AMERICAN ELECTRIC POWER COMPANY INC
Form 10-K405
March 30, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2000

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _____ to _____

COMMISSION FILE NUMBER	REGISTRANT; STATE OF INCORPORATION; ADDRESS AND TELEPHONE NUMBER
1-3525	AMERICAN ELECTRIC POWER COMPANY, INC. (A New York Corporation) 1 Riverside Plaza, Columbus, Ohio 43215 Telephone (614) 223-1000
0-18135	AEP GENERATING COMPANY (An Ohio Corporation) 1 Riverside Plaza, Columbus, Ohio 43215 Telephone (614) 223-1000
1-3457	APPALACHIAN POWER COMPANY (A Virginia Corporation) 40 Franklin Road, Roanoke, Virginia 24011 Telephone (540) 985-2300
0-346	CENTRAL POWER AND LIGHT COMPANY (A Texas Corporation) 539 North Carancahua Street, Corpus Christi, Texas 78401-2802 Telephone (361) 881-5300
1-2680	COLUMBUS SOUTHERN POWER COMPANY (An Ohio Corporation) 1 Riverside Plaza, Columbus, Ohio 43215 Telephone (614) 223-1000
1-3570	INDIANA MICHIGAN POWER COMPANY (An Indiana Corporation) One Summit Square, P. O. Box 60, Fort Wayne, Indiana 46801 Telephone (219) 425-2111
1-6858	KENTUCKY POWER COMPANY (A Kentucky Corporation) 1701 Central Avenue, Ashland, Kentucky 41101 Telephone (800) 572-1141
1-6543	OHIO POWER COMPANY (An Ohio Corporation) 301 Cleveland Avenue, S.W., Canton, Ohio 44701 Telephone (330) 456-8173

0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA (An Oklahoma Corporation) 212 East 6th Street, Tulsa, Oklahoma 74119-1212 Telephone (918) 599-2000
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY (A Delaware Corporation) 428 Travis Street, Shreveport, Louisiana 71156-0001 Telephone (318) 673-3000
0-340	WEST TEXAS UTILITIES COMPANY (A Texas Corporation) 301 Cypress Street, Abilene, Texas 79601-5820 Telephone (915) 674-7000

AEP Generating Company, Columbus Southern Power Company, Kentucky Power Company, Public Service Company of Oklahoma and West Texas Utilities Company meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) to such Form 10-K.

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

REGISTRANT	TITLE OF EACH CLASS	NA ON
AEP Generating Company	None	
American Electric Power Company, Inc.	Common Stock, $6.50 par value	New
Appalachian Power Company	4-1/2% Cumulative Preferred Stock, Voting, no par value	Phil
	8-1/4% Junior Subordinated Deferrable Interest Debentures, Series A, Due 2026	New
	8% Junior Subordinated Deferrable Interest Debentures, Series B, Due 2027	New
	7.20% Senior Notes, Series A, Due 2038	New
	7.30% Senior Notes, Series B, Due 2038	New.
Columbus Southern Power Company	8-3/8% Junior Subordinated Deferrable Interest Debentures, Series A, Due 2025	New
	7.92% Junior Subordinated Deferrable Interest Debentures, Series B, Due 2027	New
CPL Capital I	8.00% Cumulative Quarterly Income Preferred Securities, Series A, Liquidation Preference $25 per Preferred Security	New
Indiana Michigan Power Company	8% Junior Subordinated Deferrable Interest Debentures, Series A, Due 2026	New
	7.60% Junior Subordinated Deferrable Interest Debentures, Series B, Due 2038	New
Kentucky Power Company	8.72% Junior Subordinated Deferrable Interest Debentures, Series A, Due 2025	New

Ohio Power Company	8.16% Junior Subordinated Deferrable Interest Debentures, Series A, Due 2025.....	New
	7.92% Junior Subordinated Deferrable Interest Debentures Series B, Due 2027.....	New
	7 3/8% Senior Notes, Series A, Due 2038.....	New
PSO Capital I	8.00% Trust Originated Preferred Securities, Series A, Liquidation Preference $25 per Preferred Security.....	New
SWEPCo Capital I	7.875% Trust Preferred Securities, Series A, Liquidation amount $25 per Preferred Security.....	New

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

REGISTRANT	TITLE OF EACH CLASS
AEP Generating Company	None
American Electric Power Company, Inc.	None
Appalachian Power Company	None
Central Power and Light Company	4.00% Cumulative Preferred Stock, Non-
	4.20% Cumulative Preferred Stock, Non-
Columbus Southern Power Company	None
Indiana Michigan Power Company	4-1/8% Cumulative Preferred Stock, Non
Kentucky Power Company None Ohio Power Company	4-1/2% Cumulative Preferred Stock, Vot
Public Service Company of Oklahoma	None
Southwestern Electric Power Company	4.28% Cumulative Preferred Stock, Non-
	4.65% Cumulative Preferred Stock, Non-
	5.00% Cumulative Preferred Stock, Non-
West Texas Utilities Company	None

	AGGREGATE MARKET VALUE OF VOTING AND NON-VOTING COMMON EQUITY HELD BY NON-AFFILIATES OF THE REGISTRANTS AT FEBRUARY 1, 2001	NUMBER OF SH OF COMMON ST OUTSTANDING THE REGISTRAN FEBRUARY 1,
AEP Generating Company	None	1,000 ($1,000 par v
American Electric Power Company, Inc.	$13,853,503,196	322,024,71 ($6.50 par va
Appalachian Power Company	None	13,499,50 (no par val
Central Power and Light Company	None	6,755,535 ($25 par val
Columbus Southern Power Company	None	16,410,42 (no par val

Indiana Michigan Power Company	None	1,400,000 (no par val
Kentucky Power Company	None	1,009,000 ($50 par val
Ohio Power Company	None	27,952,47 (no par val
Public Service Company of Oklahoma	None	9,013,000 ($15 par val
Southwestern Electric Power Company	None	7,536,640 ($18 par val
West Texas Utilities Company	None	5,488,560 ($25 par val

NOTE ON MARKET VALUE OF COMMON EQUITY HELD BY NON-AFFILIATES

American Electric Power Company, Inc. owns all of the common stock of AEP Generating Company, Appalachian Power Company, Central Power and Light Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Ohio Power Company, Public Service Company of Oklahoma, Southwestern Electric Power Company and West Texas Utilities Company (see Item 12 herein).

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Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes [X]. No.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

DOCUMENTS INCORPORATED BY REFERENCE

DESCRIPTION
Portions of Annual Reports of the following companies for the fiscal year ended December 31, 2000:
AEP Generating Company American Electric Power Company, Inc. Appalachian Power Company Central Power and Light Company Columbus Southern Power Company Indiana Michigan Power Company Kentucky Power Company Ohio Power Company Public Service Company of Oklahoma Southwestern Electric Power Company West Texas Utilities Company

Portions of Proxy Statement of American Electric Power Company, Inc. for 2001 Annual Meeting of Shareholders, to be filed within 120 days after December 31, 2000

Portions of Information Statements of the following companies for 2001 Annual Meeting of Shareholders, to be filed within 120 days after December 31, 2000

Appalachian Power Company
Ohio Power Company

THIS COMBINED FORM 10-K IS SEPARATELY FILED BY AEP GENERATING COMPANY, AMERICAN ELECTRIC POWER COMPANY, INC., APPALACHIAN POWER COMPANY, CENTRAL POWER AND LIGHT COMPANY, COLUMBUS SOUTHERN POWER COMPANY, INDIANA MICHIGAN POWER COMPANY, KENTUCKY POWER COMPANY, OHIO POWER COMPANY, PUBLIC SERVICE COMPANY OF OKLAHOMA, SOUTHWESTERN ELECTRIC POWER COMPANY AND WEST TEXAS UTILITIES COMPANY. INFORMATION CONTAINED HEREIN RELATING TO ANY INDIVIDUAL REGISTRANT IS FILED BY SUCH REGISTRANT ON ITS OWN BEHALF. EXCEPT FOR AMERICAN ELECTRIC POWER COMPANY, INC., EACH REGISTRANT MAKES NO REPRESENTATION AS TO INFORMATION RELATING TO THE OTHER REGISTRANTS.

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GLOSSARY OF TERMS

The following abbreviations or acronyms used in this Form 10-K are defined below:

ABBREVIATION OR ACRONYM	DEFINITION
AEGCo	AEP Generating Company, an electric utility subs
AEP	American Electric Power Company, Inc.
AEP System or the System	The American Electric Power System, an integrate and operated by AEP's electric utility subsidi
AFUDC	Allowance for funds used during construction. D accounts as the net cost of borrowed funds use rate of return on other funds when so used.
APCo	Appalachian Power Company, an electric utility s
Btu	British thermal unit.
Buckeye	Buckeye Power, Inc., an unaffiliated corporation
C3	C3 Communications, Inc.
CAA	Clean Air Act.
CAAA	Clean Air Act Amendments of 1990.
CCD Group	CSPCo, CG&E and DP&L.
CERCLA	Comprehensive Environmental Response, Compensati
CG&E	The Cincinnati Gas & Electric Company, an unaffi
CO2	Carbon dioxide.
Cook Plant	The Donald C. Cook Nuclear Plant, owned by I&M,
CPL	Central Power and Light Company, an electric uti
CSPCo	Columbus Southern Power Company, an electric uti
CSW	Central and South West Corporation.
DOE	United States Department of Energy.
DP&L	The Dayton Power and Light Company, an unaffilia
East Zone Companies of AEP	APCo, CSPCo, I&M, KEPCo and OPCo.
EWG	Exempt wholesale generator.
Federal EPA	United States Environmental Protection Agency.
FERC	Federal Energy Regulatory Commission (an indepen
FUCO	Foreign utility company as defined by PUHCA.

I&M	Indiana Michigan Power Company, an electric util
IURC	Indiana Utility Regulatory Commission.
KEPCo	Kentucky Power Company, an electric utility subs
NOx	Nitrogen oxide.
NPDES	National Pollutant Discharge Elimination System.
NRC	Nuclear Regulatory Commission.
Ohio EPA	Ohio Environmental Protection Agency.
OPCo	Ohio Power Company, an electric utility subsidia
OVEC	Ohio Valley Electric Corporation, an electric ut CSPCo own a 44.2% equity interest.
PCBs	Polychlorinated biphenyls.
PSO	Public Service Company of Oklahoma, an electric
PUCO	The Public Utilities Commission of Ohio.

ABBREVIATION OR ACRONYM	DEFINITION
PUHCA	Public Utility Holding Company Act of 1935, as a
QF	Qualifying facility as defined in the Public Uti 1978.
RCRA	Resource Conservation and Recovery Act of 1976,
Rockport Plant	A generating plant, consisting of two 1,300,000- units, near Rockport, Indiana.
SEC	Securities and Exchange Commission.
SEEBOARD	SEEBOARD Group plc, Crawley, West Sussex, United
Service Corporation	American Electric Power Service Corporation, a s
SO2	Sulfur dioxide.
SO2 Allowance	An allowance to emit one ton of sulfur dioxide g Amendments of 1990.
STP	South Texas Project Nuclear Generating Plant, ow Bay City, Texas.
STPNOC	STP Nuclear Operating Company, a non-profit Texa on behalf of its joint owners including CPL.
SWEPCo	Southwestern Electric Power Company, an electric
TVA	Tennessee Valley Authority.
Vale	Empresa De Electricidade Vale Paranapanema SA, a Company.
VEPCo	Virginia Electric and Power Company, an unaffili
Virginia SCC	Virginia State Corporation Commission.
West Virginia PSC	Public Service Commission of West Virginia.
West Zone Companies of AEP	CPL, PSO, SWEPCo and WTU.
WTU	West Texas Utilities Company, an electric utilit
Zimmer or Zimmer Plant	Wm. H. Zimmer Generating Station, commonly owned

FORWARD-LOOKING INFORMATION

This report made by AEP and certain of its subsidiaries includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These forward-looking statements reflect assumptions and involve a number of risks and uncertainties. Among the factors that could cause actual results to differ materially from forward-looking statements are:

- Electric load and customer growth.
- Abnormal weather conditions.
- Available sources of and prices for coal and gas.
- Availability of generating capacity.
- The impact of the merger with CSW, including the ability of the combined companies to realize the synergies expected as a result of the combination.
- The timing of the implementation of AEP's restructuring plan.
- Risks related to energy trading and construction under contract.
- The speed and degree to which competition is introduced to our power generation business.
- The structure and timing of a competitive market for electricity and its impact on prices.
- The ability to recover net regulatory assets, other stranded costs and implementation costs in connection with deregulation of generation in certain states.
- New legislation and government regulations.
- The ability of AEP to successfully control its costs.
- The success of new business ventures.
- International developments affecting AEP's foreign investments.
- The effects of fluctuations in foreign currency exchange rates.
- The economic climate and growth in AEP's service and trading territories, both domestic and foreign.
- The ability of AEP to comply with or to challenge successfully new environmental regulations and to litigate successfully claims that AEP violated the CAA.
- Inflationary trends.
- Changes in electricity and gas market prices.
- Successful resolution of litigation regarding municipal franchise fees in Texas.
- Successful appeal of decision in connection with COLI litigation.
- Interest rates.

- Other risks and unforeseen events.

PART I ==========

Item 1. BUSINESS

GENERAL

AEP was incorporated under the laws of the State of New York in 1906 and reorganized in 1925. It is a public utility holding company which owns, directly or indirectly, all of the outstanding common stock of its domestic electric utility subsidiaries and varying percentages of other subsidiaries. Substantially all of the operating revenues of AEP and its subsidiaries are derived from the furnishing of electric service. In addition, in recent years AEP has been pursuing various unregulated business opportunities worldwide as discussed in New Business Development.

The service area of AEP's domestic electric utility subsidiaries covers portions of the states of Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia and West Virginia. The generating and transmission facilities of AEP's subsidiaries are physically interconnected, and their operations are coordinated, as a single integrated electric utility system. Transmission networks are interconnected with extensive distribution facilities in the territories served. The electric utility subsidiaries of AEP, which do business as "American Electric Power," have traditionally provided electric service, consisting of generation, transmission and distribution, on an integrated basis to their retail customers.

At December 31, 2000, the subsidiaries of AEP had a total of 26,376 employees. AEP, as such, has no employees. The operating subsidiaries of AEP are:

APCo (organized in Virginia in 1926) is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 909,000 retail customers in the southwestern portion of Virginia and southern West Virginia, and in supplying electric power at wholesale to other electric utility companies and municipalities in those states and in Tennessee. At December 31, 2000, APCo and its wholly owned subsidiaries had 2,846 employees. Among the principal industries served by APCo are coal mining, primary metals, chemicals and textile mill products. In addition to its AEP System interconnections, APCo also is interconnected with the following unaffiliated utility companies: Carolina Power & Light Company, Duke Energy Corporation and VEPCo. A comparatively small part of the properties and business of APCo is located in the northeastern end of the Tennessee Valley. APCo has several points of interconnection with TVA and has entered into agreements with TVA under which APCo and TVA interchange and transfer electric power over portions of their respective

systems.

