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ATTACHMENT 1 TO AEP:NRC:0909

INDIANA & MICHIGAN ELECTRIC COMPANY

P.O. BOX 16631
COLUMBUS, OHIO 43216

December 21, 1984

AEP:NRC:0909

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

Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Mr. Denton:

Attachment 1 contains three copies of the Indiana & Michigan Electric Company's (I&MECo) Annual Report for 1983. Attachment 2 contains three copies of I&MECo's projected cash flow for 1984. These reports are submitted pursuant to 10 CFR 50.71(b) and 10 CFR 140.21(e).

This document has been prepared following Corporate procedures which incorporate a reasonable set of controls to ensure its accuracy and completeness prior to signature by the undersigned.

Very truly yours,

Milton P. Alexich 12/21/84
Vice President

th

Attachments

cc: John E. Dolan
W. G. Smith, Jr. - Bridgman
G. Bruchmann
R. C. Callen
G. Charnoff
NRC Resident Inspector - Bridgman

M004
1/1

Indiana & Michigan Electric Company

ANNUAL REPORT 1983

AMERICAN ELECTRIC POWER SYSTEM

M004
1/1

Contents

Background of the Company

Indiana & Michigan Electric Company (the Company), a subsidiary of American Electric Power Company, Inc. (AEP) is engaged in the generation, purchase, transmission and distribution of electric power. The Company was organized under the laws of Indiana on February 21, 1925, and is also authorized to transact business in Michigan and West Virginia. Its principal executive offices are in Fort Wayne, Indiana.

The Company has two wholly owned subsidiaries; they are Blackhawk Coal Company, which owns coal mines and related mining assets, and Price River Coal Company, which mines coal from land owned by Blackhawk that is purchased largely by the Company.

The Company serves approximately 446,000 customers in northern and eastern Indiana and a portion of southwestern Michigan. Among the principal industries served are stone, clay, glass and concrete products, primary metals, fabricated metal products, electrical and electronic machinery and transportation equipment. In addition, the Company supplies wholesale electric power to other electric utilities, municipalities and electric cooperatives.

The Company's generating plants and important load centers are interconnected by a high-voltage transmission network. This network in turn is interconnected either directly or indirectly with the following other AEP System companies to form a single integrated power system: Appalachian Power Company, Columbus and Southern Ohio Electric Company, Kentucky Power Company, Kingsport Power Company, Michigan Power Company, Ohio Power Company and Wheeling Electric Company. The Company is also interconnected with the following other utilities: Central Illinois Public Service Company, The Cincinnati Gas & Electric Company, Commonwealth Edison Company, Consumers Power Company, Illinois Power Company, Indiana-Kentucky Electric Corporation (a subsidiary of Ohio Valley Electric Corporation), Indianapolis Power & Light Company, Northern Indiana Public Service Company and Public Service Company of Indiana, Inc.

Directors

Frank N. Bien
W. A. Black
Lawrence R. Brunke (a)
P. F. Carl, Jr. (b)
Richard E. Disbrow
John E. Dolan
William N. D'Onofrio (c)
M. R. Harrell (a)
G. E. LeMasters (b)
Gerald P. Maloney
Richard C. Menge
J. F. Stark
Beverly I. Stears (d)
W. S. White, Jr.

Officers

W. S. White, Jr.
Chairman of the Board and Chief Executive Officer

W. A. Black
President and Chief Operating Officer

J. F. Stark
Senior Vice President

Milton P. Alexich, Adm. USN Ret. (e)
Vice President

Frank N. Bien
Vice President

Richard E. Disbrow
Vice President

John E. Dolan
Vice President

William N. D'Onofrio (c)
Vice President

A. Joseph Dowd
Vice President

Richard F. Hering
Vice President

Robert S. Hunter (f)
Vice President

Gerald P. Maloney
Vice President

Richard C. Menge
Vice President

Beverly I. Stears (d)
Vice President

Peter J. DeMaria
Treasurer

John R. Burton
Secretary

Allen H. Stuhlmann
Assistant Secretary and Assistant Treasurer

John F. DiLorenzo, Jr.
Assistant Secretary

William C. Harvey (g)
Assistant Secretary

Carl J. Moos
Assistant Secretary

William E. Olson (d)
Assistant Secretary

William J. Prochaska (f)
Assistant Secretary

John B. Shinnock (c)
Assistant Secretary

Joan St. James
Assistant Secretary

Leonard V. Assante
Assistant Treasurer

Bruce M. Barber
Assistant Treasurer

Gerald R. Knorr
Assistant Treasurer

The principal occupation of each of the above directors and officers of Indiana & Michigan Electric Company, with nine exceptions, is as an employee of American Electric Power Service Corporation. The exceptions are W. A. Black, P. F. Carl, Jr., William N. D'Onofrio, G. E. LeMasters, Richard C. Menge, Carl J. Moos, J. F. Stark, Beverly I. Stears, and Allen H. Stuhlmann whose principal occupations are as officers or employees of Indiana & Michigan Electric Company.

(a) Resigned April 26, 1983
(b) Elected April 26, 1983
(c) Elected January 1, 1984
(d) Resigned January 1, 1984
(e) Elected June 1, 1983
(f) Resigned September 1, 1983
(g) Elected September 29, 1983

Selected Financial Data

	Year Ended December 31,				
	1983	1982	1981	1980	1979
	(in thousands)				
INCOME STATEMENTS DATA:					
Operating Revenues — Electric	$868,980	$809,803	$812,149	$742,683	$683,013
Total Operating Expenses	686,237	634,858	634,209	577,502	524,800
Operating Income	182,743	174,945	177,940	165,181	158,213
Total Other Income and Deductions	53,629	48,725	29,713	30,541	29,042
Income Before Interest Charges	236,372	223,670	207,653	195,722	187,255
Net Interest Charges	96,496	102,647	104,313	99,151	91,475
Consolidated Net Income — before preferred stock dividend requirements	139,876	121,023	103,340	96,571	95,780
Preferred Stock Dividend Requirements	28,384	28,628	23,624	23,242	19,995
Earnings Applicable to Common Stock	$111,492	$ 92,395	$ 79,716	$ 73,329	$ 75,785

	December 31,				
	1983	1982	1981	1980	1979
	(in thousands)				
BALANCE SHEETS DATA:					
Electric Utility Plant	$3,666,823	$3,541,114	$3,356,987	$3,117,381	$2,657,930
Accumulated Provisions for Depreciation, Depletion and Amortization	760,889	685,789	611,699	561,773	475,643
Net Electric Utility Plant	2,905,934	2,855,325	2,745,288	2,555,608	2,182,287
Total Assets	3,343,963	3,135,884	3,035,614	2,826,172	2,616,996
Common Stock, Premiums on Capital Stock and Other Paid-in Capital	807,925	777,783	727,652	637,287	587,193
Retained Earnings	95,616	91,756	100,170	114,495	130,480
Cumulative Preferred Stock:					
Not Subject to Mandatory Redemption	197,000	197,000	197,000	197,000	197,000
Subject to Mandatory Redemption (a)	99,497	104,447	105,509	68,348	70,000
Long-term Debt (a)	1,445,704	1,397,475	1,404,044	1,264,673	1,124,255

(a) Including portion due within one year.

Management's Discussion and Analysis of Results of Operations and Financial Condition

The following are the more significant factors bearing on the financial condition of Indiana & Michigan Electric Company and its subsidiaries as reflected in the consolidated results of operations. This discussion refers to the consolidated financial statements that follow.

Operating Revenues and Expenses

Consolidated operating revenues increased 7.3% in 1983 compared to a decrease of 0.3% in 1982. Kilowatt-hours sold increased 1.6% in 1983 compared with an 8.3% decrease in 1982. The primary reason for the increase in operating revenues was the receipt of additional rate relief coupled with an improvement in kwh sales during the second half of 1983. The improvement in energy sales reflects the hot summer and colder weather in late fall and early winter as well as the gradual recovery of the economy in the Company's service area. The 1982 decrease in sales of electric energy and operating revenues was attributable to the depressed economic activity and mild weather experienced throughout most of the year in the service area.

Revenues from retail customers (residential, commercial and industrial) were up 10.6% in 1983 with a corresponding increase in kwh sales of 2.7% while in 1982 these revenues rose 7.2% on a 2.1% decline in kwh sales. The increase in revenues was due to higher rates which went into effect during 1983. The increase in kwh sales includes a 6.5% increase in sales to industrial customers as opposed to an 8.0% decrease last year, reflecting the changes in the economy in the Company's service area.

Wholesale revenues for 1983 increased by 5.5% following a 9.6% decrease in 1982. Kwh sales to wholesale customers increased 0.6% in 1983 compared to a 13.7% decrease in the preceding year. The increased revenues were mainly the result of rate increases put into effect during 1983 and a significant rebound in energy sales to other utilities during the last half of the year. The rebound in wholesale sales to municipalities, electric cooperatives and other electric utilities is expected to continue into 1984; however, much will depend upon the extent of improvements in the economy as well as weather patterns.

Purchased and interchange power expense increased 2.8% in 1983 and 11.2% in 1982. The 1983 increase largely reflects increased purchases from other utilities and decreased interchange transactions to obtain power from other AEP System companies. The 1982 increase was mainly the result of an increase in purchases from other utilities. Normally, during periods of peak demand that exceed the available generating capacity, the Company is able to meet its wholesale customers' requirements by purchasing power from neighboring utilities for resale to others because of AEP's powerful interconnection and transmission capacity.

Total operating expenses increased 8.1% in 1983 compared to a 0.1% increase in 1982. The increase in 1983 was primarily due to increases in Federal income taxes and fuel expenses. Federal income taxes increased 85.8% in 1983 due largely to an increase in pre-tax book income. Fuel expenses increased 11.9% in 1983 as a result of increased generation levels and a change in fuel mix. In 1982 fuel expenses decreased 18.8% as a result of decreased kwh sales and a change in fuel mix. Future fuel expenses will be affected by generation levels, contractual agreements between the coal industry and the United Mine Workers of America and the possibility of yet more stringent environmental restrictions on burning certain types of coal. Whether or not future increases in fuel costs will adversely affect earnings will depend on the Company's continued ability to recover such costs promptly in the face of efforts by certain consumer groups and others to delay or reduce rate increases and to eliminate or reduce the extent of coverage of fuel-adjustment clauses.

