

KENTUCKY POWER COMPANY

KENTUCKY POWER COMPANY
 SELECTED FINANCIAL DATA

	2003	2002	2001	2000	1999
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	(in thousands)				
INCOME STATEMENTS DATA					

<C>	<C>	<C>	<C>	<C>	<C>
Operating Revenues	\$416,470	\$378,683	\$379,025	\$389,875	\$358,757
Operating Expenses	351,726	336,486	331,347	340,137	304,082
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Operating Income	64,744	42,197	47,678	49,738	54,675
Nonoperating Items, Net	(2,660)	5,206	1,248	2,070	(327)
Interest Charges	28,620	26,836	27,361	31,045	28,918
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Income Before Cumulative Effect of Accounting Change	33,464	20,567	21,565	20,763	25,430
Cumulative Effect of Accounting Change (Net of Tax)	(1,134)	-	-	-	-
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Net Income	\$32,330	\$20,567	\$21,565	\$20,763	\$25,430
	=====	=====	=====	=====	=====
BALANCE SHEETS DATA					

Electric Utility Plant	\$1,349,746	\$1,295,619	\$1,128,415	\$1,103,064	\$1,079,048
Accumulated Depreciation and Amortization	381,876	373,638	360,319	338,270	318,799
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Net Electric Utility Plant	\$967,870	\$921,981	\$768,096	\$764,794	\$760,249
	=====	=====	=====	=====	=====
TOTAL ASSETS	\$1,221,634	\$1,188,342	\$1,022,833	\$1,516,921	\$1,007,332
	=====	=====	=====	=====	=====
Common Stock and Paid-in Capital	\$259,200	\$259,200	\$209,200	\$209,200	\$209,200
Retained Earnings	64,151	48,269	48,833	57,513	67,110
Accumulated Other Comprehensive Income (Loss)	(6,213)	(9,451)	(1,903)	-	-
	-----	-----	-----	-----	-----
Total Common Shareholder's Equity	\$317,138	\$298,018	\$256,130	\$266,713	\$276,310
	=====	=====	=====	=====	=====
Long-term Debt (a)	\$487,602	\$466,632	\$346,093	\$330,880	\$365,782
	=====	=====	=====	=====	=====
Obligations Under Capital Leases (a)	\$5,292	\$7,248	\$9,583	\$14,184	\$15,141
	=====	=====	=====	=====	=====
TOTAL CAPITALIZATION AND LIABILITIES	\$1,221,634	\$1,188,342	\$1,022,833	\$1,516,921	\$1,007,332
	=====	=====	=====	=====	=====

(a) Including portion due within one year.

KENTUCKY POWER COMPANY
MANAGEMENT'S NARRATIVE FINANCIAL DISCUSSION AND ANALYSIS

KPCo is a public utility engaged in the generation and purchase of electric power, and the subsequent sale, transmission and distribution of that power to 175,000 retail customers in our service territory in eastern Kentucky. As a member of the AEP Power Pool, we share the revenues and the costs of the AEP Power Pool's sales to neighboring utilities and power marketers. We also sell power at wholesale to municipalities.

The cost of the AEP Power Pool's generating capacity is allocated among its members based on their relative peak demands and generating reserves through the payment of capacity charges and the receipt of capacity credits. AEP Power Pool members are also compensated for the out-of-pocket costs of energy delivered to the AEP Power Pool and charged for energy received from the AEP Power Pool. The AEP Power Pool calculates each member's prior twelve-month peak demand relative to the sum of the peak demands of all members as a basis for sharing revenues and costs. The result of this calculation is the member load ratio (MLR), which determines each member's percentage share of revenues and costs.

Power and gas risk management activities are conducted on our behalf by AEPSC. We share in the revenues and expenses associated with these risk management activities with other AEP registrant subsidiaries excluding AEGCo under existing power pool and system integration agreements. Risk management activities primarily involve the purchase and sale of electricity under physical forward contracts at fixed and variable prices and to a lesser extent gas. The electricity and gas contracts include physical transactions, over-the-counter options and swaps and exchange traded futures and options. The majority of the physical forward contracts are typically settled by entering into offsetting contracts.