CPL (organized in Texas in 1945) is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 680,000 customers in southern Texas, and in supplying electric power at wholesale to other utilities, municipalities and rural electric cooperatives. At December 31, 2000, CPL had 1,444 employees. Among the principal industries served by CPL are oil and gas extraction, food processing, apparel, metal refining, chemical and petroleum refining, plastics, and machinery equipment.

CSPCo (organized in Ohio in 1937, the earliest direct predecessor company having been organized in 1883) is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 668,000 customers in Ohio, and in supplying electric power at wholesale to other electric utilities and to municipally owned distribution systems within its service area. At December 31, 2000, CSPCo had 1,264 employees. CSPCo's service area is comprised of two areas in Ohio, which include portions of twenty-five counties. One area includes the City of Columbus and the other is a predominantly rural area in south central Ohio. Approximately 80% of CSPCo's retail revenues are derived from the Columbus area. Among the principal industries served are food processing, chemicals, primary metals, electronic machinery and paper products. In addition to its AEP

System interconnections, CSPCo also is interconnected with the following unaffiliated utility companies: CG&E, DP&L and Ohio Edison Company.

I&M (organized in Indiana in 1925) is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 565,000 customers in northern and eastern Indiana and southwestern Michigan, and in supplying electric power at wholesale to other electric utility companies, rural electric cooperatives and municipalities. At December 31, 2000, I&M had 2,965 employees. Among the principal industries served are primary metals, transportation equipment, electrical and electronic machinery, fabricated metal products, rubber and miscellaneous plastic products and chemicals and allied products. Since 1975, I&M has leased and operated the assets of the municipal system of the City of Fort Wayne, Indiana. In addition to its AEP System interconnections, I&M also is interconnected with the following unaffiliated utility companies: Central Illinois Public Service Company, CG&E, Commonwealth Edison Company, Consumers Energy Company, Illinois Power Company, Indianapolis Power & Light Company, Louisville Gas and Electric Company, Northern Indiana Public Service Company, PSI Energy Inc. and Richmond Power & Light Company.

KEPCo (organized in Kentucky in 1919) is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 172,000 customers in an area in eastern Kentucky, and in supplying electric power at wholesale to other utilities and municipalities in Kentucky. At December 31, 2000, KEPCo had 451 employees. In addition to its AEP System interconnections, KEPCo also is interconnected with the following unaffiliated utility companies: Kentucky Utilities Company and East Kentucky Power Cooperative Inc. KEPCo is also interconnected with TVA.

Kingsport Power Company (organized in Virginia in 1917) provides electric service to approximately 45,000 customers in Kingsport and eight neighboring communities in northeastern Tennessee. Kingsport Power Company

has no generating facilities of its own. It purchases electric power distributed to its customers from APCo. At December 31, 2000, Kingsport Power Company had 62 employees.

OPCo (organized in Ohio in 1907 and re-incorporated in 1924) is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 696,000 customers in the northwestern, east central, eastern and southern sections of Ohio, and in supplying electric power at wholesale to other electric utility companies and municipalities. At December 31, 2000, OPCo and its wholly owned subsidiaries had 3,532 employees. Among the principal industries served by OPCo are primary metals, rubber and plastic products, stone, clay, glass and concrete products, petroleum refining and chemicals. In addition to its AEP System interconnections, OPCo also is interconnected with the following unaffiliated utility companies: CG&E, The Cleveland Electric Illuminating Company, DP&L, Duquesne Light Company, Kentucky Utilities Company, Monongahela Power Company, Ohio Edison Company, The Toledo Edison Company and West Penn Power Company.

PSO (organized in Oklahoma in 1913) is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 499,000 customers in eastern and southwestern Oklahoma, and in supplying electric power at wholesale to other utilities, municipalities and rural electric cooperatives. At December 31, 2000, PSO had 1,005 employees. Among the principal industries served by PSO are natural gas and oil production, oil refining, steel processing, aircraft maintenance, paper manufacturing and timber products, glass, chemicals, cement, plastics, aerospace manufacturing, telecommunications, and rubber goods.

SWEPCo (organized in Oklahoma in 1912) is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 428,000 customers in northeastern Texas, northwestern Louisiana, and western Arkansas, and in supplying electric power at wholesale to other utilities, municipalities and

rural electric cooperatives. At December 31, 2000, SWEPCo had 1,243 employees. Among the principal industries served by SWEPCo are natural gas and oil production, petroleum refining, manufacturing of pulp and paper, chemicals, food processing, and metal refining. The territory served by SWEPCo also includes several military installations, colleges, and universities.

Wheeling Power Company (organized in West Virginia in 1883 and reincorporated in 1911) provides electric service to approximately 42,000 customers in northern West Virginia. Wheeling Power Company has no generating facilities of its own. It purchases electric power distributed to its customers from OPCo. At December 31, 2000, Wheeling Power Company had 75 employees.

WTU (organized in Texas in 1927) is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 190,000 customers in west and central Texas, and in supplying electric power at wholesale to other utilities, municipalities and rural electric cooperatives. At December 31, 2000, WTU had 718 employees. The principal industry served by WTU is agriculture. The territory served by WTU also includes several military installations and correctional facilities.

Another principal electric utility subsidiary of AEP is AEGCo, which was

organized in Ohio in 1982 as an electric generating company. AEGCo sells power at wholesale to I&M and KEPCo. AEGCo has no employees.

See Item 2 for information concerning the properties of the subsidiaries of AEP.

The Service Corporation provides accounting, administrative, information systems, engineering, financial, legal, maintenance and other services at cost to the AEP System companies. The executive officers of AEP and its public utility subsidiaries are all employees of the Service Corporation.

The AEP System is an integrated electric utility system and, as a result, the member companies of the AEP System have contractual, financial and other business relationships with the other member companies, such as participation in the AEP System savings and retirement plans and tax returns, sales of electricity, transportation and handling of fuel, sales or rentals of property and interest or dividend payments on the securities held by the companies' respective parents.

AEP-CSW MERGER

On June 15, 2000, CSW merged with and into a wholly owned merger subsidiary of AEP with CSW being the surviving corporation. The merger was pursuant to an Agreement and Plan of Merger, dated as of December 21, 1997, that AEP and CSW had entered into. As a result of the merger, each outstanding share of common stock, par value $3.50 per share, of CSW (other than shares owned by AEP or CSW) was converted into 0.6 of a share of common stock, par value $6.50 per share, of AEP.

CSW's four wholly-owned domestic electric utility subsidiaries are CPL, PSO, SWEPCo and WTU. CSW also has the following principal subsidiaries: CSW International, CSW Energy, SEEBOARD, AEP Credit, Inc., C3 and CSW Energy Services, Inc.

AEP intends to comply with the following conditions imposed by the FERC as part of the FERC's order approving the merger:

- Transfer operational control of AEP's east and west transmission systems to fully-functioning, FERC-approved regional transmission organizations by December 15, 2001. See Transmission Services for Non-Affiliates.

- Two interim transmission-related mitigation measures consisting of market monitoring and independent calculation and posting of available transmission capacity to monitor the operation of AEP's east transmission system.

- Divestiture of 550 MW of generating capacity comprised of 300 MW of capacity in the Southwest Power Pool (SPP) and 250 MW of capacity in the Electric Reliability Council of Texas (ERCOT). AEP must complete divestiture of the SPP capacity by

July 1, 2002. AEP has completed divestiture of the ERCOT capacity.

The FERC found that certain energy sales of SPP and ERCOT capacity would be reasonable and effective interim mitigation measures until completion of the required SPP and ERCOT divestitures. As required by the FERC, the proposed interim energy sales were in effect when the merger was consummated.

REGULATION

General

AEP and its subsidiaries are subject to the broad regulatory provisions of PUHCA administered by the SEC. The public utility subsidiaries' retail rates and certain other matters are subject to regulation by the public utility commissions of the states in which they operate. Such subsidiaries are also subject to regulation by the FERC under the Federal Power Act in respect of rates for interstate sale at wholesale and transmission of electric power, accounting and other matters and construction and operation of hydroelectric projects. I&M and CPL are subject to regulation by the NRC under the Atomic Energy Act of 1954, as amended, with respect to the operation of the Cook Plant and STP, respectively.

Possible Change to PUHCA

The provisions of PUHCA, administered by the SEC, regulate all aspects of a registered holding company system, such as the AEP System. PUHCA requires that the operations of a registered holding company system be limited to a single integrated public utility system and such other businesses as are incidental or necessary to the operations of the system. In addition, PUHCA governs, among other things, financings, sales or acquisitions of assets and intra-system transactions.

On June 20, 1995, the SEC released a report from its Division of Investment Management recommending a conditional repeal of PUHCA, including its limits on financing and on geographic and business diversification. Specific federal authority, however, would be preserved over access to the books and records of registered holding company systems, audit authority over registered holding companies and their subsidiaries and oversight over affiliate transactions. This authority would be transferred to the FERC. Following the report, legislation was introduced in Congress to repeal PUHCA and transfer certain federal authority to the FERC as recommended in the SEC report. Since 1997, such PUHCA repeal language has been part of broader legislation regarding changes in the electric industry. Such legislation, both as a separate bill and as part of broader electricity restructuring legislation, was reintroduced in 1999 and 2000. Legislative hearings were held but no PUHCA repeal legislation was passed by either the House of Representatives or Senate. It is expected that a number of bills contemplating PUHCA repeal separately and the restructuring of the electric utility industry will be introduced in the current Congress. See Competition and Business Change. If PUHCA is repealed, registered holding company systems, including the AEP System, will be able to compete in the changing industry without the constraints of PUHCA. Management of AEP believes that removal of these constraints would be beneficial to the AEP System.

PUHCA and the rules and orders of the SEC currently require that transactions between associated companies in a registered holding company system be performed at cost with limited exceptions. Over the years, the AEP System has developed numerous affiliated service, sales and construction relationships and, in some cases, invested significant capital and developed significant operations in reliance upon the ability to recover its full costs under these provisions.

Legislation has been introduced in Congress to repeal PUHCA or modify its provisions governing intra-system transactions. The effect of repeal or amendment of PUHCA on AEP's intra-system transactions depends on whether the assurance of full cost recovery is eliminated immediately or phased in and whether it is eliminated for all intra-system transactions or only some. If the cost recovery assurance is eliminated immediately for all intra-system transactions, it could have a material adverse effect on results of operations and financial condition of AEP and OPCo. Current legislation grandfathers transactions legally authorized on the effective date of PUHCA repeal.

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Conflict of Regulation

Public utility subsidiaries of AEP can be subject to regulation of the same subject matter by two or more jurisdictions. In such situations, it is possible that the decisions of such regulatory bodies may conflict or that the decision of one such body may affect the cost of providing service, and so the rates, in another jurisdiction. In a case involving OPCo, the U.S. Court of Appeals for the District of Columbia held that the determination of costs to be charged to associated companies by the SEC under PUHCA precluded the FERC from determining that such costs were unreasonable for ratemaking purposes. The U.S. Supreme Court also has held that a state commission may not conclude that a FERC approved wholesale power agreement is unreasonable for state ratemaking purposes. Certain actions that would overturn these decisions or otherwise affect the jurisdiction of the SEC and FERC are under consideration by the U.S. Congress and these regulatory bodies. Such conflicts of jurisdiction often result in litigation and, if resolved adversely to a public utility subsidiary of AEP, could have a material adverse effect on the results of operations or financial condition of such subsidiary or AEP.

CLASSES OF SERVICE

The principal classes of service from which the domestic electric utility subsidiaries of AEP derive revenues and the amount of such revenues (from kilowatt-hour sales) during the year ended December 31, 2000 are as follows:

	AEP SYSTEM(a)	AEGCO
		(IN THOUSANDS)
Retail		
Residential	$3,517,058	$0
Commercial	2,451,068	0
Industrial	2,443,750	0
Miscellaneous	213,620	0
Total Retail	8,625,496	0
Wholesale (sales for resale)	1,795,041	228,304
Total from KWH Sales	10,420,537	228,304
Other Operating Revenues and Refunds	406,895	212
Total Electric Operating Revenues	$10,827,432	$228,516

	CPL	CSPCO
	(IN THOUSANDS)	
Retail		

Residential	$651,580	$473,986
Commercial	460,433	434,785
Industrial	370,161	145,326
Miscellaneous	49,204	18,176
Total Retail	1,531,378	1,072,273
Wholesale (sales for resale)	140,671	243,827
Total from KWH Sales	1,672,049	1,316,100
Other Operating Revenues and Refunds	99,128	42,250
Total Electric Operating Revenues	$1,771,177	$1,358,350

	I&M	KEPCO	OPCO
		(IN THOUSANDS)	
Retail			
Residential	$340,484	$112,707	$429,49
Commercial	269,650	62,431	278,22
Industrial	334,622	93,111	548,59
Miscellaneous	6,689	950	8,42
Total Retail	951,445	269,199	1,264,74
Wholesale (sales for resale)	557,235	120,482	894,25
Total from KWH Sales	1,508,680	389,681	2,158,99
Other Operating Revenues and Refunds	41,907	20,722	80,63
Total Electric Operating Revenues	$1,550,587	$410,403	$2,239,63

	SWEPCO	WTU
	(IN THOUSANDS)	
Retail		
Residential	$328,873	$164,973
Commercial	219,318	97,583
Industrial	273,430	65,517
Miscellaneous	31,782	46,060
Total Retail	853,403	374,133
Wholesale (sales for resale)	240,792	150,986
Total from KWH Sales	1,094,195	525,119
Other Operating Revenues and Refunds	30,015	47,675
Total Electric Operating Revenues	$1,124,210	$572,794

(a) Includes revenues of other subsidiaries not shown and elimination of intercompany transactions.

SALE OF POWER

AEP's electric utility subsidiaries own or lease generating stations with total generating capacity of 38,033 megawatts. See Item 2 for more information regarding the generating stations. They operate their generating plants as a single interconnected and coordinated electric utility system and, in the east zone, share the costs and benefits in the AEP System Power Pool. Most of the electric power generated at these stations is sold, in combination with transmission and distribution services, to retail customers of AEP's utility subsidiaries in their service territories. These sales are made at rates that are established by the public utility commissions of the state in which they operate. See Rates and

Regulation. Some of the electric power is sold at wholesale to non-affiliated companies.

