

American Electric Power
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Frankfort, KY 40602-5190
www.aep.com

REVISED – February 26, 2004



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

RECEIVED

FEB 26 2004

PUBLIC SERVICE
COMMISSION

February 26, 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 January 2004. 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 March 1, 2004.

The Withdrawals section of ES FORM 3.11 - SO2 Emissions Allowances – Adjustments includes an adjustment of 34,941 emission allowances. The Company did a comparison of the emission allowances from the EPA's website versus the number of emission allowances in the AEP records and found an out of balance condition as to the quantity. The Company adjusted the quantity to reflect what EPA had for Kentucky Power. The review also determined that the dollar values were correct and should not be changed. The change in quantity thus results in a change in average unit cost.

Per the instructions from your letter dated February 25, 2004, the \$22,324 of costs on LINE NO 18 of ES FORM 3.10 for the Monthly Environmental Equipment Operation and Maintenance Costs has been changed to \$0. The monthly Environmental Surcharge Clause factor changed from 4.0608% to 4.0094%

Sincerely,

A handwritten signature in black ink that reads "Errol K. Wagner".

Errol K. Wagner
Director Regulatory Services

REVISED February 26, 2004

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CALCULATION OF E(m) and SURCHARGE FACTOR
 For the Expense Month of January 2004

<u>CALCULATION OF E(m)</u>		
E(m) = CRR - BRR		
LINE 1	CRR from ES FORM 3.00	\$2,547,984
LINE 2	Brr from ES FORM 2.00	\$15,785
LINE 3	E(m) (LINE 1 - LINE 2)	\$2,532,199
LINE 4	Kentucky Retail Jurisdictional Allocation Factor, from ES FORM 3.30, Schedule of Revenues, LINE 1	71.3%
LINE 5	KY Retail E(m) (LINE 3 * LINE 4)	\$1,805,458
LINE 6	Over/(Under) Recovery Adjustment from ES FORM 3.30	(\$562,129)
LINE 7	Net KY Retail E(m) (LINE 5 + LINE 6)	\$1,243,329
<u>SURCHARGE FACTOR</u>		
LINE 8	Net KY Retail E(m) (Line 7)	\$1,243,329
LINE 9	KY Retail R(m) from ES FORM 3.30	\$31,010,167
LINE 10	Environmental Surcharge Factor for Expense Month (Line 8 / LINE 9)	4.0094%

Effective Date for Billing:

March 2004

Submitted By :



Title :

Director Regulatory Services

Date Submitted :

February 26, 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		<u>\$7</u>
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%	
1/	WACC = Weighted Average Cost of Capital 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%	4.9894%	1.608260	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 January 2004

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		\$2,544,513
2	Second Component: Associated with Rockport Plant [((RB IM(C)) (ROR IM(C)/12)) + OE IM(C)] ES FORM 3.20, Line 12		\$3,471
	Third Component: Net Proceeds from Emission Allowances Sales: AS 1) SO ₂ - EPA Auction Proceeds received during Expense Month 2) SO ₂ - Net Gain or (Loss) from Allowance Sales, in compliance with the AEP Interim Allowance Agreement, received during Expense Month Total Net Proceeds from SO ₂ Allowances 1) NO _x - EPA Auction Proceeds received during Expense Month 2) NO _x - EPA Auction Proceeds, received during Expense Month 3) NO _x - Net Gain or Loss from NO _x Allowances Sales, received during Expense Month Total Net Proceeds from NO _x Allowances	\$0 \$0 \$0 \$0 \$0 \$0 \$0	
3	Total Net Gain or (Loss) from Emission Allowance Sales	-----	\$0
4	Total Current Period Revenue Requirement, CRR Record on ES FORM 1.00.	-----	\$2,547,984