Under our system integration agreement, revenues and expenses from the sales to neighboring utilities, power marketers and other power and gas risk management entities are shared among AEP East and West companies. Sharing in a calendar year is based upon the level of such activities experienced for the twelve months ended June 30, 2000, which immediately preceded the merger of AEP and CSW. This resulted in an AEP East and West companies' allocation of approximately 91% and 9%, respectively, for revenues and expenses. Allocation percentages in any given calendar year may also be based upon the relative generating capacity of the AEP East and West companies in the event the pre-merger activity level is exceeded. The capacity based allocation mechanism was triggered in June 2003, resulting in an allocation factor of approximately 70% and 30% for the AEP East and West companies, respectively, for the remainder of 2003.

Results of Operations

2003 Compared to 2002

Net Income for 2003 increased \$12 million over 2002 primarily due to improved earnings from system sales and transmission revenues, as well as decreased employee related expenses and maintenance expenses. These improvements were partially offset by net losses from risk management activities included in Nonoperating Income (Expense) that exceeded net gains from risk management activities included in Operating Income.

Operating Income

Operating Income for 2003 increased \$23 million primarily due to:

- o Increases in system sales and transmission revenues of \$16 million and an increase in gains from risk management activities of \$7 million.
- o An increase in Sales to AEP Affiliates of \$12 million due to strong wholesale sales by the AEP Power Pool.
- o An increase in residential and commercial sales of \$4 million over 2002 due to the rate increase in mid 2003 to recover the cost of emission control equipment (see Note 4, "Rate Matters").
- o An \$8 million decrease in Maintenance expense due to planned plant outages in 2002. Big Sandy plant Unit 2 was down for the entire fourth quarter of 2002 for planned boiler and electric plant maintenance. In addition, Big Sandy Unit 1 was down for two months in 2002 for boiler maintenance.
- o A \$6 million decrease in Other Operation expense primarily due to the impact of cost reduction efforts instituted in the fourth quarter of 2002 and related employment termination benefits recorded in 2002, partially offset by reduced gains from emission allowances.

The increases in Operating Income were partially offset by:

- o A decline in industrial sales of \$2 million reflecting the weak economy and the reduced usage by a major customer in 2003.
- o An increase in fuel expense of \$9 million due to increased generation based on the increased plant availability at Big Sandy in 2003.
- o An increase in purchased power expense of \$10 million necessary to support system sales and Sales to AEP Affiliates. In addition, energy purchases increased from the Rockport Plant based on plant availability, as required by the unit power agreement with AEGCo, an affiliated company. The unit power agreement with AEGCo provides for our purchase of 15% of the total output of the two unit 2,600-MW capacity Rockport Plant.
- o An increase in Depreciation and Amortization of \$6 million reflecting the completion and implementation of new capital projects in the third quarter of 2003, as well as the implementation of emission control equipment at the Big Sandy plant in the second quarter of 2003.
- o An increase in Income Taxes of \$3 million due to an increase in pre-tax book operating income partially offset by federal and state tax return adjustments.

Other Impacts on Earnings

Nonoperating income decreased \$12 million in 2003 compared to 2002 primarily due to lower profit from power sold outside AEP's traditional marketing area resulting from AEP's plan to exit risk management activities in areas outside of its traditional market area. The decrease in nonoperating income was partially offset by a \$4 million decrease in nonoperating income taxes resulting primarily from the reduced pre-tax nonoperating book income. Interest Charges increased \$2 million primarily due to an increase in outstanding debt partially offset by lower market interest rates on newly issued debt.

Financial Condition

Credit Ratings

The rating agencies currently have us on stable outlook. Current ratings are as follows:

Moody's	S&P	Fitch	-----	---	-----
	Senior Unsecured Debt		Baa2	BBB	BBB

In February 2003, Moody's Investors Service (Moody's) completed their review of AEP and its rated subsidiaries. The completion of this review was a culmination of ratings action started during 2002.

