

American Electric Power

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Frankfort, KY 40602-5190
www.aep.com

AEP

**AMERICAN
ELECTRIC
POWER**

RECEIVED

JAN 20 2004

PUBLIC SERVICE
COMMISSION

Thomas M. Dorman, Executive Director
Attn.: Isaac S. Scott
Public Service Commission
P. O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

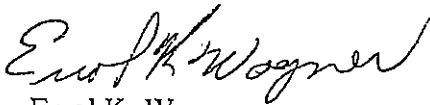
January 20, 2004

Re: Monthly Environmental Surcharge Report

Dear Mr. Dorman:

Pursuant to KRS 278.183(3), American Electric Power files herewith an original and five copies of its Environmental Surcharge Report for the month of December 2003. The report is in compliance with the Commission's Order dated March 31, 2003 in Case No. 2002-00169. The report shows the calculation and supporting documentation of American Electric Power's Environmental Surcharge Factor that will be billed with service on and after January 30, 2004.

Sincerely,

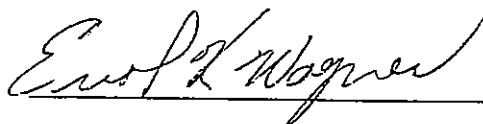


Errol K. Wagner
Director Regulatory Services

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CALCULATION OF E(m) and SURCHARGE FACTOR
 For the Expense Month of December 2003

<u>CALCULATION OF E(m)</u>		
E(m) = CRR - BRR		
LINE 1	CRR from ES FORM 3.00	\$1,914,798
LINE 2	Brr from ES FORM 2.00	\$15,785
LINE 3	E(m) (LINE 1 - LINE 2)	\$1,899,013
LINE 4	Kentucky Retail Jurisdictional Allocation Factor, from ES FORM 3.30, Schedule of Revenues, LINE 1	72.6%
LINE 5	KY Retail E(m) (LINE 3 * LINE 4)	\$1,378,683
LINE 6	Over/(Under) Recovery Adjustment from ES FORM 3.30	(\$435,244)
LINE 7	Net KY Retail E(m) (LINE 5 + LINE 6)	\$943,439
<u>SURCHARGE FACTOR</u>		
LINE 8	Net KY Retail E(m) (Line 7)	\$943,439
LINE 9	KY Retail R(m) from ES FORM 3.30	\$27,832,680
LINE 10	Environmental Surcharge Factor for Expense Month (Line 8 / LINE 9)	3.3897%

Effective Date for Billing: February 2004

Submitted By : 

Title : Director Regulatory Services

Date Submitted : January 20, 2004

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
BASE PERIOD REVENUE REQUIREMENT
For the Expense Month of December 1990

CALCULATION OF BASE PERIOD REVENUE REQUIREMENT

LINE NO.	COMPONENTS	
1	First Component - Associated with Big Sandy ((RB KP(B)) (ROR KP(B))/12) ES FORM 2.10, Line 11	\$15,625
2	Second Component - Associated with Rockport [((RB IM(B)) (ROR IM(B))/12) + OE IM (B)] (.15) ES FORM 2.11, Line 12	<u>\$160</u>
3	Total Base Period Revenue Requirement, BRR Record on ES FORM 1.00, Line 2	\$15,785

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT.
 BASE PERIOD REVENUE REQUIREMENT
 COSTS ASSOCIATED WITH BIG SANDY

For the Month of December 1990

LINE NO.	COST COMPONENT		
	Return on Rate Base (Balances as of December 31, 1990) :		
1	Utility Plant at Original Cost	\$3,920,119	
2	Less Accumulated Depreciation	(\$2,995,865)	
3	Less Acum. Def. Income Taxes	(\$475,467)	
4	Total Rate Base		\$448,787
5	Weighted Average Cost of Capital - ES FORM 2.20	12.8200%	
6	Monthly Weighted Avg. Cost of Capital (5)/12		1.0683%
7	December 1990 Return on Rate Base (4) * (6)		\$4,794
	Operating Expenses:		
8	December 1990 Depreciation Expense		\$10,597
9	December 1990 Property Tax		\$234
10	Total Operating Expenses (8) + (9)		\$10,831
11	Total Revenue Requirement, Costs Associated with Big Sandy (7) + (10) Record on ES FORM 2.00, Line1		\$15,625

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
COSTS ASSOCIATED WITH ROCKPORT