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

For the Expense Month of January 2004

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$187,189,333	
2	Less Accumulated Depreciation	(\$9,615,655)	
3	Less Accum. Def. Income Taxes	(\$20,962,298)	
4	Net Utility Plant		\$156,611,380
5	SO2 Emission Allowance Inventory from ES FORM 3.11		\$12,034,655
6	ECR & NOx Emission Allowance Inventory from ES FORM 3.12		\$0
7	Cash Working Capital Allowance from ES FORM 3.13, Line 11		\$61,674
8	Total Rate Base		\$168,707,709
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)		\$1,434,016
	Operating Expenses :		
12	Monthly Depreciation Expense		\$563,416
13	Monthly Catalyst Amortization Expense		\$46,030
14	Monthly Property Taxes		\$7,661
15	Monthly Kentucky Air Emissions Fee		\$23,668
16	Monthly Gavin Scrubber Cost from ES FORM 3.14		\$182,368
17	Monthly 2003 Plan Non-Fuel O&M Expenses from ES FORM 3.13		\$0
18	Monthly Environmental Equipment Operation and Maintenance Costs		\$0
19	Monthly SO2 Emission Allowance Consumption		\$287,354
20	Monthly ERC & NOx Emission Allowance Consumption		\$0
21	Total Operating Expenses [Line 12 thru Line 18]		\$1,110,497
22	Total Revenue Requirement - Big Sandy Record on ES FORM 3.00, Line 1		\$2,544,513

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

For the Expense Month of January 2004

	(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	\$0.000
Gavin Reallocation	0	3,853	\$0	\$0	\$0.000
P & E Transfers In	0	312,630	\$0	\$3,639,150	\$11.640
Intercompany Purchases	0	12,132	\$0	\$1,615,719	\$133.178
Other (List)	6,449	538,434	\$1,385,056	\$58,257,929	\$108.199
Withdrawals -					
P & E Transfers Out	0	2,415	\$0	\$272,099	\$112.670
Intercompany Sales	0	51,893	\$740,946	\$4,941,374	\$95.222
Off - System Sales	0	274,812	\$0	\$28,638,456	\$104.211
SO2 Emissions Allowances					
Adjustments	34,941	34,941	\$0	\$0	\$0.000
SO2 Emissions Allowances					
Consumed By Kentucky Power	5,760	236,439	\$287,354	\$22,311,940	\$94.367
ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5		1,109,782		\$12,034,655	\$10.844
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 January 2004

	(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
ERC 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 January 2004

LINE NO.	O&M Expenses		
	1997 Plan :		
1	Monthly Kentucky Air Emissions Fee	\$23,668	
2	Monthly Gavin Scrubber Costs	\$182,368	
3	Monthly SO2 Allowance Consumption	<u>\$287,354</u>	
4	Total 1997 Plan O&M Expenses		\$493,390
	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 & NOx Allowance Consumption	<u>\$0</u>	
9	Total 2003 Plan O&M Expenses		<u>\$0</u>
10	Total Monthly O&M Expenses		<u>\$493,390</u>
11	Cash Working Capital Allowance (Line 10 X 1/8)		\$61,674

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 January 2004

LINE NO.	COST	AMOUNTS
	Operations :	
1	Disposal (5010000)	\$689,898
2	Lime (5020000)	\$2,398,286
3	Lease (5070000)	<u>\$5,283,929</u>
4	Total Operations (1) + (2) + (3)	\$8,372,113
	Maintenance :	
5	Scrubbers (5120000)	\$176,794
6	1/2 of Maintenance (5) * 50%	<u>\$88,397</u>
7	Fixed O&M (4) + (6)	\$8,460,510
	Impact on Weighted Average Capacity Rate :	
8	Ohio Power Steam Capacity (kw)	8,472,000
9	Gavin Scrubber Rate (\$/kw) (7) / (8)	\$1.00
10	Ohio Power Surplus Weighing	82.00%
11	Portion of Weighted Average Capacity Rate Attributed to Gavin Scrubber (\$/kw) (9) * (10)	\$0.82
	Gavin Costs to Kentucky Power :	
12	Gavin Scrubber Portion (\$/kw) (11)	\$0.82
13	Kentucky Power Capacity Deficit (kw)	<u>222,400</u>
14	Scrubber Cost to Kentucky Power (12) * (13)	\$182,368