Summary Obligation Information

Our contractual obligations include amounts reported on the Consolidated Balance Sheets and other obligations disclosed in the footnotes. The following table summarizes our contractual cash obligations at December 31, 2003:

Contractual Cash Obligations	Payments Due by Period				Total
	Less Than 1 year	2-3 years	4-5 years	After 5 years	
-----	-----	-----	-----	-----	-----
<C>	<C>	<C>	<C>	<C>	<C>
Long-term Debt	\$-	\$60,000	\$352,964	\$74,638	\$487,602
Advances from Affiliates	38,096	-	-	-	38,096
Capital Lease Obligations	2,107	2,597	1,041	116	5,861
Unconditional Purchase Obligations (a)	39,658	16,636	-	-	56,294
Noncancellable Operating Leases	1,209	1,877	1,246	1,785	6,117
	-----	-----	-----	-----	-----
Total	\$81,070	\$81,110	\$355,251	\$76,539	\$593,970
	=====	=====	=====	=====	=====

(a) Represents contractual obligations to purchase coal as fuel for electric generation along with related transportation of the fuel.

Significant Factors

See the "Registrants' Combined Management's Discussion and Analysis" section beginning on page M-1 for additional discussion of factors relevant to us.

Quantitative And Qualitative Disclosures About Risk Management Activities

Market Risks

Our risk management policies and procedures are instituted and administered at the AEP consolidated level. See complete discussion within AEP's "Qualitative And Quantitative Disclosures About Risk Management Activities" section. The following tables provide information about our risk management activities' effect on this specific registrant.

 MTM Risk Management Contract Net Assets

This table provides detail on changes in our MTM net asset or liability balance sheet position from one period to the next.

MTM Risk Management Contract Net Assets	
Year Ended December 31, 2003	
(in thousands)	
Domestic Power	

<C>	<C>
Beginning Balance December 31, 2002	\$24,998
(Gain) Loss from Contracts Realized/Settled During the Period (a)	(6,682)
Fair Value of New Contracts When Entered Into During the Period (b)	-
Net Option Premiums Paid/(Received) (c)	32
Change in Fair Value Due to Valuation Methodology Changes	-
Effect of EITF 98-10 Rescission (d)	(1,744)
Changes in Fair Value of Risk Management Contracts (e)	461
Changes in Fair Value Risk Management Contracts Allocated to Regulated Jurisdictions (f)	(1,575)

Total MTM Risk Management Contract Net Assets, Excluding Cash Flow Hedges	15,490
Net Cash Flow Hedge Contracts (g)	126
DETM Assignment (h)	(7,349)

Ending Balance December 31, 2003	\$8,267

- (a) "(Gain) Loss from Contracts Realized/Settled During the Period" includes realized gains from risk management contracts and related derivatives that settled during 2003 that were entered into prior to 2003.
- (b) The "Fair Value of New Contracts When Entered Into During the Period" represents the fair value of long-term contracts entered into with customers during 2003. The fair value is calculated as of the execution of the contract. Most of the fair value comes from longer term fixed price contracts with customers that seek to limit their risk against fluctuating energy prices. The contract prices are valued against market curves associated with the delivery location.
- (c) "Net Option Premiums Paid/(Received)" reflects the net option premiums paid/(received) as they relate to unexercised and unexpired option contracts that were entered into in 2003.
- (d) See Note 2 "New Accounting Pronouncements, Extraordinary Items and Cumulative Effect of Accounting Changes."
- (e) "Changes in Fair Value of Risk Management Contracts" represents the fair value change in the risk management portfolio due to market fluctuations during the current period. Market fluctuations are attributable to various factors such as supply/demand, weather, etc.
- (f) "Change in Fair Value of Risk Management Contracts Allocated to Regulated Jurisdictions" relates to the net gains (losses) of those contracts that are not reflected in the Statements of Income. These net gains (losses) are recorded as regulatory liabilities/assets for those subsidiaries that operate in regulated jurisdictions.
- (g) "Net Cash Flow Hedge Contracts" (pre-tax) are discussed below in Accumulated Other Comprehensive Income (Loss).
- (h) See Note 17 "Related Party Transactions."