AEP System Power Pool

APCo, CSPCo, I&M, KEPCo and OPCo are parties to the Interconnection Agreement, dated July 6, 1951, as amended (the Interconnection Agreement), defining how they share the costs and benefits associated with their generating plants. This sharing is based upon each company's "member-load-ratio," which is calculated monthly on the basis of each company's maximum peak demand in relation to the sum of the maximum peak demands of all five companies during the preceding 12 months. In addition, since 1995, APCo, CSPCo, I&M, KEPCo and OPCo have been parties to the AEP System Interim Allowance Agreement which provides, among other things, for the transfer of SO2 Allowances associated with transactions under the Interconnection Agreement.

Power marketing and trading transactions (trading activities) are conducted by the AEP Power Pool and shared among the parties under the Interconnection Agreement. Trading activities involve the purchase and sale of electricity under physical forward contracts at fixed and variable prices and the trading of electricity contracts including exchange traded futures and options and over-the-counter options and swaps. The majority of these transactions represent physical forward contracts in the AEP System's traditional marketing area and are typically settled by entering into offsetting contracts. The regulated physical forward contracts are recorded on a net basis in the month when the contract settles.

In addition, the AEP Power Pool enters into transactions for the purchase and sale of electricity options, futures and swaps, and for the forward purchase and sale of electricity outside of the AEP System's traditional marketing area.

The following table shows the net credits or (charges) allocated among the parties under the Interconnection Agreement and Interim Allowance Agreement during the years ended December 31, 1998, 1999 and 2000:

1998(a)	1999(a)	2000(a)
	(IN THOUSANDS)	

APCo.....	$(142,500)	$(89,100)	$(274,000)
CSPCo.....	(146,800)	(184,500)	(250,400)
I&M.....	(86,100)	(61,700)	93,900
KEPCo.....	34,000	23,700	(21,500)
OPCo.....	341,400	311,600	452,000

(a) Includes credits and charges from allowance transfers related to the transactions.

CPL, PSO, SWEPCo, WTU, and AEP Service Corporation are parties to a Restated and Amended Operating Agreement originally dated as of January 1, 1997 (CSW Operating Agreement). The CSW Operating Agreement requires the operating companies of the west zone to maintain specified annual planning reserve margins and requires the subsidiaries that have capacity in excess of the required margins to make such capacity available for sale to other AEP subsidiaries as capacity commitments. The CSW Operating Agreement also delegates to AEP Service Corporation the authority to coordinate the acquisition, disposition, planning, design and construction of generating units and to supervise the operation and maintenance of a central control center. The CSW Operating Agreement has been accepted for filing and allowed to become effective by the FERC.

Wholesale Sales of Power to Non-Affiliates

AEP's electric utility subsidiaries also sell electric power on a wholesale basis to non-affiliated electric utilities and power marketers. Such sales are either made by the AEP System Power Pool and then allocated among APCo, CSPCo, I&M, KEPCo and OPCo based on member-load-ratios or made by individual companies pursuant to various long-term power agreements.

Reference is made to the footnote to the financial statements entitled Commitments and Contingencies that is incorporated by reference in Item 8 for information with respect to AEP's long-term agreements to sell power.

TRANSMISSION SERVICES

AEP's electric utility subsidiaries own and operate transmission and distribution lines and other facilities to deliver electric power. See Item 2 for more information regarding the transmission and distribution lines. AEP's electric utility subsidiaries

operate their transmission lines as a single interconnected and coordinated system and share the cost and benefits in the AEP System Transmission Pool. Most of the transmission and distribution services are sold, in combination with electric power, to retail customers of AEP's utility subsidiaries in their service territories. These sales are made at rates that are established by the public utility commissions of the state in which they operate. See Rates and Regulation. As discussed below, some transmission services also are separately sold to non-affiliated companies.

AEP System Transmission Pool

APCo, CSPCo, I&M, KEPCo and OPCo are parties to the Transmission Agreement, dated April 1, 1984, as amended (the Transmission Agreement), defining how they share the costs associated with their relative ownership of

the extra-high-voltage transmission system (facilities rated 345 kv and above) and certain facilities operated at lower voltages (138 kv and above). Like the Interconnection Agreement, this sharing is based upon each company's "member-load-ratio." See Sale of Power.

The following table shows the net (credits) or charges allocated among the parties to the Transmission Agreement during the years ended December 31, 1998, 1999 and 2000:

	1998	1999	2000
	(IN THOUSANDS)		
APCo.....	$(2,400)	$(8,300)	$(3,400)
CSPCo.....	35,600	39,000	38,300
I&M.....	(44,100)	(43,900)	(43,800)
KEPCo.....	(6,000)	(4,300)	(6,000)
OPCo.....	16,900	17,500	14,900

CPL, PSO, SWEPCo, WTU, and AEP Service Corporation are parties to a Transmission Coordination Agreement originally dated as of January 1, 1997 (TCA). The TCA establishes a coordinating committee, which is charged with the responsibility of overseeing the coordinated planning of the transmission facilities of the west zone operating subsidiaries, including the performance of transmission planning studies, the interaction of such subsidiaries with independent system operators (ISO) and other regional bodies interested in transmission planning and compliance with the terms of the Open Access Transmission Tariff (OATT) filed with the FERC and the rules of the FERC relating to such tariff.

Under the TCA, the west zone operating subsidiaries have delegated to AEP Service Corporation the responsibility of monitoring the reliability of their transmission systems and administering the OATT on their behalf. The TCA also provides for the allocation among the west zone operating subsidiaries of revenues collected for transmission and ancillary services provided under the OATT. The TCA has been accepted for filing by the FERC effective as of January 1, 1997, and is the subject of proceedings commenced to consider the reasonableness of its terms and conditions.

Transmission Services for Non-Affiliates

AEP's electric utility subsidiaries and other System companies also provide transmission services for non-affiliated companies.

On April 24, 1996, the FERC issued orders 888 and 889. These orders require each public utility that owns or controls interstate transmission facilities to file an open access network and point-to-point transmission tariff that offers services comparable to the utility's own uses of its transmission system. The orders also require utilities to functionally unbundle their services, by requiring them to use their own tariffs in making off-system and third-party sales. As part of the orders, the FERC issued a pro-forma tariff which reflects the Commission's views on the minimum non-price terms and conditions for non-discriminatory transmission service. In addition, the orders require all transmitting utilities to establish an Open Access Same-time Information System (OASIS) which electronically posts transmission information such as available capacity and prices, and require utilities to comply with Standards of Conduct which prohibit utilities' system operators from providing non-public transmission information to the utility's merchant employees. The orders also allow a utility to seek recovery of certain prudently-incurred

stranded costs that result from unbundled transmission service.

In December 1999, FERC issued Order 2000, which provides for the voluntary formation of regional transmission organizations (RTOs), entities created to operate, plan and control utility transmission assets. Order 2000 also prescribes certain characteristics and functions of acceptable RTO proposals.

On July 9, 1996, the AEP System companies filed a tariff conforming with the FERC's pro-forma transmission tariff.

During 1998 and 1999 AEP engaged in discussions with Consumers Energy Company, FirstEnergy Corp., Detroit Edison Company and VEPCo regarding the development of the Alliance RTO which may take the form of an ISO or an independent transmission company (Transco), depending upon the occurrence of certain conditions. The Transco, if formed, would operate transmission assets that it would own, and also would operate other owners' transmission assets on a contractual basis. In 1999, these companies filed with the FERC a proposal to form the RTO. In December 1999, the FERC approved the Alliance RTO, conditioned upon certain changes to the proposal relating to governance of the RTO, resolution of intra-RTO conflicts and establishment of a rate structure. On January 24, 2001, the FERC approved the compliance filing made by the Alliance RTO in September 2000 and generally accepted the responses to the changes proposed in the December 1999 FERC order. The January 2001 FERC order also directed the Alliance companies to file their actual rates no later than 120 days prior to the commencement of operations by the Alliance RTO.

COORDINATION OF EAST AND WEST ZONE OPERATING SUBSIDIARIES

AEP's System Integration Agreement provides for the integration and coordination of AEP's east and west zone operating subsidiaries, joint dispatch of generation within the AEP System, and the distribution, between the two operating zones, of costs and benefits associated with the System's generating plants. It is designed to function as an umbrella agreement in addition to the AEP Interconnection Agreement and the CSW Operating Agreement, each of which will continue to control the distribution of costs and benefits within each zone.

AEP's System Transmission Integration Agreement provides for the integration and coordination of the planning, operation and maintenance of the transmission facilities of AEP's east and west zone operating subsidiaries. Like the System Integration Agreement, the System Transmission Integration Agreement functions as an umbrella agreement in addition to the AEP Transmission Agreement and the Transmission Coordination Agreement. The System Transmission Integration Agreement contains two service schedules that govern:

- The allocation of transmission costs and revenues.

- The allocation of third-party transmission costs and revenues and System dispatch costs.

The Transmission Integration Agreement anticipates that additional service schedules may be added as circumstances warrant.

OVEC

AEP, CSPCo and several unaffiliated utility companies jointly own OVEC, which supplies the power requirements of a uranium enrichment plant near

Portsmouth, Ohio, owned by the DOE. The aggregate equity participation of AEP and CSPCo in OVEC is 44.2%. The DOE demand under OVEC's power agreement, which is subject to change from time to time, is 800,000 kilowatts. On April 1, 2001, it is scheduled to decrease to approximately 600,000 kilowatts. The proceeds from the sale of power by OVEC are designed to be sufficient for OVEC to meet its operating expenses and fixed costs and to provide a return on its equity capital. APCo, CSPCo, I&M and OPCo, as sponsoring companies, are entitled to receive from OVEC, and are obligated to pay for, the power not required by DOE, which averaged 42.1% in 2000. On September 29, 2000, DOE issued a notice of cancellation of the power agreement. DOE will therefore not be entitled to any OVEC capacity beyond August 31, 2001. The sponsoring companies will be entitled to all OVEC capacity in proportion to their power participation ratios (approximately 2,200MW) beginning September 1, 2001.

BUCKEYE

Contractual arrangements among OPCo, Buckeye and other investor-owned electric utility companies in Ohio provide for the transmission and delivery, over facilities of OPCo and of other investor-owned utility companies, of power generated by the two units at the Cardinal Station

owned by Buckeye and back-up power to which Buckeye is entitled from OPCo under such contractual arrangements, to facilities owned by 25 of the rural electric cooperatives which operate in the State of Ohio at 331 delivery points. Buckeye is entitled under such arrangements to receive, and is obligated to pay for, the excess of its maximum one-hour coincident peak demand plus a 15% reserve margin over the 1,226,500 kilowatts of capacity of the generating units which Buckeye currently owns in the Cardinal Station. Such demand, which occurred on December 22, 2000, was recorded at 1,304,134 kilowatts.

In January 2000, OPCo and National Power Cooperative, Inc. (NPC), an affiliate of Buckeye, entered into an agreement, subject to specified conditions, relating to construction and operation of a 510 mw gas-fired electric generating peaking facility to be owned by NPC. From the commercial operation date (expected in early 2002) until the end of 2005, OPCo will be entitled to the power generated by the facility, and responsible for the fuel and other costs of the facility. After 2005, NPC and OPCo will be entitled to 80% and 20%, respectively, of the power of the facility, and both parties will generally be responsible for the fuel and other costs of the facility. OPCo will also provide certain back-up power to NPC. AEP Pro Serv, Inc. will provide engineering, procurement and construction for the facility.

CERTAIN INDUSTRIAL CUSTOMERS

Century Aluminum of West Virginia, Inc. (formerly Ravenswood Aluminum Corporation), operates a major aluminum reduction plant in the Ohio River Valley at Ravenswood, West Virginia. The power requirement of such plant presently is approximately 357,000 kilowatts. OPCo is providing electric service pursuant to a contract approved by the PUCO for the period July 1, 1996 through July 31, 2003.

AEGCO

Since its formation in 1982, AEGCo's business has consisted of the ownership and financing of its 50% interest in the Rockport Plant and, since 1989, leasing of its 50% interest in Unit 2 of the Rockport Plant. The operating revenues of AEGCo are derived from the sale of capacity and energy associated

with its interest in the Rockport Plant to I&M and KEPCo pursuant to unit power agreements. Pursuant to these unit power agreements, AEGCo is entitled to recover its full cost of service from the purchasers and will be entitled to recover future increases in such costs, including increases in fuel and capital costs. See Unit Power Agreements. Pursuant to a capital funds agreement, AEP has agreed to provide cash capital contributions, or in certain circumstances subordinated loans, to AEGCo, to the extent necessary to enable AEGCo, among other things, to provide its proportionate share of funds required to permit continuation of the commercial operation of the Rockport Plant and to perform all of its obligations, covenants and agreements under, among other things, all loan agreements, leases and related documents to which AEGCo is or becomes a party. See Capital Funds Agreement.

Unit Power Agreements

A unit power agreement between AEGCo and I&M (the I&M Power Agreement) provides for the sale by AEGCo to I&M of all the power (and the energy associated therewith) available to AEGCo at the Rockport Plant. I&M is obligated, whether or not power is available from AEGCo, to pay as a demand charge for the right to receive such power (and as an energy charge for any associated energy taken by I&M) such amounts, as when added to amounts received by AEGCo from any other sources, will be at least sufficient to enable AEGCo to pay all its operating and other expenses, including a rate of return on the common equity of AEGCo as approved by FERC, currently 12.16%. The I&M Power Agreement will continue in effect until the date that the last of the lease terms of Unit 2 of the Rockport Plant has expired unless extended in specified circumstances.

Pursuant to an assignment between I&M and KEPCo, and a unit power agreement between KEPCo and AEGCo, AEGCo sells KEPCo 30% of the power (and the energy associated therewith) available to AEGCo from both units of the Rockport Plant. KEPCo has agreed to pay to AEGCo in consideration for the right to receive such power the same amounts which I&M would have paid AEGCo under the terms of the I&M Power Agreement for such entitlement. The KEPCo unit power agreement expires on December 31, 2004.

Capital Funds Agreement

AEGCo and AEP have entered into a capital funds agreement pursuant to which, among other things, AEP has unconditionally agreed to make cash capital contributions, or in certain circumstances subordinated loans, to AEGCo to the extent necessary to enable AEGCo to (i) maintain such an equity component of capitalization as required by governmental regulatory authorities, (ii) provide its proportionate share of the funds required to permit commercial operation of the Rockport Plant, (iii) enable AEGCo to perform all of its obligations, covenants and agreements under, among other things, all loan agreements, leases and related documents to which AEGCo is or becomes a party (AEGCo Agreements), and (iv) pay all indebtedness, obligations and liabilities of AEGCo (AEGCo Obligations) under the AEGCo Agreements, other than indebtedness, obligations or liabilities owing to AEP. The Capital Funds Agreement will terminate after all AEGCo Obligations have been paid in full.

SEASONALITY

Sales of electricity by the AEP System tend to increase and decrease because of the use of electricity by residential and commercial customers for cooling and heating and relative changes in temperature.