Construction and Financing Program

Expenditures for the Company's construction program over the three-year period 1984-1986 are estimated to be approximately $597 million. Substantial additional expenditures may be required if existing generating plants require modification or additional facilities to comply with future environmental quality standards. See "Environmental Matters" in Note 9 of the Notes to Consolidated Financial Statements for additional information. In recent years, the construction program has been affected by substantial increases in construction costs and the expense of obtaining financing for the program due to high costs of capital. The construction program is reviewed continuously and revised from time to time in response to revised projections of load growth and changes in the cost and availability of capital. In recent years, these reviews have resulted in extending construction schedules of a number of projects with the objective of reducing the level of annual construction expenditures. However, deferrals of construction projects may have an adverse effect on the quality of the Company's service to its customers in the future, and any resulting reductions in

current construction costs will, in the long run, be at least partially offset by general inflationary trends as well as possible cancellation charges. In addition, when the completion date of a project under construction is substantially delayed, it becomes more expensive, both because of the foregoing factors and because certain costs, principally financing costs, continue to accrue until the facility is placed in commercial operation.

It is estimated that all of the Company's projected construction expenditures for 1984-1986 will be financed with internally generated funds. If any additional amounts are needed they will be raised externally, as in the past, through sales of securities and investments in the Company's common equity by AEP. The Company initially finances current construction expenditures in excess of available internally generated funds by issuing unsecured short-term debt (commercial paper and bank loans) and then periodically reduces short-term debt with the proceeds of sales of long-term debt securities and preferred stock and with investments in the Company's common equity by AEP.

The amounts of short-term debt which the Company may issue are limited by regulatory restrictions under the Public Utility Holding Company Act of 1935 and by restrictions in its charter and in certain debt instruments. At December 31, 1983, the Company had received authorizations from the Securities and Exchange Commission to issue a total of approximately $135 million of short-term debt. Note 7 of the Notes to Consolidated Financial Statements contains information on the Company's short-term bank lines of credit. Bank lines of credit may be withdrawn at any time by the banks extending them, and in most cases the banks require either the maintenance of compensating deposit balances or the payment of fees in lieu of deposits.

In order for the Company to issue additional long-term debt and preferred stock, it is necessary for it to comply with earnings-coverage requirements contained in its mortgage bond and debenture indentures and charter. In order to issue additional long-term debt (except to refund maturing long-term debt), the Company must have pre-tax earnings equal to at least twice the annual interest charges on long-term debt, giving effect to the issuance of the new debt, for a period of 12 consecutive months within the 15 months immediately preceding the date of the new issue. To issue additional preferred stock, the Company must have after-tax gross income at least equal to one and one-half times annual interest charges and preferred dividends, giving effect to the issuance of the new preferred stock, for the same period. These provisions do not prevent certain types of pollution-control revenue bond financings by public bodies on behalf of the Company, but the levels of coverage under them may affect the cost and marketability of such bonds. At December 31, 1983, the coverages of the Company under these provisions were at least 2.01 for long-term debt and 1.64 for preferred stock.

In view of these restrictions on the issuance of additional debt securities and preferred stock, the Company believes that it will be possible to meet the capital requirements of its construction program only if the Company receives rate increases over the next several years sufficient to meet the earnings levels required to issue the necessary amounts of long-term debt and preferred stock and to provide an appropriate return on new equity investment. See Note 2 of the Notes to Consolidated Financial Statements regarding a recent prehearing rate order in which the Public Service Commission of Indiana found that the second step portion of a proposed rate request was not properly presented. The second step was to coincide with the December 1984 commercial operation date of the Company's Rockport Plant Unit 1. This finding raises a question as to the effect on the Company's net income and financial condition unless other alternatives under consideration are implemented.

Net Income and Dividends

Consolidated net income before preferred dividend requirements increased in 1983 by 15.6% and in 1982 by 17.1%. These changes in net income were accompanied by a decrease in the total proportion of allowance for funds used during construction (AFUDC) reflected in net income, 85% in 1983 and 92% in 1982. AFUDC does not represent cash income or a reduction in actual interest expense, but is an accounting convention permitted by regulatory systems of accounts. AFUDC represents the net cost of borrowed funds used for construction and a reasonable rate of return on other funds when so used. Such amounts are capitalized as a cost of construction projects with a concurrent credit to the Income Statement. The amount capitalized is added to the cost of construction projects and generally included in the plant investment base for setting rates and recovered through depreciation charges included in rates after the project is placed in commercial operation.

In the event the Company must make refunds or experience other adverse effects pursuant to the outcome of the issues relating to the Federal Energy Regulatory Commission investigation of the AEP System's

policies with respect to coal purchasing and practices (see "Litigation" in Note 9 of the Notes to Consolidated Financial Statements), this could restrict the ability of the Company to pay dividends for a period of time on its outstanding Common Stock to AEP.

Effects of Inflation

In recent years inflation has had an effect on the Company's consolidated revenues, expenses and net income that is not readily evident in conventional financial statements. For additional information on the effects of inflation, refer to Note 12 of the Notes to Consolidated Financial Statements, which presents a consolidated statement of income for 1983, adjusted for effects of inflation, and a comparison of selected supplementary data for a five-year period, similarly adjusted.

Consolidated Statements of Income

	Year Ended December 31,		
	1983	1982	1981
	(in thousands)		
OPERATING REVENUES — ELECTRIC	$868,980	$809,803	$812,149
OPERATING EXPENSES:			
Operation:			
Fuel for Electric Generation	159,998	143,025	176,074
Purchased and Interchange Power (net)	159,086	154,683	139,119
Other	122,127	126,922	101,792
Maintenance	53,049	56,431	48,895
Depreciation, Depletion and Amortization	83,963	83,031	81,458
Taxes Other Than Federal Income Taxes	37,053	32,567	32,698
Federal Income Taxes	70,961	38,199	54,173
Total Operating Expenses	686,237	634,858	634,209
OPERATING INCOME	182,743	174,945	177,940
OTHER INCOME AND DEDUCTIONS:			
Allowance for Other Funds Used During Construction	60,588	57,889	32,885
Miscellaneous Nonoperating Income Less Deductions	(6,959)	(9,164)	(3,172)
Total Other Income and Deductions	53,629	48,725	29,713
INCOME BEFORE INTEREST CHARGES	236,372	223,670	207,653
INTEREST CHARGES:			
Interest on Long-term Debt	144,430	142,841	129,023
Interest on Short-term Debt	8,998	8,974	18,042
Miscellaneous Interest Charges	1,714	4,258	4,228
Total Interest Charges	155,142	156,073	151,293
Allowance for Borrowed Funds Used During Construction (credit)	(58,646)	(53,426)	(46,980)
Net Interest Charges	96,496	102,647	104,313
CONSOLIDATED NET INCOME — before preferred stock dividend requirements	139,876	121,023	103,340
PREFERRED STOCK DIVIDEND REQUIREMENTS	28,384	28,628	23,624
EARNINGS APPLICABLE TO COMMON STOCK	$111,492	$ 92,395	$ 79,716

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

	December 31, 1983	December 31, 1982
	(in thousands)	
ASSETS		
ELECTRIC UTILITY PLANT:		
Production	$1,561,791	$1,532,241
Transmission	443,280	441,241
Distribution	316,324	305,528
General and Miscellaneous (includes mining plant)	195,444	186,890
Construction Work in Progress	1,149,984	1,075,214
Total Electric Utility Plant	3,666,823	3,541,114
Less Accumulated Provisions for Depreciation, Depletion and Amortization	760,889	685,789
Electric Utility Plant Less Provisions	2,905,934	2,855,325
OTHER PROPERTY AND INVESTMENTS	39,691	28,319
CURRENT ASSETS:		
Cash	7,283	10,000
Special Deposits and Working Funds	5,966	4,098
Accounts Receivable:		
Customers	113,674	56,739
Associated Companies	5,549	9,214
Miscellaneous	3,327	4,148
Accumulated Provision for Uncollectible Accounts	(470)	(414)
Materials and Supplies (at average cost or less):		
Fuel	75,203	72,811
Construction and Operation Materials and Supplies	18,130	19,821
Accrued Utility Revenues	48,550	21,874
Prepayments and Other Current Assets	5,967	5,134
Total Current Assets	283,179	203,425
DEFERRED DEBITS:		
Unamortized Debt Expense	3,415	3,570
Property Taxes	2,029	1,740
Deferred Collection of Fuel Costs	—	215
Deferred Strike Costs	1,035	2,413
Other Work in Progress	3,254	3,961
Deferred Nuclear Fuel Disposal Costs	72,575	—
Other Deferred Debits	32,851	36,916
Total Deferred Debits	115,159	48,815
Total	$3,343,963	$3,135,884

See Notes to Consolidated Financial Statements.

CAPITALIZATION AND LIABILITIES

	December 31, 1983	December 31, 1982
	(in thousands)	
Capitalization:		
Common Stock — No Par Value:		
Authorized — 2,500,000 Shares		
Outstanding — 1,400,000 Shares	$ 56,584	$ 56,584
Premiums on Capital Stock	381	381
Other Paid-in Capital	750,960	720,818
Retained Earnings	95,616	91,756
Total Common Shareowner's Equity	903,541	869,539
Cumulative Preferred Stock:		
Not Subject to Mandatory Redemption	197,000	197,000
Subject to Mandatory Redemption (less sinking fund requirements due within one year)	99,345	104,000
Long-term Debt (less portion due within one year)	1,358,830	1,304,505
Total Capitalization (less amounts due within one year)	2,558,716	2,475,044
Current Liabilities:		
Cumulative Preferred Stock Sinking Fund Requirements Due Within One Year	152	447
Long-term Debt Due Within One Year	86,874	92,970
Short-term Debt:		
Notes Payable to Banks	39,950	89,150
Commercial Paper	22,500	3,000
Accounts Payable:		
General	40,318	35,147
Associated Companies	55,403	12,586
Dividends Declared:		
Common Stock	17,616	—
Cumulative Preferred Stock	6,999	7,140
Customer Deposits	2,990	2,836
Taxes Accrued	14,968	11,464
Interest Accrued	35,998	35,120
Revenue Refunds Accrued	98	11,921
Other Current Liabilities	37,904	25,895
Total Current Liabilities	361,770	327,676
Commitments and Contingencies (Note 9)		
Deferred Credits and Operating Reserves:		
Deferred Income Taxes	338,350	255,098
Deferred Investment Tax Credits	32,287	35,877
Other Deferred Credits and Operating Reserves	52,840	42,189
Total Deferred Credits and Operating Reserves	423,477	333,164
Total	$3,343,963	$3,135,884