 Maturity and Source of Fair Value of MTM Risk Management Contract Net Assets

The table presenting maturity and source of fair value of MTM risk management contract net assets provides two fundamental pieces of information:

- o The source of fair value used in determining the carrying amount of our total MTM asset or liability (external sources or modeled internally).
- o The maturity, by year, of our net assets/liabilities, giving an indication of when these MTM amounts will settle and generate cash.

	2004	2005	2006	2007	2008	After 2008	Total (c)
	-----	-----	-----	-----	-----	-----	-----
	(in thousands)						
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Prices Actively Quoted - Exchange Traded Contracts	\$277	\$ (56)	\$7	\$43	\$-	\$-	\$271
Prices Provided by Other External Sources - OTC Broker Quotes (a)	5,405	1,937	1,899	772	388	-	10,401
Prices Based on Models and Other Valuation Methods (b)	(1)	12	754	871	801	2,381	4,818
	-----	-----	-----	-----	-----	-----	-----
Total	\$5,681	\$1,893	\$2,660	\$1,686	\$1,189	\$2,381	\$15,490
	=====	=====	=====	=====	=====	=====	=====

- (a) "Prices Provided by Other External Sources - OTC Broker Quotes" reflects information obtained from over-the-counter brokers, industry services, or multiple-party on-line platforms.
- (b) "Prices Based on Models and Other Valuation Methods" is in absence of pricing information from external sources, modeled information is derived using valuation models developed by the reporting entity, reflecting when appropriate, option pricing theory, discounted cash flow concepts, valuation adjustments, etc. and may require projection of prices for underlying commodities beyond the period that prices are available from third-party sources. In addition, where external pricing information or market liquidity are limited, such valuations are classified as modeled. The determination of the point at which a market is no longer liquid for placing it in the Modeled category varies by market.
- (c) Amounts exclude Cash Flow Hedges.

Cash Flow Hedges Included in Accumulated Other Comprehensive Income (Loss) (AOCI) on the Balance Sheet

The table provides detail on effective cash flow hedges under SFAS 133 included in the balance sheet. The data in the table will indicate the magnitude of SFAS 133 hedges we have in place. (However, given that under SFAS 133 only cash flow hedges are recorded in AOCI, the table does not provide an all-encompassing picture of our hedging activity). The table also includes a roll-forward of the AOCI balance sheet account, providing insight into the drivers of the changes (new hedges placed during the period, changes in value of existing hedges and roll-off of hedges). In accordance with GAAP, all amounts are presented net of related income taxes.

Total Accumulated Other Comprehensive Income (Loss) Activity
 Year Ended December 31, 2003

	Domestic Power	Interest Rate	Consolidated
	-----	-----	-----
	(in thousands)		
<C>	<C>	<C>	<C>
Beginning Balance December 31, 2002	\$ (103)	\$425	\$322
Changes in Fair Value (a)	75	-	75
Reclassifications from AOCI to Net Income (b)	110	(87)	23
	-----	-----	-----
Ending Balance December 31, 2003	\$82	\$338	\$420
	=====	=====	=====

- (a) "Changes in Fair Value" shows changes in the fair value of derivatives designated as hedging instruments in cash flow hedges during the reporting period not yet reclassified into net income, pending the hedged item's affecting net income. Amounts are reported net of related income taxes.
- (b) "Reclassifications from AOCI to Net Income" represents gains or losses from derivatives used as hedging instruments in cash flow hedges that were reclassified into net income during the reporting period. Amounts are reported net of related income taxes above.

The portion of cash flow hedges in AOCI expected to be reclassified to earnings during the next twelve months is a \$466 thousand gain.

Credit Risk

Our counterparty credit quality and exposure is generally consistent with that of AEP.