FRANCHISES

The operating companies of the AEP System hold franchises to provide electric service in various municipalities in their service areas. These franchises have varying provisions and expiration dates. In general, the operating companies consider their franchises to be adequate for the conduct of their business.

COMPETITION AND BUSINESS CHANGE

General

The public utility subsidiaries of AEP, like many other electric utilities, have traditionally provided electric generation and energy delivery, consisting of transmission and distribution services, as a single product to their retail customers. Proposals are being made and legislation has been enacted in Arkansas, Michigan, Ohio, Oklahoma, Texas, Virginia and West Virginia that would also require electric utilities to sell distribution services separately. These measures generally allow competition in the generation and sale of electric power, but not in its transmission and distribution.

Competition in the generation and sale of electric power will require resolution of complex issues, including who will pay for the unused generating plant of, and other stranded costs incurred by, the utility when a customer stops buying power from the utility; will all customers have access to the benefits of competition; how will the rules of competition be established; what will happen to conservation and other regulatory-imposed programs; how will the reliability of the transmission system be ensured; and how will the utility's obligation to serve be changed. As competition in generation and sale of electric power is instituted, the public utility subsidiaries of AEP believe that they have a favorable competitive position because of their relatively low costs. If stranded costs are not recovered from customers, however, the public utility subsidiaries of AEP, like all electric utilities, will be required by existing accounting standards to recognize any stranded investment losses.

Reference is made to Management's Discussion and Analysis of Results of Operations and Management's Discussion and Analysis of Financial Condition, Contingencies and Other Matters and the footnote to the financial statements entitled Industry Restructuring incorporated by reference in Items 7 and 8, respectively, for further information with respect to competition and business change.

AEP Position on Competition

AEP favors freedom for customers to purchase electric power from anyone that they choose. Generation and sale of electric power would be in the competitive marketplace. To facilitate reliable, safe and efficient service, AEP supports creation of independent system operators to operate the transmission system in a region of the United States. AEP's working model for industry restructuring envisions a progressive transition to full customer

choice. Implementation of these measures would require legislative changes and regulatory approvals.

The legislatures and/or the regulatory commissions in many states, including some in AEP's service territory, are considering or have adopted

"retail customer choice" which, in general terms, means the transmission by an electric utility of electric power generated by an entity of the customer's choice over its transmission and distribution system to a retail customer in such utility's service territory. A requirement to transmit directly to retail customers would have the result of permitting retail customers to purchase electric power, at the election of such customers, not only from the electric utility in whose service area they are located but from another electric utility, an independent power producer or an intermediary, such as a power marketer. Although AEP's power generation would have competitors under some of these proposals, its transmission and distribution would not. If competition develops in retail power generation, the public utility subsidiaries of AEP believe that they should have a favorable competitive position because of their relatively low costs.

Legislation to provide for retail competition among electric energy suppliers has been introduced in both the U.S. Senate and House of Representatives.

Wholesale

The public utility subsidiaries of AEP, like the electric industry generally, face increasing competition to sell available power on a wholesale basis, primarily to other public utilities and also to power marketers. The Energy Policy Act of 1992 was designed, among other things, to foster competition in the wholesale market (a) through amendments to PUHCA, facilitating the ownership and operation of generating facilities by "exempt wholesale generators" (which may include independent power producers as well as affiliates of electric utilities) and (b) through amendments to the Federal Power Act, authorizing the FERC under certain conditions to order utilities which own transmission facilities to provide wholesale transmission services for other utilities and entities generating electric power. The principal factors in competing for such sales are price (including fuel costs), availability of capacity and reliability of service. The public utility subsidiaries of AEP believe that they maintain a favorable competitive position on the basis of all of these factors. However, because of the availability of capacity of other utilities and the lower fuel prices in recent years, price competition has been, and is expected for the next few years to be, particularly important.

FERC orders 888 and 889, issued in April 1996, provide that utilities must functionally unbundle their transmission services, by requiring them to use their own tariffs in making off-system and third-party sales. See Transmission Services. The public utility subsidiaries of AEP have functionally separated their wholesale power sales from their transmission functions, as required by orders 888 and 889.

Retail

The public utility subsidiaries of AEP generally (except in Ohio) have the exclusive right to sell electric power at retail within their service areas, with the exception of Virginia and Texas beginning in 2002 and Ohio. However, they do compete with self-generation and with distributors of other energy sources, such as natural gas, fuel oil and coal, within their service areas. The primary factors in such competition are price, reliability of service and the capability of customers to utilize sources of energy other than electric power. With respect to self-generation, the public utility subsidiaries of AEP believe that they maintain a favorable competitive position on the basis of all of these factors. With respect to alternative sources of energy, the public utility subsidiaries of AEP believe that the reliability of their service and the limited ability of customers to substitute other cost-effective sources for electric power place them in a favorable competitive position, even though their prices may be higher than the costs of some other sources of energy.

Significant changes in the global economy in recent years have led to increased price competition for industrial companies in the United States, including those served by the AEP System. Such industrial companies have requested price reductions from their suppliers, including their

suppliers of electric power. In addition, industrial companies which are downsizing or reorganizing often close a facility based upon its costs, which may include, among other things, the cost of electric power. The public utility subsidiaries of AEP cooperate with such customers to meet their business needs through, for example, various off-peak or interruptible supply options and believe that, as low cost suppliers of electric power, they should be less likely to be materially adversely affected by this competition and may be benefited by attracting new industrial customers to their service territories.

AEP Restructuring Plan

As a result of deregulating legislation that has been enacted or is being considered in most of the states in which the AEP public utility subsidiaries provide service, AEP has reassessed the corporate ownership of its public utility subsidiaries' assets. Deregulating legislation in some of the states requires the separation of generation assets from transmission and distribution assets. On November 1, 2000, AEP filed with the SEC under PUHCA for approval of a restructuring plan in part to meet the requirements of this legislation.

AEP's restructuring plan is designed to align its legal structure and business activities with the requirements of deregulation. AEP's plan contemplates the formation of two first tier subsidiaries that would hold the following public utility assets:

- A subsidiary would hold the assets of (i) public utility subsidiaries that remain subject to regulation by at least one state utility commission and (ii) foreign utility subsidiaries subject to regulation as to rates or tariffs. AEP intends for this subsidiary ultimately to hold all transmission and distribution assets.

- A subsidiary would hold public utility and non-utility subsidiaries that derive their revenues from competitive activity. AEP intends for this subsidiary to ultimately hold all generation assets not subject to regulation.

NEW BUSINESS DEVELOPMENT

AEP has expanded its business to non-regulated energy activities through several subsidiaries, including AEP Energy Services, Inc. (AEPES), AEP Resources, Inc. (Resources), AEP Pro Serv, Inc. (formerly AEP Resources Service Company) (Pro Serv) and AEP Communications, LLC (AEP Communications).

Wholesale Business Operations

Various AEP subsidiaries, including AEPES, engage in wholesale business operations that focus primarily upon the following activities:

- Trade and market energy commodities, including electric power, natural gas, natural gas liquids, oil, coal, and SO2 allowances in North America and Europe.

- Provide price-risk management services and liquidity through a

variety of energy-related financial instruments, including exchange-traded futures and over-the-counter forward, option, and swap agreements.

- Enter into long-term transactions to buy or sell capacity, energy, and ancillary services of electric generating facilities, either existing or to be constructed, at various locations in North America and Europe.

- Optimize trading and marketing through a diversified portfolio of owned assets and structured third party arrangements, including:

  - Power generation facilities.

  - Natural gas pipeline, storage and processing facilities.

  - Coal mines and related facilities.

  - Other transportation and fuel supply related assets.

- Acquire, develop, engineer, construct, operate and maintain owned and third party exempt wholesale generation and cogeneration facilities and ancillary energy-related assets.

AEP's subsidiaries are engaged in the engineering and construction for third parties of three power plants in the U. S. with a capacity of 1,910 MW. These plants, which are listed below, will be natural gas-fired facilities that are scheduled to be completed from 2001 to 2003. These projects synchronize the wholesale business through the integration of trading, marketing, engineering, construction and operations.

- AEP subsidiaries reached agreement with The Dow Chemical Company to construct a 900MW cogeneration facility in Louisiana. Commercial operation is expected in 2003.

- AEP subsidiaries reached agreement with Buckeye (an Ohio electric cooperative) to construct and operate a 510 MW peaking facility in Ohio. This agreement entitles AEP to 100% of the facility's capacity and energy in the upfront operating years through 2005. Commercial operation is expected in 2002.

- AEP subsidiaries reached agreement with Twelvepole Creek, LLC, a subsidiary of Columbia Electric, which was subsequently acquired by Orion Power Holdings, Inc., to engineer, procure and construct a 500 MW peaking facility in West Virginia. Commercial operation is expected in May 2001.

Houston Pipe Line Company: AEP subsidiaries reached agreement to acquire Houston Pipe Line Company (HPL) and its Bammel Storage Facility (one of the largest natural gas storage facilities in North America). HPL is a Texas intrastate pipeline and, along with Resources' midstream gas assets discussed below which were acquired in 1998, will provide a daily gas capacity of approximately 3.5 billion cubic feet, more than 6,400 miles of natural gas pipeline and a total storage capacity of approximately 128 billion cubic feet of high injection and withdrawal capabilities.

ICEX: AEP subsidiaries reached agreement to participate and to make an equity investment in a new internet-based electronic trading system Intercontinental Exchange, L.L.C. (ICEX) that enables participants to initiate,

negotiate, and execute trades in the crude oil, natural gas, and spot and forward energy markets. Other investors include global energy companies and leading investment banking firms. This interest, along with an earlier investment in Altra Energy Technologies, Inc., provides additional liquidity trading points for the wholesale trading and marketing platform.

CSW Energy: CSW Energy presently owns interests in operating power projects located in Colorado, Florida and Texas. In addition to these projects, CSW Energy has other projects in various stages of development.

- CSW Energy has entered into an agreement with Eastman Chemical Company to construct and operate a 440 MW cogeneration facility in Longview, Texas. This facility will be known as the Eastex Cogeneration Project. Construction of the facility began in the fourth quarter of 1999, with expected operation in the second or third quarter of 2001. Excess electricity generated by the plant will be sold in the wholesale market.

- In October 1999, GE Capital Structured Finance Group purchased 50% of the equity ownership of Sweeny Cogeneration Limited Partnership. CSW Energy's after-tax earnings from the proceeds of the transaction were approximately $33 million. The agreement between CSW Energy and GE Capital Structured Financial Group provides for additional payments to CSW Energy subject to completion of a planned expansion of the Sweeny cogeneration facility, which may be operational in the second quarter of 2001.

CSW International: CSW International currently holds investments in the United Kingdom, Mexico and South America.

CSW International and its 50% partner, Scottish Power plc, have entered into a joint venture to construct and operate the South Coast Power Project, a 400 MW combined cycle gas turbine power station in Shoreham, United Kingdom. CSW International has guaranteed approximately Pound Sterling 19 million of the

Pound Sterling 190 million construction financing. Both the guarantee and the construction financing are denominated in pounds sterling. The U. S. dollar equivalent at December 29, 2000 would be $28.4 million and $284.1 million respectively, using a conversion rate of Pound Sterling 1.00 equals $1.4953. Construction of the project began in March 1999, and commercial operation has begun though it is not yet running at full capacity.

Through November 1999, CSW International had purchased a 36% equity interest in Vale for $80 million. In 1998, CSW International also extended $100 million of debt convertible into equity in Vale. In December 1999, CSW International converted $69 million of that $100 million of debt into equity, thereby raising its equity interest in Vale to 44%. CSW International anticipates converting the remaining debt and accrued interest to equity in Caiua, a subsidiary of Vale, on December 1, 2001.

CSW International invested $110 million from September through November 1997 for 5% of the common stock of Gener, a Chilean electric company. This investment was sold in December 2000 for $67 million.

Resources

Resources' primary business is development of, and investment in, exempt wholesale generators, foreign utility companies, qualifying cogeneration facilities and other energy-related domestic and international investment opportunities and projects. Resources has business development offices in

London; Beijing; Columbus, Ohio; Sydney and Washington D.C.

Resources also indirectly owns CitiPower Pty., an electric distribution and retail sales company in Victoria, Australia. CitiPower serves approximately 250,000 customers in the city of Melbourne. With about 3,100 miles of distribution lines in a service area that covers approximately 100 square miles, CitiPower distributes about 4,800 gigawatt-hours annually.

Resources' indirect subsidiary, AEP Pushan Power LDC, has a 70% interest in Nanyang General Light Electric Co., Ltd. (Nanyang Electric), a joint venture organized to develop and build two 125 megawatt coal-fired generating units near Nanyang City in the Henan Province of The Peoples Republic of China. Nanyang Electric was established in 1996 by AEP Pushan Power LDC, Henan Electric Power Development Co. (15% interest) and Nanyang City Hengsheng Energy Development Company Limited (formerly Nanyang Municipal Finance Development Co.) (15% interest). Unit 1 went into service in February 1999 and Unit 2 went into service in June 1999. Resources' share of the total cost of the project of $185,000,000 was approximately $110,000,000.

In December 1999, Resources contributed $47,000,000 to acquire a 50% interest in the Bajio power project in Mexico. The Bajio project is a 600 megawatt natural gas-fired, combined cycle plant and related assets located approximately 160 miles from Mexico City. Bechtel Power Corporation, an affiliate of Resources' partner (InterGen), will build the facility, which is estimated to cost $430,000,000. Approximately 80% of the project costs will be provided by third party debt, some of which will be supported by letters of credit issued on behalf of Resources. The facility will be operated and managed by one or more companies jointly owned by Resources and InterGen. Bajio has a 25-year contract to sell 495 megawatts of the plant's output to Mexico's federally owned electric system; the remainder is expected to be sold to industrial customers in the region. The Bajio project was approximately 60% completed as of December 31, 2000 and construction is expected to be completed in the fall of 2001.

Resources, through AEP Resources Australia Pty., Ltd., a special purpose subsidiary of Resources, owns a 20% interest in Pacific Hydro Limited. Pacific Hydro is principally engaged in the development and operation of, and ownership of interests in, hydroelectric facilities in the Asia Pacific region. Currently, Pacific Hydro has interests in six hydroelectric units and one wind farm unit that operate or are under construction in Australia and the Philippines. The hydroelectric facilities in which Pacific Hydro had interests as of December 31, 2000 (including those under construction) had total design capacity of approximately 181 megawatts.

Resources owns midstream gas assets, including:

- A 2,000-mile intrastate pipeline system in Louisiana.
- Four natural gas processing plants that straddle the pipeline.
- A ten billion cubic foot underground natural gas storage facility directly connected to the Henry Hub, the most active gas trading area in North America.

The pipeline and storage facilities are interconnected to 15 interstate and 23 intrastate pipelines.