For the Month of December 1990

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$107,550	
2	Less Accumulated Depreciation	(\$22,554)	
3	Less Accum. Def. Income Taxes	(\$13,834)	
4	Total Rate Base		\$71,162
5	Weighted Average Cost of Capital - ES FORM 2.21	12.6216%	
6	Monthly Weighted Avg. Cost of Capital (LINE 5/12)		1.0518%
7	Monthly Return of Rate Base (4 * 6)		\$748
	Operating Expenses :		
8	Monthly Depreciation Expense		\$313
9	Monthly Indiana Air Emissions Fee		\$7
10	Total Operating Expenses (8 + 9)		<u>\$320</u>
11	Total Revenue Requirement, Cost Associated with Rockport (7) + (10)		\$1,068
12	Kentucky Power Portion of Rockport Total Revenue Requirement. Record on ES FORM 2.00, Line 2 (11 * 15%)		\$160

The Base Period Revenue Requirement information will only need to be filed once during the first 2-year period, as part of the first monthly surcharge filing. Attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of December 1990.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 BIG SANDY PLANT COST OF CAPITAL
 For the Expense Month of December 1990

LINE NO.	Component	Balances	Cap. Structures	Cost Rates		WACC (NET OF TAX)	GRCF		WACC (PRE - TAX)	
1	L/T DEBT	240,670,885	53.59%	8.20%		4.39%			4.39%	
2	S/T DEBT	17,796,815	3.96%	9.16%		0.36%			0.36%	
3	C EQUITY	190,611,826	42.45%	11.50%	1/	4.88%	1.6545	2/	8.07%	
4	TOTAL	449,079,526	100.00%			9.63%			12.82%	
WACC = Weighted Average Cost of Capital 1/ Rate of Return on Common Equity per Case No. 2002 - 00169							11.50%			
2/ Gross Revenue Conversion Factor (GRCF) Calculation:										
1	OPERATING REVENUE						100.00			
2	UNCOLLECTIBLE						<u>0.20</u>			
3	INCOME BEFORE STATE TAXES						99.80			
4	LESS : STATE INCOME TAX									
5	(LINE 3 X .0825)						<u>8.23</u>			
6	INCOME BEFORE FED INC TAX						91.57			
7	LESS : FEDERAL INCOME TAX									
8	(LINE 6 X .34)						<u>31.13</u>			
9	OPERATING INC PERCENTAGE						<u>60.44</u>			
10	GROSS REVENUE CONVERSION									
11	FACTOR (100%/LINE 9)						1.6545			

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 ROCKPORT UNIT POWER AGREEMENT COST OF CAPITAL
 For the Expense Month of December 1990

LINE NO.	DESC	CAP. BAL.	WEIGHTED CAP. BAL.	CAP. COST RATES		WAC (NET OF TAX)	GRCF		WAC (PRE - TAX)	
1	L/T DEBT	162,770,349	70.3618%	7.7961%		5.4855%				
2	S/T DEBT	0	0.0000%	0.0000%		0.0000%				
3	S/T INV	(26,356,261)	-11.3932%	7.7961%		-0.8882%				
4	DEBT								4.5973%	
5	C EQUITY	94,919,467	41.0314%	12.1600%	1/	4.9894%	1.608260	2/	8.0243%	
6	TOTAL	231,333,555	100.0000%						12.6216%	
WACC = Weighted Average Cost of Capital										
1/	Cost Rates per the Provisions of the Rockport Unit Power Agreement							12.16%		
2/	Gross Revenue Conversion Factor (GRCF) Calculation:									
1	OPERATING REVENUE							100.00		
2	LESS: INDIANA ADJUSTED GROSS INCOME									
3	(LINE 1 X .0434)							<u>4.340</u>		
4	INCOME BEFORE FED INC TAX							95.660		
5	LESS: FEDERAL INCOME TAX									
6	(LINE 4 X .35)							<u>33.481</u>		
7	OPERATING INCOME PERCENTAGE							<u>62.179</u>		
8	GROSS REVENUE CONVERSION									
9	FACTOR (100% / LINE 7)							1.608260		

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
For the Expense Month of December 2003