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 January 2004

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%	
1/	WACC = Weighted Average Cost of Capital Rate of Return on Common Equity per Case No. 2002 - 00169									
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 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			

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 January 2004

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$1,380,823	
2	Less Accumulated Depreciation	(\$420,222)	
3	Less Accum. Def. Income Taxes	(\$102,951)	
4	Total Rate Base		\$857,650
5	Weighted Average Cost of Capital - ES FORM 3.21	9.4702%	
6	Monthly Weighted Avg. Cost of Capital (LINE 5/12)		0.7892%
7	Monthly Return of Rate Base (4 * 6)		\$6,768
	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)		\$23,140
12	Kentucky Power Portion of Rockport Total Revenue Requirement. Record on ES FORM 3.00, Line 2 (11 * 15%)		\$3,471

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 January 2004

LINE NO.	Component	Balances	Cap. Structures	Cost Rates		WACC (NET OF TAX)	GRCF		WACC (PRE - TAX)
		As of 01/31/2004							
1	L/T DEBT	44,810,866	35.1244%	4.6618%		1.6374%			1.6374%
2	S/T DEBT	36,891,737	28.9170%	1.6627%		0.4808%			0.4808%
3	S/T INV	0	0.0000%	3.3076%		0.0000%			0.0000%
4	DEBT								
5	C EQUITY	45,874,893	35.9586%	12.1600%	1/	4.3726%	1.681379	2/	7.3520%
6	TOTAL	127,577,496	100.0000%			6.4908%			9.4702%
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)						8.500		
4	INCOME BEFORE FED INC TAX						91.500		
5	LESS: FEDERAL INCOME TAX								
6	(LINE 4 X .35)						32.025		
7	OPERATING INCOME PERCENTAGE						59.475		
8	GROSS REVENUE CONVERSION								
9	FACTOR (100% / LINE 7)						1.681379		

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

AMERICAN ELECTRIC POWER³ - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 MONTHLY REVENUES, JURISDICTIONAL ALLOCATION FACTOR,
 and OVER/(UNDER) RECOVERY ADJUSTMENT

For the Expense Month of January 2004

SCHEDULE OF MONTHLY REVENUES

Line No.	Description	Monthly Revenues	Percentage of Total Revenues
1	Kentucky Retail Revenues	\$31,010,167	71.3%
2	FERC Wholesale Revenues	\$283,239	0.7%
3	Associated Utilities Revenues	\$2,520,902	5.8%
4	Non-Assoc. Utilities Revenues	\$9,653,073	22.2%
5	Total Revenues for Surcharges Purposes	\$43,467,381	100.0%
6	Non-Physical Revenues for Month	(\$153,922)	
7	Total Revenues for Month	\$43,313,459	

The Kentucky Retail Monthly Revenues and Percentage of Total Revenues (Line 1) are to be recorded on ES FORM 1.00, Lines 9 and 4. The Percentage of Kentucky Retail Revenues to the Total Revenues for the Expense Month will be the Kentucky Retail Jurisdictional Allocation Factor.

OVER/(UNDER) RECOVERY ADJUSTMENT

Line No.	Description	Amounts
1	Kentucky Retail Surcharge Factor for November 2003	9.1662%
2	Kentucky Retail Revenues for Current Expense	\$28,570,258
3	Surcharge Collected (1) * (2)	\$2,618,807
4	Surcharge Amount To Be Collected	\$2,056,678
6	Over/(Under) Recovery (3) - (4) - (5)	\$562,129

The Over/(Under) Recovery amount is to be recorded on ES FORM 1.00, LINE 6.

NOTE : The sign on LINE 5 of ES FORM 3.30 will be changed on LINE 6 of ES FORM 1.00 in order to properly adjust the collection of the current month's expense.