U. K. Electric: Resources and another AEP subsidiary have a 50% interest in Yorkshire Electric Group plc (Yorkshire Electricity) with an indirect

wholly-owned subsidiary of Xcel Energy, Inc. Yorkshire Electricity is a United Kingdom independent regional electricity company. It is principally engaged in the supply and distribution of electricity. Yorkshire Electricity has two million distribution customers in its authorized service territory which is comprised of 3,860 square miles and located centrally in the east coast of England.

In February 2001, AEP entered into an agreement to sell its 50% interest in Yorkshire. The sale is anticipated to be completed in the second quarter of 2001.

SEEBOARD, a wholly-owned subsidiary of CSW International, is one of the 12 regional electricity companies formed as a result of the restructuring and subsequent privatization of the United Kingdom electricity industry in 1990. CSW acquired indirect control of SEEBOARD in April 1996. SEEBOARD's principal businesses are the distribution and supply of electricity. In addition, SEEBOARD is engaged in other businesses, including gas supply, electricity generation, and electrical contracting. SEEBOARD's service area covers approximately 3,000 square miles in Southeast England. The area has a population of approximately 4.7 million people with significant portions of the area, such as south London, having a high population density.

In a joint venture, SEEBOARD Powerlink won a 30-year contract for $1.6 billion to operate, maintain, finance and renew the high-voltage power distribution network of the London Underground, the largest metropolitan rail system in the world. SEEBOARD's partners in the Powerlink consortium are an international electrical engineering group and an international cable and construction group.

On June 30, 1999, SEEBOARD purchased the 50% interest in Beacon Gas held by BP Amoco. Beacon Gas was a joint venture between SEEBOARD and BP Amoco set up for the supply of gas.

Pro Serv

Pro Serv offers engineering, construction, project management and other consulting services for projects involving transmission, distribution or generation of electric power both domestically and internationally.

AEP Communications

AEP Communications markets wholesale, high capacity, fiber optic services, colocation, and wireless tower infrastructure services under the C3 brand. In addition to expanding its fiber optic network during 2000, AEP Communications joined with several other energy and telecommunications companies to form AFN Communications, LLC. (AFN). AFN is a super regional telecommunications company that provides long haul fiber optic capacity to competitive local exchange carriers, wireless carriers and long distance companies. AFN does business in New York, Pennsylvania, Virginia, West Virginia, Ohio, Indiana, Michigan, Illinois, and Kentucky, with plans to expand nationally, and has approximately 10,000 route miles of fiber optic network. C3, an entity that was acquired through the merger with CSW, is engaged in providing fiber optic and collocation services in Texas, Louisiana, Oklahoma, Arkansas, and Kansas. C3 does business as C3 Networks and has approximately 5,300 route miles of fiber optic network. AEP Communications also joined with Touch America, Inc. to form American Fiber Touch, LLC, an entity that will construct, own, and market a long haul fiber optic route that interconnects the AEP Communications and C3 through Illinois and Missouri.

AEP Communications and C3 also operate business units engaged in marketing energy information. AEP Communications offers a portfolio of energy information data and analysis tools designed to help customers identify energy and cost saving opportunities. C3's energy information services include:

- Meter reading, validation and settlement services.
- Automated meter reading equipment sales and leasing.
- Energy information services.
- Equipment sales and services.

Since the merger of AEP and CSW, a realignment of the energy information business units has taken place through the formation of Datapult Limited Partnership. Energy information services will be offered under the Datapult brand. Evaluation of partnerships and acquisitions will also be a key element of growth for Datapult Limited Partnership in 2001.

SEC Limitations

AEP has received approval from the SEC under PUHCA to issue and sell securities in an amount up to 100% of its average quarterly consolidated retained earnings balance (such average balance was approximately $3.4 billion for the twelve months ended December 31, 2000) for investment in exempt wholesale generators and foreign utility companies. Resources expects to continue its pursuit of new and existing energy generation and delivery projects worldwide.

SEC Rule 58 permits AEP and other registered holding companies to invest up to 15% of consolidated capitalization in energy-related companies. AEPES, an energy-related company under Rule 58, is authorized to engage in energy-related activities, including marketing electricity, gas and other energy commodities.

Risk

These continuing efforts to invest in and develop new business opportunities offer the potential of earning returns which may exceed those of traditional AEP rate-regulated operations. However, they also involve a higher degree of risk which must be carefully considered and assessed. AEP may make additional substantial investments in these and other new businesses.

Reference is made to Market Risks under Item 7A herein for a discussion of certain market risks inherent in AEP business activities.

CONSTRUCTION PROGRAM

New Generation

The AEP System is continuously involved in assessing the adequacy of its generation, transmission, distribution and other facilities to plan and provide for the reliable supply of electric power and energy to its customers. In this assessment process, assumptions are continually being reviewed as new information becomes available, and assessments and plans are modified, as appropriate. Thus, System reinforcement plans are subject to change, particularly with the restructuring of the electric utility industry and the move to increasing competition in the marketplace. See Competition and Business Change.

Committed or anticipated capability changes to the AEP System's generation resources include:

- Purchase from an independent power producer's hydro project with an expected capacity value of 28 megawatts, commencing June 1, 2001.

- Expiration of the Rockport Unit 2 sale of 250 megawatts to Carolina Power & Light Company, an unaffiliated company, on December 31, 2009.

Apart from these changes and temporary power purchases that can be arranged, there are no specific commitments for additions of new generation resources on the AEP System. Given the restructuring taking place in the industry, the extent of the need of AEP's operating companies for any additional generation resources in the foreseeable future is highly uncertain.

Proposed Transmission Facilities

On September 30, 1997, APCo refiled applications in Virginia and West Virginia for certificates to build the Wyoming-Cloverdale

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765,000-volt Project. The preferred route for this line is approximately 132 miles in length, connecting APCo's Wyoming Station in southern West Virginia to APCo's Cloverdale Station near Roanoke, Virginia. APCo's estimated cost for the Wyoming-Cloverdale Project is $283,254,000, assuming a 2004 in-service date.

APCo announced this project in 1990. Since then it has been in the process of trying to obtain federal permits and state certificates. At the federal level, the U.S. Forest Service (Forest Service) is directing the preparation of an Environmental Impact Statement (EIS), which is required prior to granting permits for crossing lands under federal jurisdiction. Permits are needed from the (i) Forest Service to cross federal forests, (ii) Army Corps of Engineers to cross the New River and a watershed near the Wyoming Station, and (iii) National Park Service or Forest Service to cross the Appalachian National Scenic Trail.

In June 1996, the Forest Service released a Draft EIS and preliminarily identified a "No Action Alternative" as its preferred alternative. If this alternative were incorporated into the Final EIS, APCo would not be authorized to cross federal forests administered by the Forest Service. The Forest Service stated that it would not prepare the Final EIS until after Virginia and West Virginia determined need and routing issues.

West Virginia: On May 27, 1998, the West Virginia PSC issued an order granting APCo's application for a certificate with respect to the Wyoming-Cloverdale 765,000-volt Project. On October 27, 2000, APCo filed with the West Virginia PSC a request to amend the certificate by adding the alternative end point of Jacksons Ferry in Virginia as discussed below under Virginia.

Virginia: Following several procedural delays and Hearing Examiner's rulings, APCo filed a study in May 1999 identifying the Wyoming-Jacksons Ferry Project as an alternative project to the Wyoming-Cloverdale Project. The Jacksons Ferry Project proposes a line from Wyoming Station in West Virginia to APCo's existing 765,000-volt Jacksons Ferry Station in Virginia. APCo estimates that the Wyoming-Jacksons Ferry line would be between 82-100 miles in length, including 32 miles in West Virginia previously certified. In May 2000, the Virginia SCC held an evidentiary hearing to consider both projects. On October 2, 2000, the Hearing Examiner's report to the Virginia SCC recommended approval of the Wyoming-Jacksons Ferry Alternative Project. The matter is pending before

the Virginia SCC. APCo's estimated cost for the Wyoming-Jacksons Ferry Project is $232,455,000, assuming a 2004 in-service date.

Proposed Completion Schedule: If the Virginia SCC and West Virginia PSC issue the required certificates, APCo will cooperate with the Forest Service to complete the EIS process and obtain the federal permits. The Forest Service has begun preliminary work on a supplement to the Draft EIS. APCo has also begun required consultation with the U.S. Fish and Wildlife Service under the Endangered Species Act.

Management estimates that neither project can be completed before the winter of 2004/2005. However, given the findings in the Draft EIS, APCo cannot presently predict the schedule for completion of the federal permitting process.

Construction Expenditures

The following table shows construction expenditures during 1998, 1999 and 2000 and current estimates of 2001 construction expenditures, in each case including AFUDC but excluding assets acquired under leases.

	1998 ACTUAL	1999 ACTUAL	2000 ACTUAL	2001 ESTIMATE
	(IN THOUSANDS)			
AEP System (a)	$792,100	$866,900	$1,773,400	$2,077,400
AEGCo	6,600	8,300	5,200	3,200
APCo	204,900	211,400	199,300	394,800
CPL	126,600	255,800	199,500	295,000
CSPCo	115,300	115,300	128,000	146,300
I&M	148,900	165,300	171,100	127,900
KEPCo	43,800	44,300	36,200	53,400
OPCo	185,200	193,900	254,000	447,700
PSO	70,100	104,500	176,900	136,600
SWEPCo	84,500	112,900	120,200	123,700
WTU	37,600	52,600	64,500	77,500

(a) Includes expenditures of other subsidiaries not shown..

Reference is made to the footnote to the financial statements entitled Commitments and Contingencies incorporated by reference in Item 8, for further information with respect to the construction plans of AEP and its operating subsidiaries for the next three years.

The System construction program is reviewed continuously and is revised from time to time in response to changes in estimates of customer demand, business and economic conditions, the cost and availability of capital, environmental requirements and other factors. Changes in construction schedules and costs, and in estimates and projections of needs for additional facilities, as well as variations from currently anticipated levels of net earnings, Federal income and other taxes, and other factors affecting cash requirements, may increase or decrease the estimated capital requirements for the System's construction program.

From time to time, as the System companies have encountered the industry problems described above, such companies also have encountered limitations on their ability to secure the capital necessary to finance construction expenditures.

Environmental Expenditures: Expenditures related to compliance with air and water quality standards, included in the gross additions to plant of the System, during 1998, 1999 and 2000 and the current estimate for 2001 are shown below. Substantial expenditures in addition to the amounts set forth below may be required by the System in future years in connection with the modification and addition of facilities at generating plants for environmental quality controls in order to comply with air and water quality standards which have been or may be adopted.

	1998 ACTUAL	1999 ACTUAL	2000 ACTUAL	2001 ESTIMATE
	(IN THOUSANDS)			
AEGCo	$800	$8	$70	$100
APCo	25,000	24,500	2,100	203,100
CPL	(a)	(a)	(a)	3,300
CSPCo	5,300	10,600	6,600	17,700
I&M	13,000	4,500	1,900	7,600
KEPCo	4,600	1,900	400	23,300
OPCo	27,100	37,400	91,200	271,900
PSO	(a)	(a)	(a)	1,000
SWEPCo	(a)	(a)	(a)	13,200
WTU	(a)	(a)	(a)	1,100
AEP System (a)	$75,800	$78,908	$102,270	$542,300

(a) Amounts not available for west zone companies of AEP prior to AEP-CSW merger.

FINANCING

It has been the practice of AEP's operating subsidiaries to finance current construction expenditures in excess of available internally generated funds by initially issuing unsecured short-term debt, principally commercial paper and bank loans, at times up to levels authorized by regulatory agencies, and then to reduce the short-term debt with the proceeds of subsequent sales by such subsidiaries of long-term debt securities and cash capital contributions by AEP. If one or more of the subsidiaries are unable to continue the issuance and sale of securities on an orderly basis, such company or companies will be required to consider the curtailment of construction and other outlays or the use of alternative financing arrangements, if available, which may be more costly.

AEP's subsidiaries have also utilized, and expect to continue to utilize, additional financing arrangements, such as unsecured debt and leasing arrangements, including the leasing of utility assets and coal mining and transportation equipment and facilities. Pollution control revenue bonds have been used in the past and may be used in the future in connection with the construction of pollution control facilities; however, Federal tax law has limited the utilization of this type of financing except for purposes of certain financing of solid waste disposal facilities and of certain refunding of

outstanding pollution control revenue bonds issued before August 16, 1986.

New projects undertaken by AEP's other unregulated subsidiaries are generally financed through equity funds provided by AEP, non-recourse debt incurred on a project-specific basis, debt issued by such subsidiaries or through a combination thereof. See New Business Development and Item 7 for additional information concerning AEP's other unregulated subsidiaries.

RATES AND REGULATION

General

The rates charged by the electric utility subsidiaries of AEP are approved by the FERC or one of the state utility commissions as applicable. The FERC regulates wholesale rates and the state commissions regulate retail rates. In recent years the number of rate increase applications filed by the operating subsidiaries of AEP with their respective state commissions and the FERC has decreased. Under current rate regulation, if increases in operating, construction and capital costs exceed increases in revenues resulting from previously

granted rate increases and increased customer demand, then it may be appropriate for certain of AEP's electric utility subsidiaries to file rate increase applications in the future.

Generally the rates of AEP's operating subsidiaries are determined based upon the cost of providing service including a reasonable return on investment. Certain states served by the AEP System allow alternative forms of rate regulation in addition to the traditional cost-of-service approach. However, the rates of AEP's operating subsidiaries in those states continue to be cost-based. The IURC may approve alternative regulatory plans which could include setting customer rates based on market or average prices, price caps, index-based prices and prices based on performance and efficiency. The Virginia SCC may approve (i) special rates, contracts or incentives to individual customers or classes of customers and (ii) alternative forms of regulation including, but not limited to, the use of price regulation, ranges of authorized returns, categories of services and price indexing.

All of the eleven states served by the AEP System, as well as the FERC, either currently permit the incorporation of fuel adjustment clauses in a utility company's rates and tariffs, which are designed to permit upward or downward adjustments in revenues to reflect increases or decreases in fuel costs above or below the designated base cost of fuel set forth in the particular rate or tariff, or currently permit the inclusion of specified levels of fuel costs as part of such rate or tariff.

AEP cannot predict the timing or probability of approvals regarding applications for additional rate changes, the outcome of action by regulatory commissions or courts with respect to such matters, or the effect thereof on the earnings and business of the AEP System. In addition, current rate regulation may, and in the case of Ohio, Texas and Virginia will, be subject to significant revision. See Competition and Business Change.

FUEL SUPPLY

The following table shows the sources of power generated by the AEP System:

	1996	1997	1998	1999	2000
Coal	73%	76%	79%	79%	78%
Gas	12%	12%	14%	15%	13%
Nuclear	11%	8%	3%	3%	5%
Hydroelectric and other	4%	4%	4%	3%	4%

Variations in the generation of nuclear power are primarily related to refueling outages and, in 1997 through 1999, the shutdown of the Cook Plant to respond to issues raised by the NRC.