CALCULATION OF CURRENT PERIOD REVENUE REQUIREMENT

LINE NO.	COMPONENTS		
1	First Component: Associated with Big Sandy Plant ((RB KP(C)) (ROR KP(C)/12)) + OE KP(C) ES FORM 3.10, Line 20		\$2,693,855
2	Second Component: Associated with Rockport Plant [((RB IM(C)) (ROR IM(C)/12)) + OE IM(C)] ES FORM 3.20, Line 12		\$3,782
	Third Component: Net Proceeds from Emission Allowances Sales		
	AS		
	1) SO ₂ - EPA Auction Proceeds received during Expense Month	\$0	
	2) SO ₂ - Net Gain or (Loss) from Allowance Sales, in compliance with the AEP Interim Allowance Agreement, received during Expense Month	\$782,839	
	Total Net Proceeds from SO ₂ Allowances	\$782,839	
	1) NO _x - EPA Auction Proceeds received during Expense Month	\$0	
	2) NO _x - EPA Auction Proceeds, received during Expense Month	\$0	
	3) NO _x - Net Gain or Loss from NO _x Allowances Sales, received during Expense Month	\$0	
	Total Net Proceeds from NO _x Allowances	\$0	
3	Total Net Gain or (Loss) from Emission Allowance Sales	-----	\$782,839
4	Total Current Period Revenue Requirement, CRR Record on ES FORM 1.00.		----- \$1,914,798

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
COSTS ASSOCIATED WITH BIG SANDY

For the Expense Month of December 2003

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$187,009,776	
2	Less Accumulated Depreciation	(\$9,006,209)	
3	Less Accum. Def. Income Taxes	(\$20,895,882)	
4	Net Utility Plant		\$157,107,685
5	SO2 Emission Allowance Inventory from ES FORM 3.11		\$10,936,953
6	ECR & NOx Emission Allowance Inventory from ES FORM 3.12		\$0
7	Cash Working Capital Allowance from ES FORM 3.13, Line 11		\$80,387
8	Total Rate Base		\$168,125,025
9	Weighted Average Cost of Capital - ES FORM 3.15	10.20%	
10	Monthly Weighted Avg. Cost of Capital (7)/12		0.85%
11	Monthly Return of Rate Base (6) * (8)		\$1,429,063
	Operating Expenses :		
12	Monthly Depreciation Expense		\$564,501
13	Monthly Catalyst Amortization Expense		\$46,030
14	Monthly Property Taxes		\$11,166
15	Monthly Kentucky Air Emissions Fee		\$24,486
16	Monthly Gavin Scrubber Cost from ES FORM 3.14		\$177,920
17	Monthly 2003 Plan Non-Fuel O&M Expenses from ES FORM 3.13		\$0
18	Monthly SO2 Emission Allowance Consumption		\$440,689
19	Monthly ERC & NOx Emission Allowance Consumption		\$0
20	Total Operating Expenses [Line 12 thru Line 18]		<u>\$1,264,792</u>
21	Total Revenue Requirement - Big Sandy Record on ES FORM 3.00, Line 1		<u>\$2,693,855</u>

**AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
SO2 EMISSIONS ALLOWANCE INVENTORY**

For the Expense Month of December 2003

	(1) Allowance Activity in Month	(2) Cumulative Balance	(3) Dollar Value of Activity	(4) Cumulative Dollar Balance	(5) Weighted Average Cost
BEGINNING INVENTORY		754,608		\$4,685,726	6.209
Additions -					
EPA Allowances	0	88,625	\$0	\$0	
Gavin Reallocation	0	3,853		\$0	
P & E Transfers In	0	312,630	\$0	\$3,639,150	11.640
Intercompany Purchases		12,132		\$1,615,719	133.178
Other (List)	8,128	531,985	\$464,279	\$56,872,873	106.907
Withdrawals -					
P & E Transfers Out	0	2,415	\$0	\$272,099	112.670
Intercompany Sales	9,629	51,893	\$740,946	\$4,941,374	95.222
Off - System Sales	0	274,812	\$0	\$28,638,456	104.211
SO2 Emissions Allowances Consumed By Kentucky Power	5,727	230,679	\$440,689	\$22,024,586	95.477
ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5		1,144,034		\$10,936,953	9.560
Expense Month Member Load Ratio for AEP/Kentucky Power					0.07217

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
ECR and NOx EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of December 2003