Consolidated Statements of Sources and Applications of Funds

	Year Ended December 31,		
	1983	1982	1981
		(in thousands)	
SOURCES OF FUNDS:			
Funds from Operations:			
Consolidated Net Income	$139,876	$121,023	$103,340
Principal Non-fund Charges (Credits) to Income:			
Depreciation, Depletion and Amortization	86,025	87,459	85,978
Provision for Deferred Income Taxes (net)	84,296	22,533	36,082
Deferred Investment Tax Credits (net)	5,556	25,638	9,247
Amortization of Deferred Strike Costs	1,378	1,378	3,195
Amortization of Deferred Collection of Fuel Costs	215	287	287
Amortization of Deferred Nuclear Fuel Disposal Costs	3,092	—	—
Allowance for Other Funds Used During Construction	(60,588)	(57,889)	(32,885)
Other (net)	1,977	1,141	710
Total Funds from Operations	261,827	201,570	205,954
Funds from Contributions and Financings:			
Contributions and Financings:			
Capital Contributions from Parent Company	30,000	50,000	90,000
Cumulative Preferred Stock	—	—	38,734
Long-term Debt	69,239	99,167	158,922
Short-term Debt (net)	(29,700)	38,550	(92,925)
Total	69,539	187,717	194,731
Less Retirements of Cumulative Preferred Stock and Long-term Debt	98,290	106,997	22,019
Net Funds from Contributions and Financings	(28,751)	80,720	172,712
Sales of Property	71,212	77,745	40,845
Total Sources of Funds	$304,288	$360,035	$419,511
APPLICATIONS OF FUNDS:			
Plant and Property Additions:			
Gross Additions to Utility Plant	$201,793	$267,783	$307,672
Gross Other Additions	428	326	578
Total Gross Additions	202,221	268,109	308,250
Allowance for Other Funds Used During Construction	(60,588)	(57,889)	(32,885)
Net Plant and Property Additions	141,633	210,220	275,365
Dividends on Common Stock	107,632	100,800	92,624
Dividends on Cumulative Preferred Stock	28,384	28,628	23,624
Deferred Strike Costs	—	—	6,986
Other Changes (net)	17,070	(4,103)	2,415
Increase in Working Capital (a)	9,569	24,490	18,497
Total Applications of Funds	$304,288	$360,035	$419,511
(a) Excludes Cumulative Preferred Stock Sinking Fund Requirements Due Within One Year, Long-term Debt Due Within One Year and Short-term Debt and is represented by increase (decrease) as follows:			
Cash and Cash Items	$ (849)	$(11,962)	$ 11,765
Accounts Receivable	52,393	(22,948)	2,405
Materials and Supplies	701	24,041	(16,505)
Accrued Utility Revenues	26,676	1,880	8,198
Accounts Payable	(47,988)	84	6,936
Dividends Declared on Common Stock	(17,616)	1,124	10,376
Taxes Accrued	(3,504)	18,479	(6,139)
Revenue Refunds Accrued	11,823	11,174	15,121
Other (net)	(12,067)	2,618	(13,660)
	$ 9,569	$ 24,490	$ 18,497

See Notes to Consolidated Financial Statements.

Consolidated Statements of Retained Earnings

	Year Ended December 31,		
	1983	1982	1981
		(in thousands)	
Balance at Beginning of Year	$ 91,756	$100,170	$114,495
Consolidated Net Income	139,876	121,023	103,340
Total	231,632	221,193	217,835
Deductions:			
Cash Dividends Declared:			
Common Stock	107,632	100,800	92,624
Cumulative Preferred Stock:			
4⅛ % Series	495	495	495
4.56% Series	273	273	273
4.12% Series	165	165	165
7.08% Series	2,124	2,124	2,124
7.76% Series	2,716	2,716	2,716
8.68% Series	2,604	2,604	2,604
12 % Series	2,873	3,003	3,226
$2.15 Series	3,440	3,440	3,440
$2.25 Series	3,600	3,600	3,600
$2.75 Series	4,286	4,400	4,400
$3.63 Series	5,808	5,808	581
Total Cash Dividends Declared	136,016	129,428	116,248
Capital Stock Expense	—	9	1,417
Total Deductions	136,016	129,437	117,665
Balance at End of Year	$ 95,616	$ 91,756	$100,170

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Significant Accounting Policies:

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

The accounting and rates of the Company are subject in certain respects to the requirements of state regulatory bodies and in certain respects to the requirements of the Federal Energy Regulatory Commission (FERC).

The consolidated financial statements include the accounts of the Company and two wholly owned subsidiaries engaged in coal mining. Significant intercompany items have been eliminated in consolidation. The consolidated financial statements have been prepared on the basis of the accounts which are maintained for FERC purposes.

Electric Utility Plant; Other Property and Investments; Depreciation, Depletion and Amortization

Electric utility plant is stated at original cost. Generally, the plant of the Company is subject to first mortgage liens.

The Company capitalizes, as a construction cost, an allowance for funds used during construction, an item not representing cash income, which is defined in the applicable regulatory systems of accounts as the net cost of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. The composite rates used by the Company were 12.5% in 1983, 12.75% in 1982 and 12.0% in 1981 applied on a semi-annual compound basis.

The Company provides for depreciation on a straight-line basis over the estimated useful lives of the property. The current provisions are determined largely with the use of functional composite rates as follows:

Functional Class of Property	Composite Annual Rates
Production:	
Steam — Nuclear	4.0%
Steam — Fossil-fired	3.7%
Transmission	2.1%
Distribution	3.7%
General	2.8%

Depreciation, depletion and amortization of coal-mining property are provided in amounts estimated to be sufficient to amortize the costs of the related assets, less any estimated salvage (which is not significant), over their useful lives and are calculated by use of the following methods:

Description	Method
Mining Structures and Equipment	Straight-line method (original lives range from 3 to 31 years)
Coal Interests and Mine Development Costs	Units-of-production method (based on estimated recoverable tonnages; current rate averages $1.07 per ton)

Substantially all of the amount of the provisions for depreciation, depletion and amortization of coal-mining property is classified in the Consolidated Statements of Income as fuel for electric generation.

Operating expenses are charged with the costs of labor, materials, supervision and other costs incurred in maintaining the properties. Property accounts are charged with costs of betterments and major replacements of property and the accumulated provisions for depreciation are charged with retirements, together with removal costs less salvage.

Other property and investments are generally stated at cost.

Income Taxes

Deferred Federal income taxes are provided except where flow-through accounting for certain timing differences is reflected in revenue levels.

The Company normalizes the effect of tax reductions resulting from investment tax credits utilized in connection with current Federal income tax accruals consistent with rate-making policies.

The Company's consolidated coal subsidiaries generally use the flow-through method of accounting for investment tax credits and practice deferred tax accounting for the effects of certain timing differences.

Pension Plans

The companies participate with other companies in the AEP System in a non-contributory trusteed plan to provide pensions for all their employees who are not participants in pension plans of the United Mine Workers of America (UMWA), subject to certain eligibility requirements.

Pension costs for the years ended December 31, 1983, 1982 and 1981 were approximately $3,162,000, $3,057,000 and $3,201,000, respectively. The amounts cover the costs of currently accruing benefits and amortization of, and interest on, unfunded prior-service costs, which are being amortized over 30 years. The companies make annual contributions to the plan equal to the amounts accrued for pension expense.

A comparison of the plan's accumulated benefits and net assets as of January 1, 1983, the date of the most recent actuarial study, is presented below:

	January 1, 1983	January 1, 1982
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	$51,088	$46,652
Nonvested	5,913	4,830
	$57,001	$51,482
Net assets available for benefits	$88,400	$76,659

The assumed rate of return used by the actuary in determining the actuarial present value of accrued benefits was 8% at each valuation date.

Under a contract with the UMWA, a subsidiary is required to make payments into two multi-employer pension plans based on coal production and hours worked. The cost of the plans was approximately $713,000 in 1983, $2,442,000 in 1982 and $1,700,000 in 1981. As of June 30, 1983, the Company's actuary estimates, based on information that is available, that the subsidiary's share of the unfunded vested liabilities of the UMWA pension plans approximates $5,380,000.

Black Lung Benefits

The coal-mining subsidiaries are liable under the Federal Coal Mine Health and Safety Act of 1969 (Act), as amended, to pay certain black lung benefits to eligible present and former employees. The subsidiaries provide self-insurance accruals sufficient to amortize the actuarially computed present and future liabilities for such benefits as a level percentage of pay over the future working lifetime of the employees, taking into account the remaining life of the mines. Such provisions were approximately $131,000, $530,000 and $398,000 in 1983, 1982 and 1981, respectively. A Black Lung Benefits Trust is maintained under the Internal Revenue Code. As of January 1, 1983 (the latest valuation date), the companies' actuary estimates the unfunded actuarial value of medical and liability benefits under the Act, as well as comparable state legislation, was approximately $876,000. The companies fund the actuarially determined liabilities at a level which currently approximates the recorded expense provisions.

Other

The Company accrues unbilled revenues for electric service rendered subsequent to the last billing cycle through month-end.

Miscellaneous nonoperating income for the years ended December 31, 1983, 1982 and 1981 includes gains amounting to $274,000, $496,000 and $489,000, respectively, on certain long-term debt reacquired.

Debt discount or premium and debt expenses are being amortized over the lives of the related debt issues and the amortization thereof is included within miscellaneous interest charges.

2. Operating Revenues and Operating Expenses:

In February 1982, the Company filed a petition with the Public Service Commission of Indiana (PSCI) for a rate increase of $52,145,000 annually. In December 1982, the PSCI issued an order granting the Company an increase of $23,800,000 annually, a portion of which was collected subject to refund pending the outcome of additional proceedings relating to the rate-making treatment of the Company's coal subsidiaries and Western coal properties. In March 1983, in a subdocket proceeding, the PSCI granted the Company an additional increase of approximately $6,700,000 annually, primarily covering a provision for future decommissioning costs of the Company's nuclear plant. In September 1983, the PSCI issued an order regarding the Western coal issue. This order required the Company to reduce its rates approximately $3,000,000 annually retroactive to December 1982 and as a result the Company refunded in November 1983, approximately $2,300,000, including interest, to its Indiana retail customers.