Natural Gas

AEP consumed over 273 billion cubic feet of natural gas during 2000 for the system operating companies, which ranks them as the fourth largest consumer of natural gas in the United States. A majority of the gas fired electric generation plants are connected to at least two natural gas pipelines, which provides greater access to competitive supplies and improves reliability. Natural gas requirements for each plant are supplied by a portfolio of long-term and short-term purchase and transportation agreements which are acquired on a competitive basis and based on market prices.

Coal and Lignite

The Clean Air Act Amendments of 1990 provide for the issuance of annual allowance allocations covering sulfur dioxide emissions at levels below historic emission levels for many coal-fired generating units of the AEP System. Phase I of this program began in 1995 and Phase II began in 2000, with both phases requiring significant changes in coal supplies and suppliers. The full extent of such changes, particularly in regard to Phase II, however, has not been determined. See Environmental and Other Matters -- Air Pollution Control -- Title IV Acid Rain Program for the current compliance plan.

In order to meet emission standards for existing and new emission sources, the AEP System companies will, in any event, have to obtain coal supplies, in addition to coal reserves now owned by System companies, through the acquisition of additional coal reserves and/or by entering into additional supply agreements, either on a long-term or spot basis, at prices and upon terms which cannot now be predicted.

No representation is made that any of the coal rights owned or controlled by the System will, in

future years, produce for the System any major portion of the overall coal supply needed for consumption at the coal-fired generating units of the System. Although AEP believes that in the long run it will be able to secure coal of adequate quality and in adequate quantities to enable existing and new units to comply with emission standards applicable to such sources, no assurance can be given that coal of such quality and quantity will in fact be available. No assurance can be given either that statutes or regulations limiting emissions from existing and new sources will not be further revised in future years to specify lower sulfur contents than now in effect or other restrictions. See Environmental and Other Matters herein.

The FERC has adopted regulations relating, among other things, to the circumstances under which, in the event of fuel emergencies or shortages, it

might order electric utilities to generate and transmit electric power to other regions or systems experiencing fuel shortages, and to rate-making principles by which such electric utilities would be compensated. In addition, the Federal Government is authorized, under prescribed conditions, to allocate coal and to require the transportation thereof, for the use of power plants or major fuel-burning installations.

System companies have developed programs to conserve coal supplies at System plants which involve, on a progressive basis, limitations on sales of power and energy to neighboring utilities, appeals to customers for voluntary limitations of electric usage to essential needs, curtailment of sales to certain industrial customers, voltage reductions and, finally, mandatory reductions in cases where current coal supplies fall below minimum levels. Such programs have been filed and reviewed with officials of Federal and state agencies and, in some cases, the state regulatory agency has prescribed actions to be taken under specified circumstances by System companies, subject to the jurisdiction of such agencies.

The mining of coal reserves is subject to Federal requirements with respect to the development and operation of coal mines, and to state and Federal regulations relating to land reclamation and environmental protection, including Federal strip mining legislation enacted in August 1977. Continual evaluation and study is given to possible closure of existing coal mines and divestiture or acquisition of coal properties in light of Federal and state environmental and mining laws and regulations which may affect the System's need for or ability to mine such coal.

Western coal purchased by System companies is transported by rail to an affiliated terminal on the Ohio River for transloading to barges for delivery to generating stations on the river. Subsidiaries of AEP own 3,030 coal hopper cars and lease an additional 4,079 coal hopper cars to be used in unit train movements. Subsidiaries of AEP lease 15 towboats, 492 jumbo barges and 145 standard barges. Subsidiaries of AEP also own or lease coal transfer facilities at various other locations.

The System generating companies procure coal from coal reserves which are owned or mined by subsidiaries of AEP, and through purchases pursuant to long-term contracts, or on a spot purchase basis, from unaffiliated producers. The following table shows the amount of coal delivered to the AEP System during the past five years, the proportion of such coal which was obtained either from coal-mining subsidiaries, from unaffiliated suppliers under long-term contracts or through spot or short-term purchases, and the average delivered price of spot coal purchased by System companies:

	1996(a)	1997(a)	1998(a
Total coal delivered to AEP operated plants (thousands of tons)	51,030	54,292	54,004
Sources (percentage):			
Subsidiaries	13%	14%	14%
Long-term contracts	71%	66%	66%
Spot or short-term purchases	16%	20%	20%
Average price per ton of spot-purchased coal	$23.85	$24.38	$25.05

(a) Includes east zone companies only.

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The average cost of coal consumed during the past five years by all AEP System companies is shown below. AEP System companies data for 1996 and 1997 includes only AEGCo, APCo, CSPCo, I&M, KEPCo and OPCo.

	1996	1997	1998
		DOLLARS PER TON	
AEP System Companies	$29.38	$29.68	$29.87
AEGCo	18.22	19.30	19.37
APCo	37.60	36.09	34.81
CPL	28.81	26.93	26.93
CSPCo	31.70	31.69	31.63
I&M	22.99	23.68	22.61
KEPCo	27.25	26.76	27.42
OPCo	35.96	36.00	38.94
PSO	21.84	21.11	20.37
SWEPCo	23.81	23.16	23.02
WTU	24.41	18.19	21.37

	1996	1997	1998
		CENTS PER MILLION BTU'S	
AEP System Companies	139.44	140.13	142.17
AEGCo	109.25	115.21	112.63
APCo	152.54	146.54	141.76
CPL	143.12	136.40	137.00
CSPCo	134.60	134.44	134.15
I&M	121.16	123.36	118.02
KEPCo	114.42	110.37	112.15
OPCo	151.55	151.66	164.44
PSO	125.87	120.91	116.73
SWEPCo	155.88	152.79	150.62
WTU	146.26	109.13	126.22

The coal supplies at AEP System plants vary from time to time depending on various factors, including customers' usage of electric power, space limitations, the rate of consumption at particular plants, labor unrest and weather conditions which may interrupt deliveries. At December 31, 2000, the System's coal inventory was approximately 35 days of normal System usage. This estimate assumes that the total supply would be utilized by increasing or decreasing generation at particular plants.

The following tabulation shows the total consumption during 2000 of the coal-fired generating units of AEP's principal electric utility subsidiaries, coal requirements of these units over the remainder of their useful lives and the average sulfur content of coal delivered in 2000 to these units. Reference

is made to Environmental and Other Matters for information concerning current emissions limitations in the AEP System's various jurisdictions and the effects of the Clean Air Act Amendments.

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	TOTAL CONSUMPTION DURING 2000 (IN THOUSANDS OF TONS)	ESTIMATED REQUIRE-MENTS FOR REMAINDER OF USEFUL LIVES (IN MILLIONS OF TONS)	AVER O BY WEIGH
AEGCo (a)	4,944	211	0.3%
APCo	11,662	384	0.8%
CPL	2,745	41	0.3%
CSPCo	6,368	222(b)	2.5%
I&M (c)	7,342	241	0.7%
KEPCo	2,794	82	0.9%
OPCo	20,723	533(d)	2.1%
PSO	4,199	47	0.2%
SWEPCo	12,720	151	0.5%
WTU	1,519	35	0.4%

(a) Reflects AEGCo's 50% interest in the Rockport Plant.
(b) Includes coal requirements for CSPCo's interest in Beckjord, Stuart and Zimmer Plants.
(c) Includes I&M's 50% interest in the Rockport Plant.
(d) Total does not include OPCo's portion of Sporn Plant.

AEGCo: See Fuel Supply -- I&M for a discussion of the coal supply for the Rockport Plant.

APCo: Substantially all of the coal consumed at APCo's generating plants is obtained from unaffiliated suppliers under long-term contracts and/or on a spot purchase basis.

The average sulfur content by weight of the coal received by APCo at its generating stations approximated 0.8% during 2000, whereas the maximum sulfur content permitted, for emission standard purposes, for existing plants in the regions in which APCo's generating stations are located ranged between 0.78% and 2% by weight depending in some circumstances on the calorific value of the coal which can be obtained for some generating stations.

CPL: CPL has coal supply agreements with four coal suppliers which delivered approximately 2,255,000 tons of coal during the year 2000. One contract for Colorado coal extends through 2001 and has 1,000,000 tons to be delivered during that year. Approximately one half of the coal delivered to Coleto Creek is from Wyoming with the other half from Colorado. Both sources supply low sulfur coal with a limit of 1.2 lbs/MMBtu.

CSPCo: CSPCo has coal supply agreements with unaffiliated suppliers for the delivery of approximately 3,120,000 tons per year through 2004. Some of this coal is washed to improve its quality and consistency for use principally at Unit 4 of the Conesville Plant.

CSPCo has been informed by CG&E and DP&L that, with respect to the CCD Group units partly owned but not operated by CSPCo, sufficient coal has been contracted for or is believed to be available for the approximate lives of the respective units operated by them. Under the terms of the operating agreements with respect to CCD Group units, each operating company is contractually responsible for obtaining the needed fuel.

I&M: I&M has two coal supply agreements with unaffiliated Wyoming suppliers for low sulfur coal from surface mines principally for consumption by the Rockport Plant. Under these agreements, the suppliers will sell to I&M, for consumption by I&M at the Rockport Plant or consignment to other System companies, coal with an average sulfur content not exceeding 1.2 pounds of sulfur dioxide per million Btu's of heat input. One contract with remaining deliveries of 45,138,543 tons expires on December 31, 2014 and another contract with remaining deliveries of 26,400,000 tons expires on December 31, 2004.

All of the coal consumed at I&M's Tanners Creek Plant is obtained from unaffiliated suppliers under long-term contracts and/or on a spot purchase basis.

KEPCo: Substantially all of the coal consumed at KEPCo's Big Sandy Plant is obtained from unaffiliated suppliers under long-term contracts and/or on a spot purchase basis. KEPCo has coal supply agreements with unaffiliated suppliers pursuant to which KEPCo will receive approximately 1,600,000 tons of coal in 2001. To the extent that KEPCo has additional coal requirements, it may purchase coal from the spot market and/or suppliers under contract to supply other System companies.

OPCo: The coal consumed at OPCo's generating plants is obtained from both affiliated and unaffiliated suppliers. The coal obtained from unaffiliated suppliers is purchased under long-term contracts and/or on a spot purchase basis.

OPCo and certain of its coal-mining subsidiaries own or control coal reserves in the State of Ohio containing approximately 145,000,000 tons of clean recoverable coal and ranging in sulfur content between 3.8% and 4.5% sulfur by weight (weighted average, 4.1%), which reserves are presently being mined. OPCo and certain of its mining subsidiaries own an additional 113,000,000 tons of clean recoverable coal in Ohio which ranges in sulfur content between 2.4% and 3.4% sulfur by weight (weighted average 2.7%). Recovery of this coal would require substantial development.

OPCo and certain of its coal-mining subsidiaries also own or control coal reserves in the State of West Virginia which contain approximately 96,000,000 tons of clean recoverable coal ranging in sulfur content between 1.4% and 4.0% sulfur by weight (weighted average, 2.0%) of which approximately 19,000,000 tons can be recovered based upon existing mining plans and projections and employing current mining practices and techniques.

PSO: The coal contract under which coal is supplied to PSO provides the entire plant requirements with at least 20,285,000 tons remaining to be delivered. The coal is supplied from Wyoming and has a maximum sulfur content of 1.2 lbs. SO2 per MMBtu.

SWEPCo: SWEPCo has one coal contract with a Wyoming producer that provides the majority of its coal requirements. The coal is supplied from Wyoming and has a maximum sulfur content of 1.2 lbs. SO2 per MMBtu. SWEPCo has remaining deliveries of approximately 31 million tons through 2006 under this

contract. In 2000, the remaining coal requirements for SWEPCo were obtained under short term coal agreements with Wyoming producers. SWEPCo also has a mine-mouth lignite operation in East Texas that provides a low cost source to the Pirkey Plant. North American Coal Company's Sabine Mining Company operates the mine.

WTU: WTU has one coal contract designed to supply approximately two thirds of the coal requirements for the Oklaunion Power Station. This contract has approximately 10,920,000 tons remaining to be delivered between 2001 and the middle of 2006. The remaining one third of the coal requirements delivered in 2000 for Oklaunion were under two contracts with Wyoming suppliers. Both were low sulfur coal contracts.

Nuclear

I&M and STPNOC have made commitments to meet certain of the nuclear fuel requirements of the Cook Plant and STP, respectively. The nuclear fuel cycle consists of:

- Mining and milling of uranium ore to uranium concentrates.
- Conversion of uranium concentrates to uranium hexafluoride.
- Enrichment of uranium hexafluoride.
- Fabrication of fuel assemblies.
- Utilization of nuclear fuel in the reactor.
- Disposition of spent fuel.

Steps currently are being taken, based upon the planned fuel cycles for the Cook Plant, to review and evaluate I&M's requirements for the supply of nuclear fuel. I&M has made and will make purchases of uranium in various forms in the spot, short-term, and mid-term markets until it decides that deliveries under long-term supply contracts are warranted.

CPL and the other STP participants have entered into contracts with suppliers for 100% of the uranium concentrate sufficient for the operation of both STP units through Fall 2005 and with an additional 50% of the uranium concentrate needed for STP through Spring 2006. In addition, CPL and the other STP participants have entered into contracts with suppliers for 100% of the nuclear fuel conversion service sufficient for the operation of both STP units through Spring 2003, with additional flexible contracts to provide at least 50% of the conversion service needed for STP through 2005. CPL and the other STP participants have entered into flexible contracts to provide for 100% of enrichment through Spring 2003, with additional flexible contracts to provide at least 40% of enrichment services through Fall 2005. Also, fuel fabrication services have been contracted for operation through 2028 for Unit 1 and 2029 for Unit 2.

For purposes of the storage of high-level radioactive waste in the form of spent nuclear fuel, I&M has completed modifications to its spent nuclear fuel storage pool. AEP anticipates that the Cook Plant has storage capacity to permit normal operations through 2012.

STP has on-site storage facilities with the capability to store the spent nuclear fuel generated by the STP units over their licensed lives.

The costs of nuclear fuel consumed by I&M and CPL do not assume any residual or salvage value for residual plutonium and uranium.

Nuclear Waste and Decommissioning

Reference is made to Management's Discussion and Analysis of Results of Operations and Management's Discussion and Analysis of Financial Condition, Contingencies and Other Matters in the financial statements and Commitments and Contingencies in the footnotes to these statements that are incorporated by reference in Items 7 and 8, respectively, for information with respect to nuclear waste and decommissioning and related litigation.