	(1) Allowance Activity in Month	(2) Cumulative Balance	(3) Dollar Value of Activity	(4) Cumulative Dollar Balance	(5) Weighted Average Cost
BEGINNING INVENTORY		0		\$0	0.000
Additions -					
EPA Allowances	0	0	\$0	\$0	
P&E Transfers In	0	0		\$0	
Intercompany Purchases	0	0	\$0	\$0	0.000
Other (List)	0	0	\$0	\$0	0.000
Withdrawals -					
P & E Transfers Out	0	0	\$0	\$0	0.000
Intercompany Sales	0	0	\$0	\$0	0.000
Off - System Sales	0	0	\$0	\$0	0.000
ECR Consumed By Kentucky Power	0	0	\$0	\$0	0.000
NOx Consumed By Kentucky Power	0	0	\$0	\$0	0.000
ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5		0		\$0	0.000

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

Note : For any sale or transfer of ERCs or NOx emission allowances, attach to this report documentation showing the currently available market prices for similar ERC or NOx allowances.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 CASH WORKING CAPITAL ALLOWANCE

For the Expense Month of December 2003

LINE NO.	O&M Expenses		
	1997 Plan :		
1	Monthly Kentucky Air Emissions Fee	\$24,486	
2	Monthly Gavin Scrubber Costs	\$177,920	
3	Monthly SO ₂ Allowance Consumption	<u>\$440,689</u>	
4	Total 1997 Plan O&M Expenses		\$643,095
	2003 Plan :		
5	Monthly Variable Cladding at Big Sandy Unit 1	\$0	
6	Monthly Urea Consumption at Big Sandy Unit 2	\$0	
7	Monthly Catalyst Replacement at Big Sandy Unit 2	\$0	
8	Monthly ERC & NO _x Allowance Consumption	<u>\$0</u>	
9	Total 2003 Plan O&M Expenses		<u>\$0</u>
10	Total Monthly O&M Expenses		<u>\$643,095</u>
11	Cash Working Capital Allowance (Line 10 X 1/8)		\$80,387

Total Cost at Line 11 is to be recorded on ES FORM 3.10, Line 7.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
GAVIN SCRUBBER COSTS

For the Expense Month of December 2003

LINE NO.	COST	AMOUNTS
	Operations :	
1	Disposal (5010000)	\$444,685
2	Lime (5020000)	\$2,773,245
3	Lease (5070000)	<u>\$4,917,759</u>
4	Total Operations (1) + (2) + (3)	\$8,135,689
	Maintenance :	
5	Scrubbers (5120000)	\$195,193
6	1/2 of Maintenance (5) * 50%	<u>\$97,597</u>
7	Fixed O&M (4) + (6)	\$8,233,286
	Impact on Weighted Average Capacity Rate :	
8	Ohio Power Steam Capacity (kw)	8,472,000
9	Gavin Scrubber Rate (\$/kw) (7) / (8)	\$0.97
10	Ohio Power Surplus Weighing	82.00%
11	Portion of Weighted Average Capacity Rate Attributed to Gavin Scrubber (\$/kw) (9) * (10)	\$0.80
	Gavin Costs to Kentucky Power :	
12	Gavin Scrubber Portion (\$/kw) (11)	\$0.80
13	Kentucky Power Capacity Deficit (kw)	<u>222,400</u>
14	Scrubber Cost to Kentucky Power (12) * (13)	\$177,920

Total Cost at Line 14 is to be recorded on ES FORM 3.10, Line 15.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
BIG SANDY PLANT COST OF CAPITAL