VaR Associated with Risk Management Contracts

The following table shows the end, high, average, and low market risk as measured by VaR for year-to-date:

December 31, 2003				December 31, 2002			
(in thousands)				(in thousands)			
End	High	Average	Low	End	High	Average	Low
\$136	\$527	\$220	\$52	\$333	\$1,019	\$364	\$74

VaR Associated with Debt Outstanding

The risk of potential loss in fair value attributable to our exposure to interest rates, primarily related to long-term debt with fixed interest rates was \$29 million and \$30 million at December 31, 2003 and 2002, respectively. We would not expect to liquidate our entire debt portfolio in a one-year holding period, therefore a near term change in interest rates should not negatively affect our results of operation or financial position.

KENTUCKY POWER COMPANY
 STATEMENTS OF INCOME
 For the Years Ended December 31, 2003, 2002 and 2001

	2003	2002	2001
	----	----	----
	(in thousands)		
OPERATING REVENUES			

<C>	<C>	<C>	<C>
Electric Generation, Transmission and Distribution	\$376,662	\$350,719	\$336,659
Sales to AEP Affiliates	39,808	27,964	42,366
	-----	-----	-----
TOTAL	416,470	378,683	379,025
	-----	-----	-----
OPERATING EXPENSES			

Fuel for Electric Generation	74,148	65,043	70,635
Purchased Electricity for Resale	963	29	86
Purchased Electricity from AEP Affiliates	141,690	133,002	130,204
Other Operation	47,325	52,892	58,275
Maintenance	27,328	35,089	22,444
Depreciation and Amortization	39,309	33,233	32,491
Taxes Other Than Income Taxes	8,788	8,240	7,854
Income Taxes	12,175	8,958	9,358
	-----	-----	-----
TOTAL	351,726	336,486	331,347
	-----	-----	-----
OPERATING INCOME	64,744	42,197	47,678
Nonoperating Income (Expense)	(4,036)	7,950	10,979
Nonoperating Expenses	1,124	840	9,047
Nonoperating Income Tax Expense (Credit)	(2,500)	1,904	684
Interest Charges	28,620	26,836	27,361
	-----	-----	-----
Income Before Cumulative Effect of Accounting Change	33,464	20,567	21,565
Cumulative Effect of Accounting Change (Net of Tax)	(1,134)	-	-
	-----	-----	-----
NET INCOME	\$32,330	\$20,567	\$21,565
	=====	=====	=====

The common stock of KPCo is wholly-owned by AEP.

See Notes to Respective Financial Statements beginning on page L-1.

KENTUCKY POWER COMPANY
 STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S
 EQUITY AND COMPREHENSIVE INCOME
 For the Years Ended December 31, 2003, 2002 and 2001
 (in thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<C>	<C>	<C>	<C>	<C>	<C>
DECEMBER 31, 2000	\$50,450	\$158,750	\$57,513	\$-	\$266,713
Common Stock Dividends			(30,245)		(30,245)
TOTAL					236,468

COMPREHENSIVE INCOME					

Other Comprehensive Income, Net of Taxes:					
Unrealized Loss on Cash Flow Hedges				(1,903)	(1,903)
NET INCOME			21,565		21,565
TOTAL COMPREHENSIVE INCOME					19,662

DECEMBER 31, 2001	\$50,450	\$158,750	\$48,833	\$(1,903)	\$256,130
Capital Contribution from Parent		50,000			50,000
Common Stock Dividends			(21,131)		(21,131)
TOTAL					284,999

COMPREHENSIVE INCOME					

Other Comprehensive Income, Net of Taxes:					
Unrealized Gain on Cash Flow Hedges				2,225	2,225
Minimum Pension Liability				(9,773)	(9,773)
NET INCOME			20,567		20,567
TOTAL COMPREHENSIVE INCOME					13,019

DECEMBER 31, 2002	\$50,450	\$208,750	\$48,269	\$(9,451)	\$298,018
Common Stock Dividends			(16,448)		(16,448)
TOTAL					281,570

COMPREHENSIVE INCOME					

Other Comprehensive Income, Net of Taxes:					
Unrealized Gain on Cash Flow Hedges				98	98
Minimum Pension Liability				3,140	3,140
NET INCOME			32,330		32,330
TOTAL COMPREHENSIVE INCOME					35,568

DECEMBER 31, 2003	\$50,450	\$208,750	\$64,151	\$(6,213)	\$317,138
=====					

See Notes to Respective Financial Statements beginning on page L-1.