The ultimate cost of retiring the Cook Plant and STP may be materially different from estimates and funding targets as a result of the:

- Type of decommissioning plan selected.
- Escalation of various cost elements (including, but not limited to, general inflation).
- Further development of regulatory requirements governing decommissioning.
- Limited availability to date of significant experience in decommissioning such facilities.
- Technology available at the time of decommissioning differing significantly from that assumed in these studies.
- Availability of nuclear waste disposal facilities.

Accordingly, management is unable to provide assurance that the ultimate cost of decommissioning the Cook Plant and STP will not be significantly greater than current projections.

Low-Level Waste: The Low-Level Waste Policy Act of 1980 (LLWPA) mandates that the responsibility for the disposal of low-level waste rests with the individual states. Low-level radioactive waste consists largely of ordinary refuse and other items that have come in contact with radioactive materials. To facilitate this approach, the LLWPA authorized states to enter into regional compacts for low-level waste disposal subject to Congressional approval. The LLWPA also specified that, beginning in 1986, approved compacts may prohibit the importation of low-level waste from other regions, thereby providing a strong incentive for states to enter into compacts. Michigan, the state where the Cook Plant is located, was a member of the Midwest Compact, but its membership was revoked in 1991. As a result, Michigan is responsible for developing a disposal site for the low-level waste generated in Michigan.

Although Michigan amended its law regarding low-level waste site development in 1994 to allow a volunteer to host a facility, little progress has been made to date. A bill was introduced in 1996 to further address the issue but no action was taken. Development of required legislation and progress with the site selection process has been inhibited by many factors, and management is unable to predict when a new disposal site for Michigan low-level waste will be available.

Texas is a member of the Texas Compact, which includes the states of Maine and Vermont. Texas had identified a disposal site in Hudspeth County for

construction of a low-level waste disposal facility. During the licensing process for the Hudspeth site, that site was found to be unsuitable. No additional site has been considered. Several bills have been submitted in the Texas legislature in 2001 to address this issue. Management is unable to predict when a disposal site for Texas low-level waste will be available.

On July 1, 1995, the disposal site in South Carolina reopened to accept waste from most areas of the U.S., including Michigan and Texas. This was the first opportunity for the Cook Plant to dispose of low-level waste since 1990. To the extent practicable, the waste formerly placed in storage and the waste presently generated by the Cook Plant and STP are now being sent to the disposal site.

Under state law, the amounts of low-level radioactive waste being disposed of at the South Carolina facility from non-regional generators, such as the Cook Plant and STP, are limited and being reduced. Non-regional access to the South Carolina facility is currently allowed through the end of fiscal year 2008.

ENVIRONMENTAL AND OTHER MATTERS

AEP's subsidiaries 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. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for noncompliance, including fines, injunctive relief and other sanctions.

It is expected that:

- Costs related to environmental requirements will eventually be reflected in the rates of AEP's electric utility subsidiaries, or where states are deregulating generation, unbundled transition period generation rates, stranded cost wires charges and future market prices for electricity.

- AEP's electric utility subsidiaries will be able to provide for required environmental controls.

However, some customers may curtail or cease operations as a consequence of higher energy costs. There can be no assurance that all such costs will be recovered. Moreover, legislation recently adopted by certain states and proposed at the state and federal level governing restructuring of the electric utility industry may also affect the recovery of certain costs. See Competition and Business Change.

Except as noted herein, AEP's subsidiaries that own or operate generating, transmission and distribution facilities are in substantial compliance with pollution control laws and regulations.

Reference is made to Management's Discussion and Analysis of Results of Operations and Management's Discussion and Analysis of Financial Condition, Contingencies and Other Matters and the footnote to the financial statements entitled Commitments and Contingencies incorporated by reference in Items 7 and 8, respectively, for further information with respect to environmental matters.

Air Pollution Control

For the AEP System operating companies, compliance with the CAA is requiring substantial expenditures that generally are being recovered through the rates of AEP's operating subsidiaries. Certain matters discussed below may require significant additional operating and capital expenditures. However,

there can be no assurance that all such costs will be recovered. See Construction Program -- Construction Expenditures.

Title I National Ambient Air Quality Standards Attainment: In July 1997, Federal EPA revised the ozone and particulate matter National Ambient Air Quality Standards (NAAQS), creating a new eight-hour ozone standard and establishing a new standard for particulate matter less than 2.5 microns in diameter (PM2.5). Both of these new standards have the potential to affect adversely the operation of AEP System generating units. In May 1999, the U.S. Court of Appeals for the District of Columbia Circuit remanded the ozone and PM2.5 NAAQS to Federal EPA. In February 2001, the U.S. Supreme Court issued an opinion reversing in part and affirming in part the Court of Appeals decision. The Supreme Court remanded the case to the Court of Appeals for further proceedings, including a review of whether adoption of the standards was arbitrary and capricious and directed Federal EPA to develop a policy for implementing the revised ozone standard in conformity with the CAA.

NOx SIP Call: In October 1998, Federal EPA issued a final rule (NOx transport SIP call or NOx SIP Call) establishing state-by-state NOx emission budgets for the five-month ozone season to be met beginning May 1, 2003. The NOx budgets originally applied to 22 eastern states and the District of Columbia and are premised mainly on the assumption of controlling power plant NOx emissions projected for the year 2007 to 0.15 lb. per million Btu (approximately 85% below 1990 levels), although the reductions could be substantially greater for certain State Implementation Plans. The SIP call was accompanied by a proposed Federal Implementation Plan, which could be implemented in any state that fails to submit an approvable SIP. The NOx reductions called for by Federal EPA are targeted at coal-fired electric utilities and may adversely impact the ability of electric utilities to obtain new and modified source permits or to operate affected facilities without making significant capital expenditures.

In October 1998, the AEP System operating companies joined with certain other parties seeking a review of the final NOx SIP Call rule in the U.S. Court of Appeals for the District of Columbia Circuit. In March 2000, the court issued a decision upholding the major provisions of the rule. The court subsequently extended the date for submission of SIP revisions until October 30, 2000, and the compliance deadline until May 31, 2004. On March 5, 2001, the U.S. Supreme Court denied petitions filed by industry petitioners, including AEP System operating companies, seeking review of the Court of Appeals decision. In December 2000, Federal EPA issued a determination that eleven states, including certain states in which AEP System operating companies have sources covered by the NOx SIP Call rule, had failed to submit complying SIP revisions. This determination has been appealed by AEP System operating companies and unaffiliated utilities to the U.S. Court of Appeals for the District of Columbia Circuit.

In April 2000, the Texas Natural Resource Conservation Commission adopted rules requiring significant reductions in NOx emissions from utility sources, including those of CPL and SWEPCo. The rule compliance date is May 2003 for CPL and May 2005 for SWEPCo.

Preliminary estimates indicate that compliance with the revised NOx SIP Call rule, and SIP revisions already adopted, could result in required capital expenditures for the AEP System of approximately $1.6 billion. AEP operating company estimates are as follows:

(IN MILLIONS)

AEGCo	$125
APCo	365
CPL	57
CSPCo	106
I&M	202
KEPCo	140
OPCo	606
SWEPCo	28

In June 2000 OPCo announced that it was beginning a $175 million installation of selective catalytic reduction technology (expected to be operational in 2001) to reduce NOx emissions on its two-unit 2,600 MW Gavin Plant. Construction of selective catalytic reduction technology on Amos Plant Unit 3, which is jointly owned by OPCo and APCo, and APCo's Mountaineer Plant is scheduled to begin in 2001. The Amos and Mountaineer projects (expected to be completed in 2002) are estimated to cost a total of $230 million. Management has undertaken the Gavin, Amos and Mountaineer projects to meet applicable NOx emission reduction requirements.

Since compliance costs cannot be estimated with certainty, the actual costs to comply could be significantly different from this preliminary estimate depending upon the compliance alternatives selected to achieve reductions in NOx emissions. Unless any capital and operating costs of additional pollution control equipment are recovered from customers through regulated rates and/or future market prices for electricity where generation is deregulated, they will have a material adverse effect on future results of operations, cash flows and possibly financial condition of AEP and its affected subsidiaries.

Section 126 Petitions: In January 2000, Federal EPA adopted a revised rule granting petitions filed by certain northeastern states under Section 126 of the CAA. The petitions sought significant reductions in nitrogen oxide emissions from utility and industrial sources. The rule imposes emission reduction requirements comparable to the NOx SIP Call rule beginning May 1, 2003, for most of AEP's coal-fired generating units. Certain AEP System operating companies and other utilities filed petitions for review in the U.S. Court of Appeals for the District of Columbia Circuit. Briefing has been completed and oral argument was held in December 2000. Cost estimates for compliance with Section 126 are projected to be somewhat less than those set forth above for the NOx SIP Call rule reflecting the fact that Section 126 does not apply to I&M's Rockport Plant.

West Virginia SO2 Limits: West Virginia promulgated SO2 limitations, which Federal EPA approved in February 1978. The emission limitations for OPCo's Mitchell Plant have been approved by Federal EPA for primary ambient air quality (health-related) standards only. West Virginia is obligated to reanalyze SO2 emission limits for the Mitchell Plant with respect to secondary ambient air quality (welfare-related) standards. Because the CAA provides no specific deadline for approval of emission limits to achieve secondary ambient air quality standards, it is not certain when Federal EPA will take dispositive action regarding the Mitchell Plant.

In August 1994, Federal EPA issued a Notice of Violation to OPCo alleging that Kammer Plant was operating in violation of the applicable federally enforceable SO2 emission limit. In May 1996, the Notice of Violation and an enforcement action subsequently filed by Federal EPA were resolved through the entry of a consent decree in the U.S. District Court for the Northern District of West Virginia. Kammer Plant has achieved and maintained compliance with the

applicable SO2 emission limit for a period in excess of one year, pursuant to the provisions of the consent decree. OPCo is currently seeking the termination of the consent decree.

Short Term SO2 Limits: In January 1997, Federal EPA proposed a new intervention level program under the authority of Section 303 of the CAA to address five-minute peak SO2 concentrations believed to pose a health risk to certain segments of the population. The proposal establishes a "concern" level and an "endangerment" level. States must investigate exceedances of the concern level and decide whether to take corrective action. If the endangerment level is exceeded, the state must take action to reduce SO2 levels. In January 2001, Federal EPA published a Federal Register notice inviting comment with respect to its decision not to promulgate a five-minute SO2 NAAQS and intent to take final action on the intervention level program by the summer of 2001. The effect of this proposed intervention program on AEP operations cannot be predicted at this time.

Hazardous Air Pollutants: Hazardous air pollutant (HAP) emissions from utility boilers are potentially subject to control requirements under Title III of the CAAA which specifically directed Federal EPA to study potential public health impacts of HAPs emitted from electric utility steam generating units. In December 2000, Federal EPA announced its intent to regulate emissions of mercury from coal and oil-fired power plants, concluding that these emissions pose significant hazards to public health. A decision on whether to regulate other HAPs emissions from these sources was deferred.

Federal EPA added coal and oil-fired electric utility steam generating units to the list of "major sources" of HAPs under Section 112 (c) of the CAA, which compels the development of "Maximum Achievable Control Technology" (MACT) standards for these units. Listing under Section 112 (c) also compels a preconstruction permitting obligation to establish case-by-case MACT standards for each new, modified, or

reconstructed source in the category. MACT standards for utility mercury emissions are scheduled to be proposed by December 2003 and finalized by December 2004. On February 16 and 20, 2001, utility industry groups filed petitions for review of Federal EPA's action in the U.S. Court of Appeals for the District of Columbia Circuit. On February 23, 2001, the Utility Air Regulatory Group (which includes AEP System operating companies as members) filed a petition with Federal EPA seeking reconsideration of the decision to regulate mercury emissions from power plants under Section 112(c) of the CAA.

In addition, Federal EPA is required to study the deposition of hazardous pollutants in the Great Lakes, the Chesapeake Bay, Lake Champlain, and other coastal waters. As part of this assessment, Federal EPA is authorized to adopt regulations to prevent serious adverse effects to public health and serious or widespread environmental effects. In 1998, Federal EPA determined that the CAA is adequate to address any adverse public health or environmental effects associated with the atmospheric deposition of hazardous air pollutants in the Great Lakes.

Title IV Acid Rain Program: The Acid Rain Program (Title IV) of the CAAA created an emission allowance program pursuant to which utilities are authorized to emit a designated quantity of SO2, measured in tons per year.

Phase II of the Acid Rain Program, which affects all fossil fuel-fired steam generating units with capacity greater than 25 megawatts imposed more stringent SO2 emission control requirements beginning January 1, 2000. If a unit emitted SO2 in 1985 at a rate in excess of 1.2 pounds per million Btu heat

input, the Phase II allowance allocation is premised upon an emission rate of 1.2 pounds at 1985 utilization levels. Future SO2 allowance requirements will be met through accumulation, acquisition, the use of controls or fuels, or a combination thereof.

Title IV of the CAAA also regulates emissions of NOx. Federal EPA has promulgated NOx emission limitations for all boiler types in the AEP System at levels significantly below original design, which were to be achieved by January 1, 2000 on a unit-by-unit or System-wide average basis. AEP sources subject to Title IV of the CAAA are in compliance with the provisions thereof.

Regional Haze: In July 1999, Federal EPA finalized rules to regulate regional haze attributable to anthropogenic emissions. The primary goal of the new regional haze program is to address visibility impairment in and around "Class I" protected areas, such as national parks and wilderness areas. Because regional haze precursor emissions are believed by Federal EPA to travel long distances, Federal EPA proposes to regulate such precursor emissions in every state. Under the proposal, each state must develop a regional haze control program that imposes controls necessary to steadily reduce visibility impairment in Class I areas on the worst days and that ensures that visibility remains good on the best days.

The AEP System is a significant emitter of fine particulate matter and other precursors of regional haze. Federal EPA's regional haze rule may have an adverse financial impact on AEP as it may trigger the requirement to install costly new pollution control devices to control emissions of fine particulate matter and its precursors (including SO2 and NOx). The actual impact of the regional haze regulations cannot be determined at this time. AEP System operating companies and other utilities filed a petition seeking a review of the regional haze rule in the U.S. Court of Appeals for the District of Columbia Circuit in August 1999.

In January 2001, Federal EPA announced that it is considering the issuance of proposed guidelines for states to use in setting Best Available Retrofit Technology (BART) emission limits for power plants and other large emission sources. The proposal would call for technologies to reduce visibility-impairing emissions by 90 to 95 percent. Emission trading programs could be used in lieu of unit-by-unit BART requirements under the proposal, provided they yield greater visibility improvement and emission reductions.

Permitting and Enforcement: The CAAA expanded the enforcement authority of the federal government by:

- .Increasing the range of civil and criminal penalties for violations of the CAA and enhancing administrative civil provisions.

- Imposing a national operating permit system, emission fee program and enhanced monitoring, recordkeeping and reporting requirements.