For the Expense Month of December 2003

LINE NO.	Component	Balances	Cap. Structure	Cost Rates		WACC (Net of Tax)	GRCF		WACC (PRE-TAX)																																	
		As of 12/31/2002																																								
1	L/T DEBT	\$466,631,680	57.24%	5.752%		3.29%			3.29%																																	
2	S/T DEBT	\$23,386,094	2.87%	2.062%		0.06%			0.06%																																	
3	ACCTS REC																																									
3	FINANCING	\$27,214,021	3.34%	2.804%		0.09%			0.09%																																	
4	C EQUITY	\$298,018,017	36.56%	11.000%	1/	4.02%	1.6801	2/	6.76%																																	
5	TOTAL	\$815,249,812	100.00%			7.46%			10.20%																																	
<p>WACC = Weighted Average Cost of Capital</p> <p>1/ Rate of Return on Common Equity per Case No. 2002 - 00169</p> <p>2/ Gross Revenue Conversion Factor (GRCF) Calculation:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">1</td> <td style="width: 70%;">OPERATING REVENUE</td> <td style="width: 25%; text-align: right;">100.00</td> </tr> <tr> <td>2</td> <td>UNCOLLECTIBLE</td> <td style="text-align: right;"><u>0.20</u></td> </tr> <tr> <td>3</td> <td>INCOME BEFORE STATE TAXES</td> <td style="text-align: right;">99.80</td> </tr> <tr> <td>4</td> <td>LESS : STATE INCOME TAX</td> <td></td> </tr> <tr> <td>5</td> <td>(LINE 3 X .0825)</td> <td style="text-align: right;"><u>8.23</u></td> </tr> <tr> <td>6</td> <td>INCOME BEFORE FED INC TAX</td> <td style="text-align: right;">91.57</td> </tr> <tr> <td>7</td> <td>LESS : FEDERAL INC TAX</td> <td></td> </tr> <tr> <td>8</td> <td>(LINE 6 X .35)</td> <td style="text-align: right;"><u>32.05</u></td> </tr> <tr> <td>9</td> <td>OPERATING INC PERCENTAGE</td> <td style="text-align: right;"><u>59.52</u></td> </tr> <tr> <td>10</td> <td>GROSS REVENUE CONVERSION</td> <td></td> </tr> <tr> <td>11</td> <td>FACTOR (100%/LINE 9)</td> <td style="text-align: right;">1.6801</td> </tr> </table>										1	OPERATING REVENUE	100.00	2	UNCOLLECTIBLE	<u>0.20</u>	3	INCOME BEFORE STATE TAXES	99.80	4	LESS : STATE INCOME TAX		5	(LINE 3 X .0825)	<u>8.23</u>	6	INCOME BEFORE FED INC TAX	91.57	7	LESS : FEDERAL INC TAX		8	(LINE 6 X .35)	<u>32.05</u>	9	OPERATING INC PERCENTAGE	<u>59.52</u>	10	GROSS REVENUE CONVERSION		11	FACTOR (100%/LINE 9)	1.6801
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The WACC (PRE - TAX) value on Line 6 is to be recorded on ES FORM 3.10, Line 9.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of December 2003

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$1,380,823	
2	Less Accumulated Depreciation	(\$416,350)	
3	Less Accum. Def. Income Taxes	(\$102,508)	
4	Total Rate Base		\$861,965
5	Weighted Average Cost of Capital - ES FORM 3.21	12.3110%	
6	Monthly Weighted Avg. Cost of Capital (LINE 5/12)		1.0259%
7	Monthly Return of Rate Base (4 * 6)		\$8,843
	Operating Expenses :		
8	Monthly Depreciation Expense		\$3,872
9	Monthly Indiana Air Emissions Fee		<u>\$12,500</u>
10	Total Operating Expenses (8 + 9)		<u>\$16,372</u>
11	Total Revenue Requirement, Cost Associated with Rockport (7) + (10)		\$25,215
12	Kentucky Power Portion of Rockport Total Revenue Requirement. Record on ES FORM 3.00, Line 2 (11 * 15%)		\$3,782

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 ROCKPORT UNIT POWER AGREEMENT COST OF CAPITAL

For the Expense Month of December 2003

LINE NO.	Component	Balances	Cap. Structures	Cost Rates		WACC (NET OF TAX)	GRCF		WACC (PRE - TAX)
		As of 12/31/2003							
1	L/T DEBT	44,810,136	48.9031%	4.6619%		2.2798%			2.2798%
2	S/T DEBT	2,022,903	2.2076%	1.6130%		0.0356%			0.0356%
3	S/T INV	0	0.0000%	4.5302%		0.0000%			0.0000%
4	DEBT								
5	C EQUITY	44,797,348	48.8893%	12.1600%	1/	5.9449%	1.681379	2/	9.9956%
6	TOTAL	91,630,387	100.0000%			8.2603%			12.3110%
WACC = Weighted Average Cost of Capital 1/ Cost Rates per the Provisions of the Rockport Unit Power Agreement 2/ Gross Revenue Conversion Factor (GRCF) Calculation: 1 OPERATING REVENUE 100.00 2 LESS: INDIANA ADJUSTED GROSS INCOME 3 (LINE 1 X .085) <u>8.500</u> 4 INCOME BEFORE FED INC TAX 91.500 5 LESS: FEDERAL INCOME TAX 6 (LINE 4 X .35) <u>32.025</u> 7 OPERATING INCOME PERCENTAGE 59.475 8 GROSS REVENUE CONVERSION 9 FACTOR (100% / LINE 7) <u>1.681379</u>									

The WACC (PRE - TAX) value on Line 6 is to be recorded on ES FORM 3.20, Line 5.