KENTUCKY POWER COMPANY
 BALANCE SHEETS
 ASSETS
 December 31, 2003 and 2002

	2003	2002

	(in thousands)	
ELECTRIC UTILITY PLANT		

<C>	<C>	<C>
Production	\$457,341	\$275,121
Transmission	381,354	373,639
Distribution	425,688	414,281
General	68,041	67,449
Construction Work in Progress	17,322	165,129
	-----	-----
TOTAL	1,349,746	1,295,619
Accumulated Depreciation and Amortization	381,876	373,638
	-----	-----
TOTAL - NET	967,870	921,981
	-----	-----
OTHER PROPERTY AND INVESTMENTS		

Non-Utility Property, Net	5,423	5,477
Other Investments	1,022	1,427
	-----	-----
TOTAL	6,445	6,904
	-----	-----
CURRENT ASSETS		

Cash and Cash Equivalents	886	2,304
Accounts Receivable:		
Customers	21,177	24,716
Affiliated Companies	25,327	23,802
Accrued Unbilled Revenues	5,534	5,301
Miscellaneous	97	217
Allowance for Uncollectible Accounts	(736)	(192)
Fuel	9,481	10,817
Materials and Supplies	16,585	16,127
Accrued Tax Benefit	-	1,253
Risk Management Assets	16,200	24,261
Margin Deposits	2,660	320
Prepayments and Other	1,696	1,866
	-----	-----
TOTAL	98,907	110,792
	-----	-----
DEFERRED DEBITS AND OTHER ASSETS		

Regulatory Assets:		
SFAS 109 Regulatory Asset, Net	99,828	87,261
Other Regulatory Assets	13,971	14,715
Long-term Risk Management Assets	16,134	29,871
Deferred Property Taxes	6,847	6,300
Other Deferred Charges	11,632	10,518
	-----	-----
TOTAL	148,412	148,665
	-----	-----
TOTAL ASSETS	\$1,221,634	\$1,188,342
	=====	=====

See Notes to Respective Financial Statements beginning on page L-1.

KENTUCKY POWER COMPANY
 BALANCE SHEETS
 CAPITALIZATION AND LIABILITIES
 December 31, 2003 and 2002

	2003	2002
	----	----
	(in thousands)	
CAPITALIZATION		

<C>	<C>	<C>
Common Shareholder's Equity:		
Common Stock - \$50 Par Value:		
Authorized - 2,000,000 Shares		
Outstanding - 1,009,000 Shares	\$50,450	\$50,450
Paid-in Capital	208,750	208,750
Retained Earnings	64,151	48,269
Accumulated Other Comprehensive Income (Loss)	(6,213)	(9,451)
	-----	-----
Total Common Shareholder's Equity	317,138	298,018
	-----	-----
Long-term Debt:		
Nonaffiliated	427,602	391,632
Affiliated	60,000	60,000
	-----	-----
Total Long-term Debt	487,602	451,632
	-----	-----
TOTAL	804,740	749,650
	-----	-----
CURRENT LIABILITIES		

Long-term Debt Due Within One Year - Affiliated	-	15,000
Advances from Affiliates	38,096	23,386
Accounts Payable:		
General	22,802	46,515
Affiliated Companies	22,648	44,035
Customer Deposits	9,894	8,048
Taxes Accrued	7,329	-
Interest Accrued	6,915	6,471
Risk Management Liabilities	11,704	17,803
Obligations Under Capital Leases	1,743	2,155
Other	8,628	12,167
	-----	-----
TOTAL	129,759	175,580
	-----	-----
DEFERRED CREDITS AND OTHER LIABILITIES		