In May 1982, the Company filed with the FERC applications for authority to increase its rates to its wholesale customers. In July 1982, the FERC authorized the increase to take effect in two steps, subject to refund; the first step representing an increase of $26,900,000 became effective July 29, 1982, and the second step increase of $28,900,000 became effective on December 28, 1982. Settlement agreements were reached with the wholesale customers and in May 1983, the FERC issued a final order approving settlement rates in the amount of approximately $41,000,000 on an annual basis.

In July 1983, the Company filed a petition with the PSCI requesting a $160,000,000 annual rate increase to be implemented in two steps. The first step, representing approximately $44,300,000, was requested to be effective as soon as possible. In November 1983, the PSCI granted permission to increase rates $28,500,000 annually, effective November 28, 1983. The second step, representing approximately $115,700,000, was to

coincide with the date of commercial operation of the Rockport Plant Unit 1, presently scheduled to be in December 1984. In a prehearing order dated September 16, 1983, the PSCI found that the second step portion of the rate request may not properly be presented and reviewed as part of this application since the proposed test year is too remote from the in-service date of the Rockport Unit.

In December 1983, the Company filed an application with the Michigan Public Service Commission (MPSC) requesting an annual rate increase of approximately $27,600,000. The MPSC has scheduled a prehearing conference concerning this rate application for March 13, 1984.

Operating revenues derived from a certain wholesale customer represent approximately 11% of total operating revenues for 1983, 10% for 1982 and 9% for 1981.

3. Federal Income Taxes:

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

	Year Ended December 31,		
	1983	1982	1981
		(in thousands)	
Charged (Credited) to Operating Expenses:			
Current (net)	$(14,004)	$(16,503)	$ 8,672
Deferred (net)	79,409	29,064	36,254
Deferred Investment Tax Credits (net)	5,556	25,638	9,247
Total	70,961	38,199	54,173
Charged (Credited) to Other Income and Deductions:			
Current	(11,112)	(890)	(1,988)
Deferred (net)	4,887	(6,531)	(172)
Total	(6,225)	(7,421)	(2,160)
Total Federal Income Taxes as Reported	$ 64,736	$ 30,778	$52,013

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 in the Consolidated Statements of Income.

	Year Ended December 31,		
	1983	1982	1981
		(in thousands)	
Consolidated Net Income Before Preferred Stock Dividend Requirements	$139,876	$121,023	$103,340
Federal Income Taxes	64,736	30,778	52,013
Pre-tax Book Income	$204,612	$151,801	$155,353
Federal Income Taxes on Pre-tax Book Income at Statutory Rate (46%)	$ 94,122	$ 69,828	$ 71,462
Increase (Decrease) in Federal Income Taxes Resulting From the Following Items on Which Deferred Taxes Are Not Provided:			
Excess of Book Over Tax Depreciation	1,185	5,009	1,107
Allowance for Funds Used During Construction and Miscellaneous Items Capitalized on the Books but Deducted for Tax Purposes	(32,019)	(32,040)	(19,658)
Mine Development Costs	144	(4,771)	311
Investment Tax Credits Not Deferred	1,144	(1,727)	(1,799)
Amortization of Deferred Investment Tax Credits	(267)	(931)	(327)
Other	427	(4,590)	917
Total Federal Income Taxes as Reported	$ 64,736	$ 30,778	$ 52,013
Effective Federal Income Tax Rate	31.6%	20.3%	33.5%

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

	Year Ended December 31,		
	1983	1982	1981
		(in thousands)	
Current:			
Federal Income Taxes	$(26,903)	$ (4,008)	$11,598
Investment Tax Credits	1,787	(13,385)	(4,914)
Total Current Federal Income Taxes (net)	(25,116)	(17,393)*	6,684
Deferred:			
Depreciation (liberalized, ADR and ACRS)	26,993	12,441	13,440
Allowance for Borrowed Funds Used During Construction and Miscellaneous Items Capitalized	23,986	20,410	18,465
Deferred Fuel Costs	8,470	(1,158)	1,927
Adjustments for Revenue Refunds	2,401	8,304	3,134
Nuclear Fuel Lease Adjustments	(2,338)	4,033	1,258
Spent Nuclear Fuel Fee	31,671	—	—
Book Provision for Subsidiary Mine Standby Costs	6,900	(6,900)	—
Other	(7,321)	314	4,317
Investment Tax Credits Applicable to Certain Deferred Income Taxes	(6,466)	(14,911)	(6,459)
Total Deferred Federal Income Taxes (net)	84,296	22,533	36,082
Total Deferred Investment Tax Credits (net)	5,556	25,638	9,247
Total Federal Income Taxes as Reported	$ 64,736	$ 30,778	$52,013

*The consolidated current Federal income taxes were significantly decreased in 1982 by the tax loss of a coal mining subsidiary, the tax effect of which was not reduced by investment tax credits. In addition, the Company was able to utilize investment tax credits in excess of the statutory limitation as a result of the lack of available credits of other System companies with taxable income.

The companies join in the filing of a consolidated Federal income tax return with their affiliated companies in the AEP System. The allocation of the AEP System's consolidated Federal income tax to the System companies is in accordance with Securities and Exchange Commission (SEC) rules under the Public Utility Holding Company Act of 1935. These rules permit the allocation of the benefit of current tax losses to the System companies giving rise to such losses in determining taxes currently payable. The tax loss of the System parent company, American Electric Power Company, 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. Consolidated investment tax credits utilized are generally allocated to the System companies giving rise to them.

Unused System investment tax credits at December 31, 1983, aggregated approximately $174,000,000.

With the filing of the consolidated 1982 Federal income tax return, the Company elected to change from the double-declining balance method to the sum-of-the-years digits method of depreciation for certain classes of properties.

The System has reached a settlement with the Internal Revenue Service (IRS) for the majority of issues from the audit of the consolidated Federal income tax returns for the years 1970-1976. Several issues regarding the 1974-1976 returns are not covered by the settlement agreement and are subject to future disposition. Returns for the years 1977 and 1978 have been reviewed by the IRS, and additional taxes for these years have been proposed, some of which the System companies have protested. In the opinion of management, the final resolution of open matters will not have a material effect on the earnings of the Company.

4. Common Stock, Premiums on Capital Stock and Other Paid-in Capital:

The Company received from its parent cash capital contributions of $30,000,000 in 1983, $50,000,000 in 1982 and $90,000,000 in 1981. In 1983, 1982 and 1981 a credit to other paid-in capital of $142,000, $131,000 and $365,000, respectively, represented the excess of par value over cost of cumulative preferred stock reacquired by the Company to meet sinking fund requirements. There were no other changes in any of the aforementioned accounts in 1983, 1982 or 1981.

5. Retained Earnings:

Various restrictions on the use of retained earnings for cash dividends on common stock and other purposes are contained in or result from covenants in mortgage indentures, debenture and bank loan agreements, charter provisions, and orders of regulatory authorities. Approximately $45,900,000 at December 31, 1983, was so restricted.

6. Cumulative Preferred Stock:

At December 31, 1983, 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 option of the Company 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 reacquired 126,200 shares of the $2.75 series in 1983 and 17,940, 10,620 and 28,395 shares of the 12% series in 1983, 1982 and 1981, respectively. The Company issued and sold 1,600,000 shares of the $3.63 series in 1981.

A. Cumulative Preferred Stock Not Subject to Mandatory Redemption:

Series	Current Call Price	Redemption Restricted Prior to	Par Value	Shares Outstanding	Amount December 31, 1983	Amount December 31, 1982
					(in thousands)	
4⅛%	$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%	104.68	—	100	300,000	30,000	30,000
7.76%	105.38	—	100	350,000	35,000	35,000
8.68%	105.27	—	100	300,000	30,000	30,000
$2.15	26.61	—	25	1,600,000	40,000	40,000
$2.25	26.69	—	25	1,600,000	40,000	40,000
					$197,000	$197,000

B. Cumulative Preferred Stock Subject to Mandatory Redemption:

Series (a)	Current Call Price	Redemption Restricted Prior to	Par Value	Shares Outstanding	Amount December 31, 1983	Amount December 31, 1982
					(in thousands)	
12% (b)	$112	—	$100	226,525	$22,652	$ 24,447
$2.75 (c)	27.75	10/1/84	25	1,473,800	36,845	40,000
$3.63 (d)	28.63	11/1/86	25	1,600,000	40,000	40,000
					99,497	104,447
Less Sinking Fund Requirements Due Within One Year					152	447
					$99,345	$104,000

(a) The sinking fund provisions of the series subject to mandatory redemption aggregate $152,000 in 1984, $2,345,000 in 1985, $3,500,000 in 1986 and $5,500,000 in 1987 and 1988.

(b) A sinking fund for the 12% series requires the Company to provide, on or before October 1 of each year, for the redemption of 15,000 shares of such series. This provision may be satisfied through shares previously purchased or by redemption at $100 a share. The Company has the right, on each sinking fund date, to redeem an additional 15,000 shares. At December 31, 1983, the Company had reacquired 13,475 shares in anticipation of future sinking fund requirements. Unless all sinking fund provisions have been met, no distribution may be made on the common stock.

(c) A cumulative sinking fund for the $2.75 series requires the Company to redeem 80,000 shares on each October 1. The Company has the option to credit shares purchased or otherwise acquired in lieu of redeeming shares for the sinking fund and has the noncumulative option to double the number of shares to be redeemed in any year. At December 31, 1983, the Company had acquired 126,200 shares in anticipation of future sinking fund requirements.

(d) A cumulative sinking fund for the $3.63 series requires the Company to redeem 80,000 shares on each January 1 commencing on January 1, 1987. The Company has the option to credit shares purchased or otherwise acquired in lieu of redeeming shares for the sinking fund and has the noncumulative option to double the number of shares to be redeemed in any year on and after January 1, 1987.

