NYSE) - High	26-3/4				27-1/4	27-1/4	27-1/2	27-1/4
- Low	25-1/2				26	25-7/8	26	25-3/4

MSE - Midwest Stock Exchange
OTC - Over-the-Counter
NYSE - New York Stock Exchange
Note - The above bid and asked quotations represent prices between dealers and do not represent actual transactions.
Market quotations provided by National Quotation Bureau, Inc.
Dash indicated quotation not available.
(a) Issued November 1993
(b) Issued February 1993
(c) Called for redemption and refinanced in February 1994
(d) Redeemed December 1993
(e) Redeemed November 1993
(f) Redeemed March 1993

SECURITY OWNER INQUIRIES

Security owners should direct their inquiries to the Security Owner Relations Division using the toll free number: 1-800-AEP-COMP (1-800-237-2667) or by writing to:

Bette Jo Rozsa
Security Owner Relations Division
American Electric Power Service Corporation
28th Floor
1 Riverside Plaza
Columbus, OH 43215

FORM 10-K ANNUAL REPORT

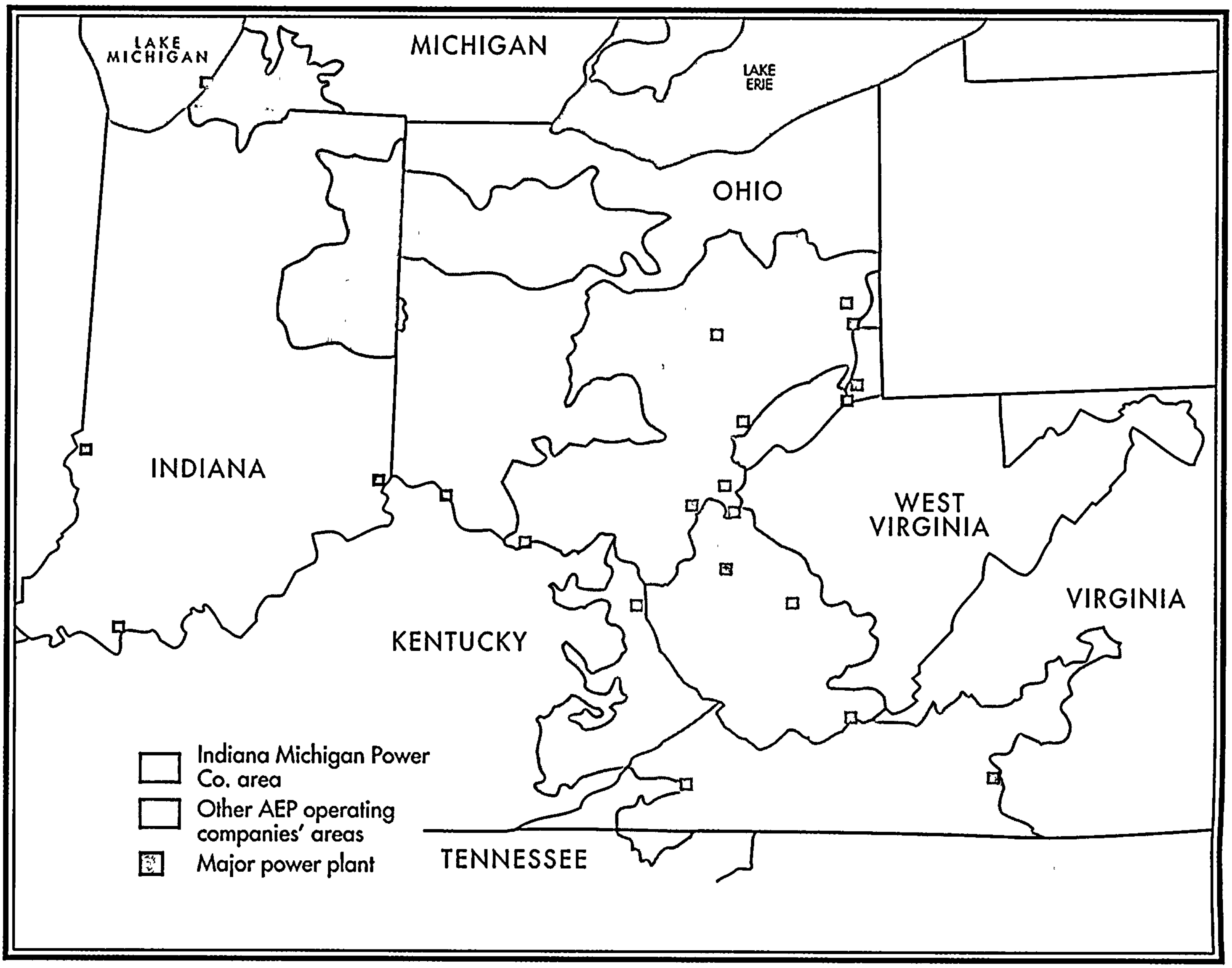
The Annual Report (Form 10-K) to the Securities and Exchange Commission will be available in April 1994 at no cost to shareowners. Please address such requests to:

Geoffrey C. Dean
American Electric Power Service Corporation
27th Floor
1 Riverside Plaza
Columbus, OH 43215

TRANSFER AGENT AND REGISTRAR OF CUMULATIVE PREFERRED STOCK

First Chicago Trust Company of New York
P.O. Box 2534
Suite 4692
Jersey City, NJ 07303-2534

Indiana Michigan Power Service Area and the American Electric Power System



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ENCLOSURE 2 TO AEP:NRC:0909J

INDIANA MICHIGAN POWER COMPANY'S

PROJECTED CASH FLOW

Indiana Michigan Power Co.
1994 Forecasted Sources and Uses of Funds
Based on Forecasted Case 9450

$ Millions	Projected 1994
Net Income After Taxes	138.4
Less Dividends Paid	118.3
Retained Earnings	20.1
Adjustments:	
Depreciation And Amortization	162.0
Deferred Operating Costs	(23.1)
Deferred Federal Income Taxes and Investment Tax Credits	(28.4)
AFUDC	(2.3)
Other	(7.7)
Total Adjustments	100.5
Internal Cash Flow	120.6
Average Quarterly Cash Flow	30.2
Average Cash Balances and Short-Term Investments	1.9
Total	32.1