Deferred Income Taxes	212,121	178,313
Regulatory Liabilities:		
Asset Removal Costs	26,140	-
Deferred Investment Tax Credits	7,955	9,165
Other Regulatory Liabilities	10,591	12,152
Long-term Risk Management Liabilities	12,363	11,488
Obligations Under Capital Leases	3,549	5,093
Deferred Credits and Other	14,416	46,901
	-----	-----
TOTAL	287,135	263,112
	-----	-----
Commitments and Contingencies (Note 7)		
TOTAL CAPITALIZATION AND LIABILITIES	\$1,221,634	\$1,188,342
	=====	=====

See Notes to Respective Financial Statements beginning on page L-1.

KENTUCKY POWER COMPANY
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2003, 2002 and 2001

	2003	2002	2001
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	(in thousands)		
OPERATING ACTIVITIES			

<C>	<C>	<C>	<C>
Net Income	\$32,330	\$20,567	\$21,565
Adjustments to Reconcile Net Income to Net Cash Flows			
From Operating Activities:			
Cumulative Effect of Accounting Change	1,134	-	-
Depreciation and Amortization	39,309	33,233	32,491
Deferred Income Taxes	20,107	9,839	6,293
Deferred Investment Tax Credits	(1,210)	(1,240)	(1,251)
Deferred Fuel Costs, Net	233	2,998	(4,707)
Mark-to-Market of Risk Management Contracts	15,112	(12,267)	(1,454)
Changes in Certain Assets and Liabilities:			
Accounts Receivable, Net	2,445	(9,332)	24,799
Fuel, Materials and Supplies	878	882	(7,658)
Accounts Payable	(45,100)	44,529	(22,942)
Taxes Accrued	8,582	(11,558)	(1,580)
Change in Other Assets	(16,588)	(21,491)	(2,762)
Change in Other Liabilities	4,565	16,161	(9,446)
	-----	-----	-----
Net Cash Flows From Operating Activities	61,797	72,321	33,348
	-----	-----	-----
INVESTING ACTIVITIES			

Construction Expenditures	(81,707)	(178,700)	(37,206)
Proceeds from Sales of Property and Other	967	217	216
	-----	-----	-----
Net Cash Flow Used for Investing Activities	(80,740)	(178,483)	(36,990)
	-----	-----	-----
FINANCING ACTIVITIES			

Capital Contributions from Parent Company	-	50,000	-
Issuance of Long-term Debt - Nonaffiliated	74,263	274,964	-
Issuance of Long-term Debt - Affiliated	-	-	75,000
Retirement of Long-term Debt - Nonaffiliated	(40,000)	(154,500)	(60,000)
Retirement of Long-term Debt - Affiliated	(15,000)	-	-
Change in Advances to/from Affiliates, Net	14,710	(42,814)	18,564
Dividends Paid	(16,448)	(21,131)	(30,245)
	-----	-----	-----
Net Cash Flows From Financing Activities	17,525	106,519	3,319
	-----	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	(1,418)	357	(323)
Cash and Cash Equivalents at Beginning of Period	2,304	1,947	2,270
	-----	-----	-----
Cash and Cash Equivalents at End of Period	\$886	\$2,304	\$1,947
	=====	=====	=====

SUPPLEMENTAL DISCLOSURE:

Cash paid for interest net of capitalized amounts was \$26,988,000, \$25,176,000 and \$27,090,000 in 2003, 2002 and 2001, respectively. Cash (received) paid for income taxes was \$(17,574,000), \$13,041,000 and \$7,549,000 in 2003, 2002 and 2001, respectively. Noncash acquisitions under capital leases were \$22,000 and \$817,000 in 2002 and 2001, respectively. There were no non-cash capital lease acquisitions in 2003.

See Notes to Respective Financial Statements beginning on page L-1.