7. Long-term Debt, Lines of Credit, and Compensating Balances:

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

	December 31, 1983	December 31, 1982
	(in thousands)	
First Mortgage Bonds	$1,184,598	$1,202,904
Sinking Fund Debentures	20,166	20,964
Installment Purchase Contracts	159,209	159,073
Other Long-term Debt	81,731	14,534
	1,445,704	1,397,475
Less Portion Due Within One Year	86,874	92,970
Total	$1,358,830	$1,304,505

First mortgage bonds outstanding were as follows:

% Rate	Due	December 31, 1983	December 31, 1982
		(in thousands)	
3⅝	1983 — September 1	$ —	$ 13,762
11	1983 — September 1	—	60,000
3⅛	1984 — October 1	15,082	15,082
10⅞	1984 — December 1 (b)	54,750	56,938
10	1985 — March 1 (c)	9,750	10,500
10¼	1987 — January 1	80,000	80,000
13⅞	1987 — February 1	55,000	55,000
3⅞	1988 — February 1	22,974	22,974
4¾	1988 — November 1	17,557	17,557
14¾	1989 — March 1	120,000	120,000
11⅜	1990 — June 1	80,000	80,000
15⅝	1991 — November 1	40,000	40,000
16½	1992 — April 1	100,000	100,000
4⅜	1993 — August 1	42,902	42,902
7	1998 — May 1	35,000	35,000
8⅞	2000 — April 1	50,000	50,000
9½	2003 — June 1 (c)	254,000	265,500
8⅜	2003 — December 1	40,000	40,000
9½	2008 — March 1	100,000	100,000
13¾	2013 — August 1 (a)	70,000	—
Unamortized Discount (net)		(2,417)	(2,311)
		1,184,598	1,202,904
Less Portion Due Within One Year		82,082	88,200
Total		$1,102,516	$1,114,704

(a) Issued by the Company in August 1983.
(b) Guaranteed by American Electric Power Company, Inc.
(c) Sinking fund payments are required as follows:
10% series due 1985 — $750,000 annually on March 1.
9½% series due 2003 — $11,500,000 annually on June 1, through 1991 and $13,500,000 annually on June 1, 1992 through 2002 with the noncumulative option to redeem an additional amount in each of the specified years from a minimum of $100,000 to a maximum equal to the scheduled requirement for each year, but with a maximum optional redemption, as to all years in the aggregate, of $75,000,000.

The 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. The Company has elected to use unfunded property additions to meet these provisions in the past.

Sinking fund debentures outstanding were as follows:

	December 31, 1983	December 31, 1982
	(in thousands)	
5⅛% Due 1986 — June 1	$10,022	$10,104
7¼% Due 1998 — May 1	10,123	10,829
Unamortized Premium	21	31
	20,166	20,964
Less Portion Due Within One Year	22	—
Total	$20,144	$20,964

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

% Rate	Date	December 31, 1983	December 31, 1982
		(in thousands)	
City of Lawrenceburg, Indiana:			
8½	2006 — July 1	$ 25,000	$ 25,000
7	2006 — May 1	40,000	40,000
6⅞	2006 — May 1	12,000	12,000
City of Rockport, Indiana:			
9⅛	2005 — June 1	6,500	6,500
9¼	2010 — June 1	33,500	33,500
City of Sullivan, Indiana:			
7⅜	2004 — May 1	7,000	7,000
6⅞	2006 — May 1	25,000	25,000
7½	2009 — May 1	13,000	13,000
Unamortized Discount		(2,791)	(2,927)
Total		$159,209	$159,073

Under the terms of certain installment purchase contracts, the Company is required to pay purchase price installments in 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 of the Company.

Other long-term debt outstanding consisted of:

	December 31, 1983	December 31, 1982
	(in thousands)	
Nuclear Fuel Disposal Costs (a)	$71,964	$ —
Coal Reserve Obligations Payable in Equal Annual Installments Through 1985 with Interest at 8%	9,475	14,212
Notes Payable due 1983 Through 1985, 6%-7%	292	322
	81,731	14,534
Less Portion Due Within One Year	4,770	4,770
Total	$76,961	$ 9,764

(a) See Note 9.

Long-term debt, excluding premium or discount, outstanding at December 31, 1983 is due as follows:

	Principal Amount (in thousands)
1984	$ 86,874
1985	25,996
1986	21,000
1987	146,500
1988	52,031
Later Years	1,118,490
Total	$1,450,891

At December 31, 1983 and 1982, the principal amounts of debentures reacquired in anticipation of sinking fund requirements were $2,055,000 and $2,067,000, respectively. The Company may make additional debenture or first mortgage bond sinking fund payments of up to $12,250,000 annually.

The Company had unused short-term bank lines of credit of approximately $383,000,000 and $330,000,000 at December 31, 1983 and 1982, respectively, under which notes could be issued with no maturity more than 270 days. The available lines of credit are subject to withdrawal at the banks' option, and $343,000,000 and $276,000,000 at December 31, 1983 and 1982, respectively, of such lines are shared with other AEP System companies. In accordance with informal agreements with the banks, compensating balance deposits of up to 10% or equivalent fees are required to maintain the lines of credit and on any amounts actually borrowed, generally either additional compensating balance deposits of up to 10% are maintained or adjustments in interest rates are made. Substantially all bank balances are maintained by the Company to compensate the banks for services and for the Company's share of both used and available lines of credit.

8. Supplementary Income Statement Information and Related-party Transactions:

Electric operating revenues shown in the Consolidated Statements of Income include sales of energy to AEP System companies of approximately $25,000,000, $18,800,000 and $19,100,000 for the years ended December 31, 1983, 1982 and 1981, respectively.

Operating expenses shown in the Consolidated Statements of Income include certain items not shown separately, as follows:

	Year Ended December 31, 1983	1982	1981
	(in thousands)		
Purchased Power (a)	$ 82,245	$ 40,817	$ 38,557
Interchange Power (net):			
AEP System Electric Utilities	104,271	116,666	100,960
Other Companies (b)	(27,430)	(2,800)	(398)
	$159,086	$154,683	$139,119
Taxes Other Than Federal Income Taxes:			
Real and Personal Property Taxes	$22,062	$19,485	$18,958
State Gross Sales, Excise and Franchise Taxes and Miscellaneous State and Local Taxes	11,269	8,567	9,399
State Income Taxes	(193)	708	1,074
Social Security Taxes	3,915	3,807	3,267
	$37,053	$32,567	$32,698
Fuel for Electric Generation includes charges relating to mining operations, as follows:			
Maintenance	$ 765	$3,424	$3,778
Depreciation, Depletion and Amortization	1,826	4,284	4,434
Taxes Other Than Federal Income Taxes	1,184	2,109	1,336

(a) Includes power purchased from Ohio Valley Electric Corporation (OVEC) of approximately $45,787,000 in 1983, $20,229,000 in 1982 and $15,066,000 in 1981.

(b) Includes interchange power sold to OVEC of approximately $66,000 in 1983, $143,000 in 1982 and $186,000 in 1981.

Charges to operating expenses for royalties and for advertising are less than 1% of gross revenues in each year.

Sales and purchases of energy and interchange power transactions are regulated by the various commissions having jurisdiction.

American Electric Power Service Corporation provides certain services to the Company and the affiliated companies in the AEP System. The costs of the services are determined by the service company on a direct charge basis to the extent practicable and on reasonable bases of proration for indirect costs. The charges for services are made on a cost basis and include no compensation for the use of equity capital, all of which is furnished to the service company by AEP. The service company is subject to the regulation of the SEC under the Public Utility Holding Company Act of 1935.

9. Commitments and Contingencies:

Construction

The construction budget of the companies for the year 1984 is estimated at $119,000,000 and, in connection therewith, commitments have been made.

AEP Generating Company (AEGCo), a subsidiary of AEP, organized in 1982, commenced in April 1982 to acquire a 35% interest in the Company's 2.6 million kilowatt capacity Rockport Plant currently under construction, on a buy-in basis. The total estimated cost of the Rockport Plant is $2.14 billion. It was anticipated that Kentucky Power Company (KEPCo), an operating subsidiary of AEP, would also acquire a 15% interest in the Rockport Plant on a buy-in basis; however, in August 1982 the order of the Kentucky Public Service Commission (KPSC) approving the acquisition was remanded back to it for a specific finding of fact with respect to the AEP System interconnection agreement. In March 1983, the KPSC issued an order granting KEPCo's request to purchase a 15% ownership interest in the Company's Rockport Plant. The order, however, limited the amount ultimately includable in KEPCo's rate base to $312,000,000, the then estimated cost of KEPCo's ownership interest, regardless of the final cost of the Rockport Plant. Based on certain developments in a KEPCo rate case, the KPSC has reopened the proceeding regarding the application of KEPCo for a certificate of convenience and necessity to acquire a 15% undivided ownership interest in the Rockport Plant. Pending further order by the KPSC, KEPCo ceased making expenditures in connection with the construction of the Rockport Plant and AEGCo is providing for all construction expenditures. In the event that KEPCo is ultimately denied authority by the KPSC to acquire its 15% ownership interest or a decision is made that such acquisition is impractical or unlikely, AEGCo may acquire all or a portion of this interest if regulatory approval is received. The 1984 estimate of construction costs for the Company reflects the assumption by AEGCo and KEPCo of the responsibility of providing for additional construction expenditures with respect to the Rockport Plant, to reduce the Company's ownership interest in the Plant to 50% by late 1984, the estimated date of commercial operation of the first unit of the two-unit Plant.

Ohio Valley Electric Corporation

AEP and Columbus and Southern Ohio Electric Company (C&SOE) own 42.1% of Ohio Valley Electric Corporation (OVEC), which supplies the U.S. Department of Energy (DOE) with the power requirements of its gaseous diffusion plant near Portsmouth, Ohio. The proceeds from the sales of power by OVEC, aggregating $279,000,000 in 1983, are designed to be sufficient for OVEC to meet its operating expenses and fixed costs, and to provide for a return on its equity capital. The Company, as a sponsoring company, is entitled to receive from OVEC, and is obligated to pay for, the power not required by DOE in proportion to its power participation ratio, which was 31.3% in December 1983. The DOE power agreement terminates in 1992.

Litigation

On April 16, 1982, an action was commenced by 29 plaintiffs, almost all of whom are landowners, in the U.S. District Court for the Southern District of Indiana against the Army Corps of Engineers, the Company, AEP, five subsidiaries of AEP and two executive officers of certain of these System companies, in connection with the Rockport Plant and related transmission lines. The complaint contained three counts. The first count alleged that the Corps of Engineers improperly issued permits for the plant and transmission lines because of deficiencies in an environmental impact statement. The second count alleged that corporate assets had been dissipated by constructing the plant and related transmission lines. The third count alleged violations of rights to due process, just compensation and equal protection of the law in connection with the use of condemnation proceedings, and sought unspecified compensatory and exemplary damages from the two System executive officers named as defendants and the Company and another subsidiary, and injunctive relief enjoining the institution of any further condemnation proceedings. The court has dismissed all three counts on motions by the defendants; however, the plaintiffs may appeal the decisions.

In 1978, several retail customers of the Company commenced an action, individually and as representatives of an alleged class, in the U.S. District Court, alleging that the Company's lease of electric utility assets from the City of Fort Wayne is in violation of Federal antitrust laws. The complaint seeks to have the lease declared null and void, asks that the Company be restrained from charging excessive prices for the purchase of electric power, seeks treble damages in an unspecified amount in respect of allegedly excessive charges to residents of the City of Fort Wayne and seeks to restore the control of the electric utility assets in question to the City of Fort Wayne. In May, June and July, 1979 the court granted in part and denied in part the Company's motion to dismiss or for summary judgment. The court dismissed plaintiff's allegations

concerning abuse of a legally acquired monopoly but ruled that plaintiffs could continue to assert other theories of violation of Federal antitrust laws and certified a class of residential customers who may maintain the action. The case was tried in March 1982 and is awaiting decision.

As an outgrowth of a Federal Power Commission investigation commenced in 1975 concerning, among other things, the reasonableness and prudence of the coal-purchasing policies and practices of certain System companies, FERC, on March 18, 1980, ordered a new investigation into the System's administration of certain long-term coal-supply contracts with unaffiliated suppliers. In addition, on June 10, 1981 and July 29, 1981, FERC issued orders which included termination of certain other portions of the original investigations and ordered a hearing, relating to the procurement of Western coal from mines operated by the System in the light of the possible availability of coal from other sources. The FERC staff filed proposed testimony, on May 2, 1983, claiming that the Company (i) overstated its cost of coal by virtue of its treatment of tax benefits related to certain mine-development costs, and (ii) paid excessive prices for coal from affiliated mines. The FERC witnesses allege that the revenue effect of the first action is approximately $11,000,000 through May 1982 and that the overcharges occasioned by the purportedly excessive prices total almost $76,000,000 as of December 31, 1981, exclusive of interest and certain other adjustments, and that both these effects are continuing. The Company estimates that the alleged overcharges, based on the FERC witnesses' theory, would aggregate approximately $163,000,000 for the System companies, inclusive of interest and certain other adjustments, as of December 31, 1983, but excluding possible subsequent adverse effects which could be associated with a prospective limitation on the Company's ability to recover affiliated costs in rates. A FERC witness also contends that the refund obligation which he claims flows from such alleged overcharges is shared by the Company, Appalachian Power Company, C&SOE, KEPCo and Ohio Power Company as parties to an AEP System interconnection agreement. The Company believes that as much as 78% of a refund obligation, if finally ordered by FERC, would be borne by the Company. This case is in the discovery phase.

The Company terminated its contract with Terre Haute Industries, Inc. (THI) on the grounds that THI was not meeting the schedule for the construction of an electro-static precipitator at the Breed Plant. THI instituted a suit for breach of contract against the Company in an Indiana circuit court claiming damages in an unspecified amount. THI also named the American Electric Power Service Corporation as a defendant and requested damages from it for interference with THI's contract with the Company and for libel. The Company denied THI's complaint and counterclaimed for damages in the amount of $6,801,000 which the Company claims it suffered as a result of the delay in the construction work. On February 20, 1981, the Company's motion to add an insurance company-surety as a defendant to the Company's counterclaim was granted. The insurance company-surety was later dismissed. Trial of this action was completed in December 1982. In an order dated January 9, 1984, the court awarded compensatory and punitive damages to THI in the amounts of $4,934,000 and $12,000,000, respectively, exclusive of interest. As a result of that judgment, the Company has recorded a liability, including interest, on the Consolidated Balance Sheet for the compensatory damages and, the Company and the Service Corporation are appealing the court decision.

Environmental Matters

The companies are subject to regulation by Federal, state and local authorities with regard to air- and water-quality control and other environmental matters, and are subject to zoning and other regulation by local authorities. Although the cumulative, long-term effect of changing environmental requirements upon the companies cannot be estimated at present, compliance with such requirements may make it necessary, at costs which may be substantial, to retrofit existing facilities with additional air-pollution-control equipment; to construct cooling towers or some other closed-cycle cooling systems; to undertake new measures in connection with the storage, transportation and disposal of by-products and wastes; to curtail or cease operations at existing facilities and to delay the commercial operation of, or make design changes with respect to, facilities under construction.

Legislative proposals are pending before the Congress which expressly seek to control acid deposition in the eastern portion of the United States. If any of these bills become law, stringent controls upon the emission of sulfur dioxide would be required at various existing Company generating plants. These controls would entail very substantial capital and operating costs which, in turn, could necessitate substantial rate increases by the Company. In addition, a number of states have commenced proceedings under the Clean Air Act seeking to control the emission of sulfur dioxide in certain midwestern states.

Nuclear Insurance

The Price-Anderson Act limits the public liability of a licensee of a nuclear plant to $580 million for a single nuclear incident. The Company has insurance covering its two-unit Cook Nuclear Plant in the maximum available amount of $160 million, and the balance of $420 million is covered by a mandatory program of deferred premiums which would be assessed, after a nuclear incident, against all owners of nuclear reactors. When the 80th nuclear power reactor went into operation on November 15, 1982, the Nuclear Regulatory Commission's indemnity obligation was eliminated. Now, as each new reactor is licensed to operate, the $580 million limit increases by another $5 million. In the event of a nuclear incident the Company could be assessed $5 million per incident for each of its two generating units (subject to a maximum of $10 million per reactor in any year in the event of more than one incident).

The Company also has property insurance for damage to the Cook Plant facilities in the amount of $1.01 billion. The primary layer of $500 million is provided through nuclear insurance pools. The excess coverage above $500 million is provided partially through insurance pools ($85 million), with the majority provided by Nuclear Electric Insurance Limited (NEIL), as described below.

The Company is a member of NEIL and has obtained insurance under NEIL's two programs. NEIL's extra-expense program provides insurance to cover extra costs of replacement power resulting from a prolonged accidental outage of a nuclear unit. The Company's policy insures against such increased costs up to $2.5 million per week (starting 26 weeks after the outage) for one year and $1.25 million per week for the second year; or 80% of those amounts per unit if both units are down for the same reason. The Company would be subject to a retrospective premium of up to $7,387,000 for Unit 1 and $7,373,000 for Unit 2 (five times annual premium) if NEIL's losses exceed its accumulated funds. Additionally, the Company has also joined NEIL's excess property insurance program which presently provides $425 million in coverage. The maximum assessment under this program could be $9,341,000 (seven and one-half times the annual premium on a 100% coverage basis).

Disposal of Spent Nuclear Fuel and Nuclear Decommissioning

The Nuclear Waste Policy Act of 1982 establishes Federal responsibility for the permanent disposal of spent nuclear fuel. Disposal costs are paid by fees assessed against owners of nuclear plants and deposited into the Nuclear Waste Fund created by the Act. For the disposal of nuclear fuel consumed after April 6, 1983 by the Company's Cook Nuclear Plant, the Company must pay to the fund a fee of one mill per kilowatthour, which the Company is currently recovering from its customers. In June 1983, the Company entered into a contract with DOE for the disposal of spent nuclear fuel. Under terms of the contract the Company must pay to the U.S. Treasury a fee estimated at approximately $71,964,000, exclusive of interest, for the disposal of nuclear fuel consumed prior to April 7, 1983. Approval by DOE of the calculation of the fee is currently pending.

The Company has deferred the $71,964,000 on its balance sheet pending recovery through the rate-making process. The Company has received regulatory approval in certain of its jurisdictions for the recovery of a portion of this amount and has begun to reduce the amount deferred as it is being recovered.

With respect to decommissioning, the Public Service Commission of Indiana held in an order dated December 22, 1982 that "a reasonable estimate for the costs of decommissioning the (Cook Plant), when measured in 1982 dollars, should be set at $155,000,000." In certain of its jurisdictions, the Company is currently recovering, through inclusion in its current charges to customers, a portion of the future costs associated with decommissioning.

Funds recovered through the rate-making process for disposal of spent nuclear fuel consumed prior to April 7, 1983 and for nuclear decommissioning generally have been deposited in either external trust funds or internal special funds for the future payment of such costs. The Company will attempt to obtain in all its jurisdictions regulatory approval for the recovery of the remainder of such future costs.

10. Leases:

The companies, as part of their operations, lease property, plant and equipment under leases ranging in length from 3 to 35 years. Most of the leases require the companies to pay related property taxes, maintenance costs and other costs of operation. The companies expect that in the normal course of business, leases will generally be renewed or replaced by other leases. The majority of the various rentals are included in leases having purchase options or renewal options for substantially all of the economic lives of the properties.

Rentals are analyzed as follows:

	Year Ended December 31,		
	1983	1982	1981
	(in thousands)		
Gross Rentals	$92,000	$96,000	$95,000
Less Rental Recoveries (including sublease rentals) (a)	3,000	3,000	3,000
Net Rentals (b)	$89,000	$93,000	$92,000
(a) Includes amounts paid for or reimbursed by associated companies.			
(b) Classified as:			
Operating Expenses	$82,000	$88,000	$87,000
Clearing and Miscellaneous Accounts (portions of which are charged to income)	7,000	5,000	5,000
	$89,000	$93,000	$92,000

Future minimum lease payments, by year and in the aggregate, of the companies' capital leases and noncancelable operating leases consisted of the following at December 31, 1983:

	Capital Leases (a)	Operating Leases
	(in thousands)	
1984	$ 12,000	$ 11,000
1985	10,000	12,000
1986	8,000	12,000
1987	7,000	12,000
1988	6,000	12,000
Later Years	57,000	179,000
Total Future Minimum Lease Payments	100,000	$238,000
Less Estimated Interest Element Included Therein (b)	46,000	
Estimated Present Value of Future Minimum Lease Payments	$ 54,000	

(a) Excludes leases of nuclear fuel, all of which are capital leases. Nuclear fuel rentals comprise the unamortized balance of the lessor's cost (approximately $142,000,000 at December 31, 1983), less salvage value, if any, to be paid in proportion to heat produced, and carrying charges on the lessor's unrecovered cost. It is contemplated that portions of the presently leased material will be replenished by additional leased material.

(b) Interest rates used range from 7.1% to 13.5%.

The following is a pro forma analysis of properties under capital leases and related obligations assuming that such leases are capitalized:

	December 31,	
	1983	1982
	(in thousands)	
Nuclear Fuel	$285,000	$253,000
Coal-mining and Coal-transportation Equipment	28,000	28,000
Other Transportation Equipment	19,000	13,000
Real Estate	12,000	13,000
Electric Distribution System Property	13,000	13,000
Gross Properties under Capital Leases	357,000	320,000
Less Accumulated Provision for Amortization	162,000	153,000
Net Properties under Capital Leases	$195,000	$167,000
Obligations under Capital Leases (a)	$196,000	$175,000

(a) Including an estimated $69,000,000 and $60,000,000 at December 31, 1983 and 1982, respectively, due within one year.