KENTUCKY POWER COMPANY
 STATEMENTS OF CAPITALIZATION
 December 31, 2003 and 2002

	2003	2002
	----	----
	(in thousands)	
<C>	<C>	<C>
COMMON SHAREHOLDER'S EQUITY	\$317,138	\$298,018
	-----	-----
LONG-TERM DEBT (See Schedule of Long-term Debt):		
Senior Unsecured Notes	427,602	352,508
Notes Payable	60,000	75,000
Junior Debentures	-	39,124
Less Portion Due Within One Year	-	(15,000)
	-----	-----
Long-term Debt Excluding Portion Due Within One Year	487,602	451,632
	-----	-----
TOTAL CAPITALIZATION	\$804,740	\$749,650
	=====	=====

See Notes to Respective Financial Statements beginning on page L-1.

KENTUCKY POWER COMPANY
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2003 and 2002

Senior Unsecured Notes outstanding were as follows:

%Rate	Due	2003	2002
-----	---	----	----
		(in thousands)	
6.91	2007 - October 1	\$48,000	\$48,000
6.45	2008 - November 10	30,000	30,000
5.50	2007 - July 1	125,000	125,000
4.31	2007 - November 12	80,400	80,400
4.37	2007 - December 12	69,564	69,564
5.625	2032 - December 31	75,000	-
	Unamortized Discount	(362)	(456)
		-----	-----
	Total	\$427,602	\$352,508
		=====	=====

Notes Payable to parent company were as follows:

%Rate	Due	2003	2002
-----	---	----	----
		(in thousands)	
4.336	2003 - May 15	\$-	\$15,000
6.501	2006 - May 15	60,000	60,000
		-----	-----
	Total	\$60,000	\$75,000
		=====	=====

Junior Debentures outstanding were as follows:

%Rate	Due	2003	2002
-----	---	----	----
		(in thousands)	
8.72	2025 - June 30	\$-	\$40,000
	Unamortized Discount	-	(876)
		-----	-----
	Total	\$-	\$39,124
		====	=====

Interest may be deferred and payment of principal and interest on the junior debentures is subordinated and subject in right to the prior payment in full of all senior indebtedness of the Company.

At December 31, 2003, future annual long-term debt payments are as follows:

	Amount

	(in thousands)
2004	\$-
2005	-
2006	60,000
2007	322,964
2008	30,000
Later Years	75,000

Total Principal Amount	487,964
Unamortized Discount	(362)

Total	\$487,602
	=====

KENTUCKY POWER COMPANY
INDEX TO NOTES TO RESPECTIVE FINANCIAL STATEMENTS

The notes to KPCo's financial statements are combined with the notes to respective financial statements for other subsidiary registrants. Listed below are the notes that apply to KPCo. The footnotes begin on page L-1.

	Footnote Reference -----
<C>	<C>
Organization and Summary of Significant Accounting Policies	Note 1
New Accounting Pronouncements, Extraordinary Items and Cumulative Effect of Accounting Changes	Note 2
Rate Matters	Note 4
Effects of Regulation	Note 5
Commitments and Contingencies	Note 7
Guarantees	Note 8
Sustained Earnings Improvement Initiative	Note 9
Acquisitions, Dispositions, Impairments, Assets Held for Sale and Assets Held and Used	Note 10
Benefit Plans	Note 11
Business Segments	Note 12
Derivatives, Hedging and Financial Instruments	Note 13
Income Taxes	Note 14
Leases	Note 15
Financing Activities	Note 16
Related Party Transactions	Note 17
Unaudited Quarterly Financial Information	Note 19

INDEPENDENT AUDITORS' REPORT

To the Shareholder and Board of
Directors of Kentucky Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Kentucky Power Company as of December 31, 2003 and 2002, and the related statements of income, changes in common shareholder's equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Kentucky Power Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the Company adopted EITF 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," effective January 1, 2003.

/s/ Deloitte & Touche LLP

Columbus, Ohio
March 5, 2004