A recent accounting standard will require the companies to capitalize leases beginning in 1984 for all capital leases entered into after December 31, 1982 and all earlier leases beginning in 1987. This will not have any effect on the Consolidated Statements of Income.

Included in the above analysis of future minimum lease payments and of properties under capital leases and related obligations are certain leases as to which portions of the related rentals are paid for or reimbursed by associated companies in the AEP System based on their usage of the leased property. The companies cannot predict the extent to which or proportion in which the associated companies will utilize the properties under such leases in the future.

11. Unaudited Quarterly Financial Information:

The following consolidated quarterly financial information is unaudited but, in the opinion of the Company, includes all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation of the amounts shown:

Quarterly Periods Ended	Operating Revenues	Operating Income	Net Income*
	(in thousands)		
1983 —			
Mar. 31	$197,685	$47,323	$32,338
June 30	191,193	43,199	30,142
Sept. 30	235,221	43,959	38,955
Dec. 31	244,881	48,262	38,441
1982 —			
Mar. 31	241,513	52,967	38,910
June 30	183,212	43,628	30,472
Sept. 30	202,372	35,882	25,331
Dec. 31	182,706	42,468	26,310

*Before preferred stock dividend requirements.

12. Unaudited Information On Inflation and Changing Prices:

The supplementary information in the statements below is presented in compliance with the requirements

of the Financial Accounting Standards Board (FASB). The information is intended to disclose the effects of both general inflation and changing prices; however, the amounts should be considered approximations of such effects rather than precise measures since a number of subjective judgments and estimating techniques were employed in developing the information.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power as measured by the average level of the 1983 Consumer Price Index for All Urban Customers (CPI-U).

Current cost amounts reflect the changes in specific prices of property, plant and equipment from the date such assets were acquired to the present, and differ from constant dollar amounts to the extent that specific prices have risen at a different rate than the general inflation rate as measured by the CPI-U. The current cost of property, plant and equipment represents the approximate cost of replacing such resources and includes utility plant in service, construction work in progress, land, land rights and other property and investments. Current cost amounts were determined primarily by applying appropriate indexes from the Handy-Whitman Index of Public Utility Construction Costs.

Consolidated Statement of Income
Adjusted for Effects of Changing Prices

Year Ended December 31, 1983	As Stated in the Primary Financial Statements	Adjusted for General Inflation (constant dollar)	Adjusted for Changes in Specific Prices (current cost)
		(in thousands)	
Operating Revenues	$868,980	$869,000	$869,000
Operating Expenses:			
Operation:			
Fuel for Electric Generation (a)	159,998	161,000	161,000
Purchased and Interchange Power (net)	159,086	159,000	159,000
Other	122,127	122,000	122,000
Maintenance	53,049	53,000	53,000
Depreciation, Depletion and Amortization (a)	83,963	188,000	194,000
Taxes Other Than Federal Income Taxes	37,053	37,000	37,000
Federal Income Taxes	70,961	71,000	71,000
Total Operating Expenses	686,237	791,000	797,000
Operating Income	182,743	78,000	72,000
Other Income and Deductions	53,629	54,000	54,000
Net Interest Charges	(96,496)	(97,000)	(97,000)
Preferred Stock Dividend Requirements	(28,384)	(28,000)	(28,000)
Earnings Applicable to Common Stock (b)	$111,492	$ 7,000	$ 1,000
Increase in Specific Prices (current cost) of Property, Plant and Equipment Held During the Year (c)			$ 249,000
Reduction to Net Recoverable Cost (d)		$(5,000)	(24,000)
Effect of Increase in General Price Level			(215,000)
Excess of Increase in Specific Prices after Reduction to Net Recoverable Cost over Increase in General Price Level			10,000
Gain from Decline in Purchasing Power of Net Amounts Owed (e)		68,000	68,000
Net		$63,000	$ 78,000

(a) As prescribed by the FASB, the items in the Consolidated Statement of Income that have been adjusted are depreciation, depletion and amortization (including portions classified as fuel for electric generation and other income and deductions). Depreciation, depletion and amortization charges were computed by applying current accrual rates to the various plant accounts (production, transmission, distribution, general and miscellaneous) after adjusting such accounts for the effects of changing prices.

(b) Including the reduction to net recoverable cost, the income (loss) from operations on a constant dollar basis and current cost basis would have been $2,000,000 and $(23,000,000), respectively.

(c) At December 31, 1983, current cost of property, plant and equipment net of accumulated depreciation, depletion and amortization was $5,803,000,000 while historical cost or net cost recoverable through depreciation, depletion and amortization was $2,908,000,000.

(d) The reduction to net recoverable cost of property, plant and equipment (as expressed in terms of inflation-adjusted cost) to historical cost recognizes that the rate-making process limits the Company to recovery of the historical cost of the subject assets.

(e) To reflect properly the economics of rate regulation in the Consolidated Statement of Income Adjusted for Effects of Changing Prices, the reduction to net recoverable cost should be offset by the gain that results from the decline in purchasing power of the net amounts owed by the Company. During a period of inflation, holders of monetary assets such as cash and receivables suffer a loss of general purchasing power while holders of monetary liabilities, generally long-term debt, experience a gain (because debt will be repaid in dollars having less purchasing power). The Company's gain from the decline in purchasing power of its net amounts owed is primarily attributable to the substantial amount of debt and cumulative preferred stock subject to mandatory redemption which has been used to finance utility plant.

Five-Year Comparison of Selected Supplementary Data
Adjusted for Effects of Changing Prices
(dollar amounts are expressed in terms of average 1983 dollars)

	Year Ended December 31,				
	1983	1982	1981	1980	1979
	(in thousands, except index data)				
Operating Revenues	$869,000	$836,000	$890,000	$898,000	$938,000
Historical Cost Information Adjusted for General Inflation					
Income (Loss) from Operations (excluding reduction to net recoverable cost)	$7,000	$(10,000)	$(21,000)	$(5,000)	$28,000
Net Assets at Year-end at Net Recoverable Cost	$1,082,000	$1,084,000	$1,088,000	$1,098,000	$1,189,000
Current Cost Information					
Income (Loss) from Operations (excluding reduction to net recoverable cost)	$1,000	$(11,000)	$(21,000)	$(9,000)	$8,000
Excess (Deficit) of Increase in Specific Prices after Reduction to Net Recoverable Cost over Increase in General Price Level	$10,000	$(9,000)	$(127,000)	$(326,000)	$(262,000)
Net Assets at Year-end at Net Recoverable Cost	$1,082,000	$1,084,000	$1,088,000	$1,098,000	$1,189,000
General Financial Data					
Gain from Decline in Purchasing Power of Net Amounts Owed	$68,000	$76,000	$158,000	$220,000	$237,000
Average Consumer Price Index	298.4	289.2	272.1	246.8	217.5
General Information on Mining Operations					
Proven and Probable Coal Reserves at End of Year (thousands of tons) (Note)	414,207	411,377	412,546	413,964	415,023
Tons of Coal Mined (thousands)	360	1,168	779	1,059	669
Average Market Price (at current cost per ton)	$84.66	$50.89	$65.95	$63.78	$63.10

Note: Proven reserves — The estimated quantities of commercially recoverable reserves that, on the basis of geological, geophysical and engineering data, can be demonstrated with a reasonably high degree of certainty to be recoverable in the future from known mineral deposits by either primary or improved methods.

Probable reserves — The estimated quantities of commercially recoverable reserves that are less well defined than proven reserves and that may be estimated or indicated to exist on the basis of geological, geophysical and engineering data.

Auditors' Opinion

Deloitte Haskins+Sells

155 East Broad Street
Columbus, Ohio 43215
(614) 221-1000
Cable DEHANDS

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

We have examined the consolidated balance sheets of Indiana & Michigan Electric Company and its subsidiaries as of December 31, 1983 and 1982 and the related consolidated statements of income, retained earnings and sources and applications of funds for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in the third paragraph under the caption "Litigation" in Note 9 of Notes to Consolidated Financial Statements, the Federal Energy Regulatory Commission staff has claimed that the Company has paid excessive prices for coal from affiliated mines resulting in overcharges to customers which may have to be refunded. The Company estimates that the alleged overcharges would aggregate at least $163,000,000, inclusive of interest and certain other adjustments at December 31, 1983. The Company cannot assess the ultimate outcome of this proceeding, if any, on the Company's financial position or results of operations.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, such consolidated financial statements present fairly the financial position of the Company and its subsidiaries at December 31, 1983 and 1982 and the results of their operations and their sources and applications of funds for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins + Sells

February 21, 1984

Operating Statistics

	1983	1982	1981	1980	1979
Electric Operating Revenues (in thousands):					
From Kilowatt-hour Sales:					
Retail:					
Residential:					
Without Electric Heating	$144,370	$125,798	$116,340	$106,488	$102,543
With Electric Heating	70,851	68,793	59,826	54,277	55,458
Total Residential	215,221	194,591	176,166	160,765	158,001
Commercial	137,616	127,470	117,725	108,764	106,151
Industrial	154,751	137,152	134,519	116,165	127,815
Miscellaneous	8,696	7,568	6,953	6,150	6,099
Total Retail	516,284	466,781	435,363	391,844	398,066
Wholesale (sales for resale)	343,427	325,468	360,096	346,513	280,639
Total from Kilowatt-hour Sales	859,711	792,249	795,459	738,357	678,705
Other Operating Revenues	9,269	17,554	16,690	4,326	4,308
Total Electric Operating Revenues	$868,980	$809,803	$812,149	$742,683	$683,013

	1983	1982	1981	1980	1979
Sources and Sales of Energy (in millions of kilowatt-hours):					
Sources:					
Net Generated — Steam:					
Fossil Fuel	5,684	4,587	6,373	6,719	6,443
Nuclear Fuel	12,301	12,349	13,167	13,153	11,614
Net Generated — Hydroelectric	55	77	98	85	79
Subtotal	18,040	17,013	19,638	19,957	18,136
Purchased	4,881	2,154	1,570	1,883	811
Net Interchange	573	3,775	3,704	3,669	5,389
Total Sources	23,494	22,942	24,912	25,509	24,336
Less: Losses, Company Use, Etc.	1,441	1,243	1,239	1,426	1,386
Net Sources	22,053	21,699	23,673	24,083	22,950
Sales:					
Retail:					
Residential:					
Without Electric Heating	2,596	2,472	2,467	2,493	2,389
With Electric Heating	1,458	1,540	1,513	1,549	1,619
Total Residential	4,054	4,012	3,980	4,042	4,008
Commercial	2,807	2,803	2,748	2,716	2,629
Industrial	3,941	3,701	4,021	3,932	4,380
Miscellaneous	204	197	199	195	194
Total Retail	11,006	10,713	10,948	10,885	11,211
Wholesale (sales for resale)	11,047	10,986	12,725	13,198	11,739
Total Sales	22,053	21,699	23,673	24,083	22,950

OPERATING STATISTICS (Concluded)

	1983	1982	1981	1980	1979
ANNUAL COST OF FUEL CONSUMED (in cents): (a)					
Cents per Million Btu:					
Coal	183.97	189.59	187.13	164.49	151.91
Nuclear	54.37	49.55	49.90	48.44	37.82
Overall	91.99	84.85	91.35	84.95	76.25
Cents per Kilowatt-hour Generated:					
Coal	1.76	1.85	1.81	1.59	1.52
Nuclear	.59	.53	.54	.52	.41
Overall	.96	.89	.95	.89	.81
RESIDENTIAL SERVICE — AVERAGES:					
Annual Kwh Use per Customer:					
Total	10,187	10,084	10,008	10,206	10,210
With Electric Heating	18,780	19,990	19,866	20,584	21,611
Annual Electric Bill:					
Total	$541	$489	$443	$406	$402
With Electric Heating	$912	$893	$785	$721	$740
Price per Kwh (in cents):					
Total	5.31	4.85	4.43	3.98	3.94
With Electric Heating	4.86	4.47	3.95	3.50	3.43
NUMBER OF ELECTRIC CUSTOMERS:					
Year-End:					
Retail:					
Residential:					
Without Electric Heating	320,655	320,097	321,850	321,432	319,477
With Electric Heating	78,311	77,335	77,002	75,618	75,606
Total Residential	398,966	397,432	398,852	397,050	395,083
Commercial	42,552	42,233	42,957	42,758	42,563
Industrial	3,253	3,249	2,873	2,802	2,748
Miscellaneous	1,571	1,458	1,440	1,424	1,373
Total Retail	446,342	444,372	446,122	444,034	441,767
Wholesale (sales for resale)	106	105	104	105	103
Total Electric Customers	446,448	444,477	446,226	444,139	441,870

(a) Excludes effect of deferred collection of fuel costs.

Price Range of Cumulative Preferred Stock

By Quarters (1983 and 1982)

Cumulative Preferred Stock	1983 — Quarters 1st	2nd	3rd	4th	1982 — Quarters 1st	2nd	3rd	4th
($100 Par Value)								
4⅛% 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	30	59	30⅛	55½	—	—	—	—
— Low	27	29¼	29½	30	—	—	—	—
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/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	58	59½	55	56	46¾	47	50	55
— Low	52½	54⅛	51½	49⅝	42½	44	44	48
7.76% Series								
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	62¼	64⅝	61	61⅜	50½	52	56½	61½
— Low	57	57½	56	54	45½	47⅛	48	52¼
8.68% Series								
Dividends Paid Per Share	$2.17	$2.17	$2.17	$2.17	$2.17	$2.17	$2.17	$2.17
Market Price — $ Per Share								
(NYSE) — High	70	73⅜	70⅞	70	55	58½	59¼	67
— Low	63½	65½	65⅝	60¼	50¾	52	57½	57⅞
12% Series								
Dividends Paid Per Share	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00	$3.00
Market Price — $ Per Share								
(NYSE) — High	100½	103½	103¼	101¾	81½	86½	94	98½
— Low	94	99	97	96½	77½	79½	79¼	89
($25 Par Value)								
$2.15 Series								
Dividends Paid Per Share	$0.5375	$0.5375	$0.5375	$0.5375	$0.5375	$0.5375	$0.5375	$0.5375
Market Price — $ Per Share								
(NYSE) — High	17⅞	18⅞	17½	17⅜	14½	15	15⅝	17⅛
— Low	15¾	16⅝	15¾	14¾	13⅛	13½	13¼	15⅛
$2.25 Series								
Dividends Paid Per Share	$0.5625	$0.5625	$0.5625	$0.5625	$0.5625	$0.5625	$0.5625	$0.5625
Market Price — $ Per Share								
(NYSE) — High	18⅛	19⅛	18¼	18	14⅞	15⅝	16⅝	18¼
— Low	16½	17¼	16½	15½	13½	13½	14¼	15⅝
$2.75 Series								
Dividends Paid Per Share	$0.6875	$0.6875	$0.6875	$0.6875	$0.6875	$0.6875	$0.6875	$0.6875
Market Price — $ Per Share								
(NYSE) — High	23¾	25	24	24	18¼	18⅜	20	21
— Low	21¾	23⅛	23⅛	23	17¼	18⅜	16½	20
$3.63 Series								
Dividends Paid Per Share	$0.9075	$0.9075	$0.9075	$0.9075	$0.63	$0.9075	$0.9075	$0.9075
Market Price — $ Per Share								
(NYSE) — High	29⅞	30⅜	28¾	28¾	—	25⅝	26¾	29⅜
— Low	26¼	27¾	27	26½	—	22¾	23	25½

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.

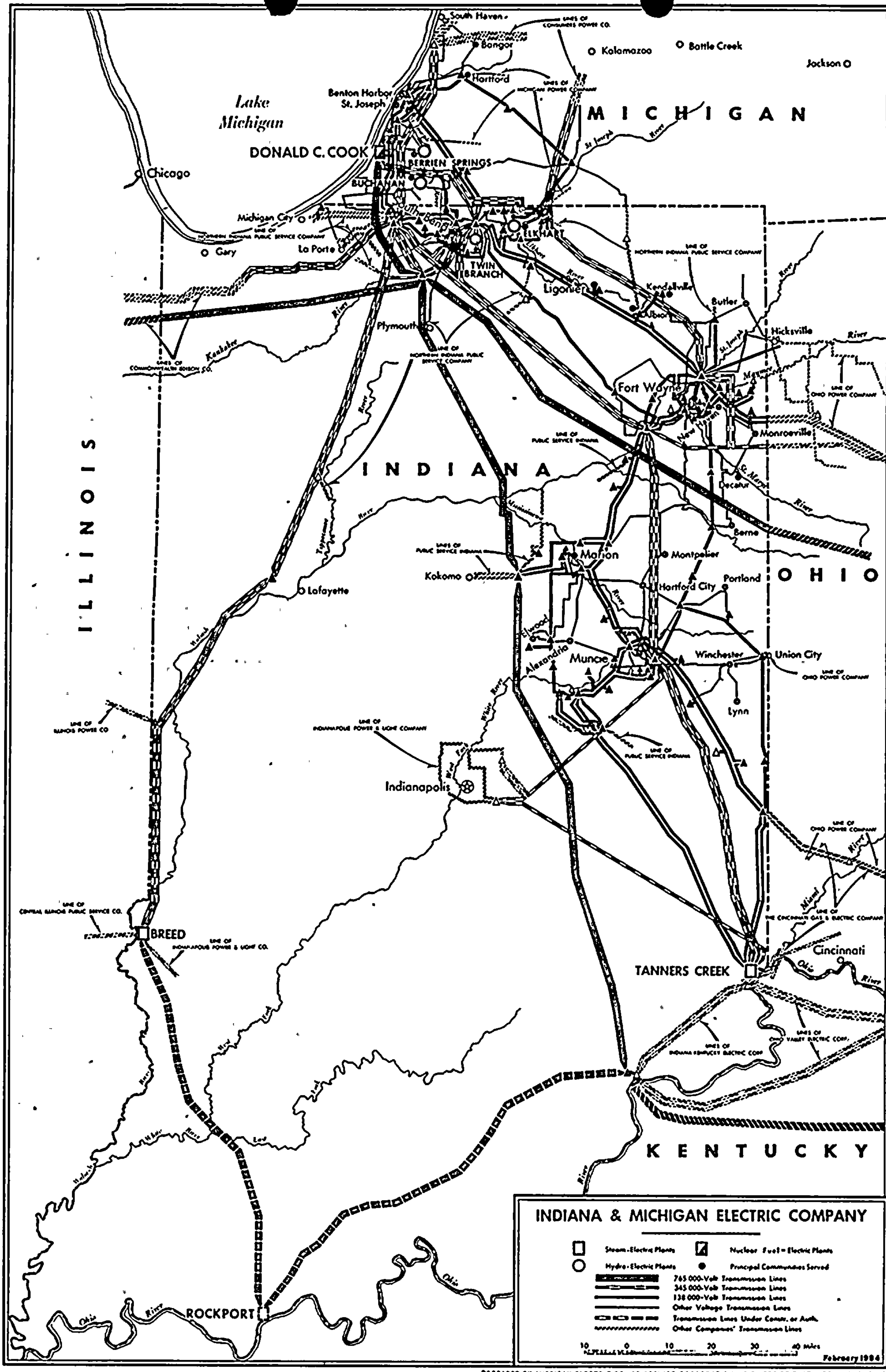
Market quotations provided by National Quotation Bureau, Inc.

Dash indicates quotation not available.

The Company's Annual Report
(Form 10-K) to the Securities and
Exchange Commission will be available
on or about March 31, 1984 to shareowners
upon written request and at no cost.
Please address such requests to:

Mr. T. P. Bowman
American Electric Power
Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215

Transfer Agent and Registrar of Cumulative Preferred Stock
Morgan Guaranty Trust Company of New York
30 West Broadway, New York, N.Y. 10007



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ATTACHMENT 2 TO AEP:NRC:0909

1984 Internal Cash Flow Projection
for Donald C. Cook Nuclear Plant
(Millions)

	Actual 1983	Projected 1984
Net income after taxes	139.9	155
Less dividends paid	136.0	141
Retained earnings	3.9	14
Adjustments:		
Depreciation and amortization	86.0	88
Deferred income taxes and investment tax credits	89.8	130
AFUDC	(119.2)	(116)
Total adjustments	56.6	102
Internal cash flow	60.5	116
Average quarterly cash flow	15.1	29
Average cash balances and short-term investments	13.5	40
Total	28.6	69

% Ownership in all operating nuclear units: Unit 1 and Unit 2 - 100%

Maximum Total Contingent Liability - $20.0 million (2 units)