Section 103 of CERCLA and Section 304 of the Emergency Planning and Community Right-to-Know Act require notification to state and federal authorities of releases of reportable quantities (RQs) of hazardous and extremely hazardous substances. A number of these substances are emitted by AEP's power plants and other sources. Until recently, emissions of these substances, whether expressly limited in a permit or otherwise subject to federal review or waiver (e.g., mercury), were deemed "federally permitted releases" which did not require emergency notification. In December 1999,

Federal EPA published interim guidance in the Federal Register, which provided that any hazardous substance or extremely hazardous substance not expressly and individually limited in a permit must be reported if they are emitted at levels above an RQ. Specifically, constituents of regulated pollutants (e.g., metals contained in particulate matter) were not deemed to be federally permitted. AEP System operating companies provided supplemental information regarding air releases from their facilities in the spring of 2000. Annual follow-up reports will be submitted in April 2001.

Global Climate Change: In December 1997, delegates from 167 nations, including the U.S., agreed to a treaty, known as the "Kyoto Protocol," establishing legally-binding emission reductions for gases suspected of causing climate change. If the U.S. becomes a party to the treaty, it will be bound to reduce emissions of CO2, methane and nitrous oxides by 7% below 1990 levels and emissions of hydrofluorcarbons, perfluorocarbons and sulfur hexafluoride 7% below 1995 levels in the years 2008-2012. The Protocol requires ratification by at least 55 nations that account for at least 55% of developed countries' 1990 emissions of CO2 to enter into force.

Although the U.S. agreed to the treaty and President Clinton signed it on November 12, 1998, the treaty has not been sent to the Senate for its advice and consent to ratification. In a letter dated March 13, 2001 from President Bush to four U. S. senators, he indicated his opposition to the Kyoto Protocol and said he does not believe that the government should impose mandatory emissions reductions for CO2 on the electric utility sector.

The treaty is currently incomplete and international negotiations that were to resolve the outstanding issues were suspended in November 2000. The major issues requiring resolution include:

- Participation by developing countries in the control requirements.

- Rules, procedures, methodologies and guidelines of the treaty's emission trading and joint implementation provisions.

- Crediting for terrestrial carbon sequestration activities.

- Compliance enforcement provisions.

Negotiations are scheduled to resume in July 2001.

Since the AEP System is a significant emitter of carbon dioxide, its results of operations, cash flows and financial condition could be materially adversely affected by the imposition of limitations on CO2 emissions if compliance costs cannot be fully recovered from customers. In addition, any such severe program to reduce CO2 emissions could impose substantial costs on industry and society and erode the economic base that AEP's operations serve. However, it is management's belief that the Kyoto Protocol is highly unlikely to be ratified or implemented in the U. S. in its current form.

New Source Review: In July 1992, Federal EPA published final regulations governing application of new source rules to generating plant repairs and pollution control projects undertaken to comply with the CAA. Generally, the rule provides that plants undertaking pollution control projects will not trigger New Source Review (NSR) requirements. The Natural Resources Defense Council and a group of utilities, including five AEP System operating companies, filed petitions in the U.S. Court of Appeals for the District of Columbia Circuit seeking a review of the regulations. In July 1998, Federal EPA requested comment on proposed revisions to

the New Source Review rules, which would change New Source Review applicability criteria by eliminating exclusions contained in the current regulation.

New Source Review Litigation: On November 3, 1999, following issuance by Federal EPA of substantial information requests to AEP System operating companies, the Department of Justice (DOJ), on Federal EPA's behalf, filed a complaint in the U.S. District Court for the Southern District of Ohio that alleges AEP made modifications to generating units at certain of its coal-fired generating plants over the course of the past 25 years that extend unit operating lives or restore or increase unit generating capacity without a preconstruction permit in violation of the CAA. The complaint named OPCo's Cardinal Unit 1, Mitchell, Muskingum River, and Sporn plants and I&M's Tanners Creek plant. Federal EPA also issued Notices of Violation to AEP alleging similar violations at certain other AEP plants.

In March 2000, DOJ filed an amended complaint that added allegations for certain of the AEP plants previously named in the complaint as well as counts for APCo's Amos, Clinch River, and Kanawha River plants, CSPCo's Conesville Plant, and OPCo's Kammer Plant. In addition to the allegations regarding New Source Review and New Source Performance Standard violations, DOJ included allegations regarding visible particulate emission violations for Cardinal and Muskingum River plants.

A number of northeastern and eastern states have been allowed to intervene in the litigation, and a number of special interest groups filed a separate complaint based on substantially similar allegations, which has been consolidated with the DOJ complaint. In addition to the plants named by the government and special interest groups, the intervenor states have included allegations concerning OPCo's Gavin Plant.

On May 10, 2000, AEP filed a motion to dismiss with the District Court, which, if granted, would dispose of most of the claims of the government and intervenors. This motion is currently pending before the Court.

On February 23, 2001, the plaintiffs filed a motion for partial summary judgment seeking a determination that four projects undertaken on units at Sporn, Cardinal, and Clinch River Plants do not constitute "routine maintenance, repair and replacement" as used in the NSR programs. Management believes its maintenance, repair and replacement activities were in conformity with the Clean Air Act and intends to vigorously pursue its defense.

A number of unaffiliated utilities have also received notices of violation, complaints, or administrative orders relating to NSR. A notice of violation was issued in June 2000 to DP&L with respect to its ownership interest in Stuart Station, in which CSPCo also owns a 26 percent interest. W.C. Beckjord Unit 6, operated by CG&E, in which CSPCo owns a 12.5 percent interest, is also the subject of an enforcement action. CG&E and VEPCo have each entered into an agreement in principle with the DOJ in an attempt to resolve the litigation, but no final agreements have been announced. One of the unaffiliated utilities, Tampa Electric Company, has reached a settlement in its litigation with the Federal government.

The CAA authorizes civil penalties of up to $27,500 per day per violation at each generating unit ($25,000 per day prior to January 30, 1997). Civil penalties, if ultimately imposed by the court, and the cost of any required new pollution control equipment, if the court accepts Federal EPA's contentions, could be substantial.

In November 2000, several environmental groups filed a petition with Ohio EPA seeking to have the draft Title V operating permits for OPCo's Cardinal and Muskingum River plants as well as the Beckjord Plant and a plant owned by an

unaffiliated utility, modified to incorporate requirements and timetables for compliance with New Source Review requirements. In December 2000, a petition was filed by these groups with the Administrator of Federal EPA seeking a similar modification of the final Title V permit for CSPCo's Conesville Plant. Ohio EPA has refused to consider these petitions outside the regular Title V permit processing procedures or to interfere with the resolution of these issues by the District Court.

In the event AEP does not prevail, any capital and operating costs of additional pollution control equipment that may be required as well as any penalties imposed could materially adversely affect future results of operations, cash flows and possibly financial condition unless such costs can be recovered through regulated rates, and where states are deregulating generation, unbundled transition period generation rates, wires charges and future market prices for energy.

Water Pollution Control

The Clean Water Act prohibits the discharge of pollutants to waters of the United States from point sources except pursuant to an NPDES permit issued by Federal EPA or a state under a federally authorized state program.

Under the Clean Water Act, effluent limitations requiring application of the best available technology economically achievable are to be applied, and those limitations require that no pollutants be discharged if Federal EPA finds elimination of such discharges is technologically and economically achievable.

The Clean Water Act provides citizens with a cause of action to enforce compliance with its pollution control requirements. Since 1982, many such actions against NPDES permit holders have been filed. To date, no AEP System plants have been named in such actions.

All AEP System generating plants are required to have NPDES permits and have received them. Under Federal EPA's regulations, operation under an expired NPDES permit is authorized provided an application is filed at least 180 days prior to expiration. Renewal applications are being prepared or have been filed for renewal of NPDES permits that expire in 2001.

The NPDES permits generally require that certain thermal impact study programs be undertaken. These studies have been completed for all System plants. Thermal variances are in effect for all plants with once-through cooling water. The thermal variances for CSPCo's Conesville and OPCo's Muskingum River plants impose thermal management conditions that could result in load curtailment under certain conditions, but the cost impacts are not expected to be significant. Based on favorable results of in-stream biological studies, the thermal limits for both Conesville and Muskingum River plants were raised in the renewed permits issued in 1996. Consequently, the potential for load curtailment and adverse cost impacts was further reduced.

Section 316(b) of the Clean Water Act requires that cooling water intake structures reflect the best technology available (BTA) for minimizing adverse environmental impact. Under a revised court established schedule, Federal EPA is required to develop regulations defining adverse impacts and BTA for new sources by November 2001. Regulations applicable to existing power plants are not required to be issued by Federal EPA until August 2003. As part of the rulemaking, Federal EPA has issued questionnaires to power plants, including AEP System plants, requesting information on impingement and entrainment of aquatic organisms from existing plant cooling water intakes. Federal EPA's rulemaking could result in a definition of BTA that would affect any new plant construction

and could ultimately require retrofitting of certain existing plant intake structures. Such changes would involve costs for AEP System operating companies, but the significance of these costs cannot be determined at this time.

Certain mining operations conducted by System companies as discussed under Fuel Supply are also subject to federal and state water pollution control requirements, which may entail substantial expenditures for control facilities, not included at present in the System's construction cost estimates set forth herein.

Section 303 of the Federal Clean Water Act requires states to adopt stringent water quality standards for a large category of toxic pollutants and to identify specialized control measures for dischargers to waters where it is shown that water quality standards are not being met. In order to bring these waters back into compliance, total maximum daily load (TMDL) allocations of these pollutants will be made, and subsequently translated into discharge limits in NPDES permits. Federal EPA has also directed that states take action to adopt enhanced anti-degradation of water quality requirements. Implementation of these provisions

could result in significant costs to the AEP System if biological monitoring requirements and water quality-based effluent limits and requirements are placed in NPDES permits.

In March 1995, Federal EPA finalized a set of rules that establish minimum water quality standards, anti-degradation policies and implementation procedures for more stringently controlling releases of toxic pollutants into the Great Lakes system. This regulatory package is called the Great Lakes Water Quality Initiative (GLWQI). The most direct compliance cost impact could be related to I&M's Cook Plant. Based on Federal EPA's current policy on intake credits and site specific variables and Michigan's implementation strategy, management does not presently expect the GLWQI will have a significant adverse impact on Cook Plant operations. If Indiana and Ohio eventually adopt the GLWQI criteria for statewide application, AEP System plants located in those states could be adversely affected, although the significance depends on the implementation strategy of those states.

Oil Pollution Act: The Oil Pollution Act of 1990 (OPA) defines certain facilities that, due to oil storage volume, and location, could reasonably be expected to cause significant and substantial harm to the environment by discharging oil. Such facilities must operate under approved spill response plans and implement spill response training and drill programs. OPA imposes substantial penalties for failure to comply. AEP System operating companies with oil handling and storage facilities meeting the OPA criteria have in place required response plans, training and drill programs.

Solid and Hazardous Waste

Section 311 of the Clean Water Act imposes substantial penalties for spills of Federal EPA-listed hazardous substances into water and for failure to report such spills. CERCLA expanded the reporting requirement to cover the release of hazardous substances generally into the environment, including water, land and air. AEP's subsidiaries store and use some of these hazardous substances, including PCBs contained in certain capacitors and transformers, but the occurrence and ramifications of a spill or release of such substances cannot be predicted.

CERCLA, RCRA and similar state laws provide governmental agencies with the authority to require cleanup of hazardous waste sites and releases of

hazardous substances into the environment and to seek compensation for damages to natural resources. Since liability under CERCLA is strict, joint and several, and can be applied retroactively, AEP System operating companies which previously disposed of PCB-containing electrical equipment and other hazardous substances may be required to participate in remedial activities at such disposal sites should environmental problems result.

AEP System operating companies are identified as Potentially Responsible Parties (PRPs) for five federal sites where remediation has not been completed, including APCo at one site, CSPCo at one site, I&M at two sites, and OPCo at one site. Management's present estimates do not anticipate material clean-up costs for identified sites for which AEP subsidiaries have been declared PRPs. However, if significant costs are incurred for cleanup, future results of operations and possibly financial condition could be adversely affected unless the costs can be recovered through rates and/or future market prices for electricity where generation is deregulated.

Regulations issued by Federal EPA under the Toxic Substances Control Act govern the use, distribution and disposal of PCBs, including PCBs in electrical equipment. Deadlines for removing certain PCB-containing electrical equipment from service have been met.

In addition to handling hazardous substances, the System companies generate solid waste associated with the combustion of coal, the vast majority of which is fly ash, bottom ash and flue gas desulfurization wastes. These wastes presently are considered to be non-hazardous under RCRA and applicable state law and the wastes are treated and disposed of in surface impoundments or landfills in accordance with state permits or authorization or are beneficially utilized. As required by RCRA, Federal EPA evaluated whether high volume coal combustion wastes (such as fly ash, bottom ash and flue gas desulfurization wastes) should be regulated as hazardous waste. In August 1993, Federal EPA issued a regulatory determination that such high

volume coal combustion wastes should not be regulated as hazardous waste. Federal EPA chose to address separately the issue of low volume wastes (such as metal and boiler cleaning wastes) associated with burning coal and other fossil fuels. In May 2000, Federal EPA issued a regulatory determination that such low volume wastes are also excluded from regulation under the RCRA hazardous waste provisions when mixed and co-managed with high volume fossil fuel combustion wastes.

All presently generated hazardous waste is being disposed of at permitted off-site facilities in compliance with applicable federal and state laws and regulations. For System facilities that generate such wastes, System companies have filed the requisite notices and are complying with RCRA and applicable state regulations for generators. Nuclear waste produced at the Cook Plant and STP and regulated under the Atomic Energy Act is excluded from regulation under RCRA.

Underground Storage Tanks: Federal EPA's technical requirements for underground storage tanks containing petroleum required retrofitting or replacement of an appreciable number of tanks. Compliance costs for tank replacement were not significant. Some limited site remediation associated with tank removal is ongoing, but these costs are not expected to be significant.

Electric and Magnetic Fields (EMF)

EMF is found everywhere there is electricity. Electric fields are created by the presence of electric charges. Magnetic fields are produced by the flow of

those charges. This means that EMF is created by electricity flowing in transmission and distribution lines, electrical equipment, household wiring, and appliances.

A number of studies in the past several years have examined the possibility of adverse health effects from EMF. While some of the epidemiological studies have indicated some association between exposure to EMF and health effects, the majority of studies have indicated no such association.

The Energy Policy Act of 1992 established a coordinated Federal EMF research program which ended in 1998. In 1999, the National Institute of Environmental Health Sciences (NIEHS), as required by the Act, provided a report to Congress summarizing the results of this program. The report concluded that "the probability that ...EMF is truly a health hazard is currently small" and that the evidence that exists for health effects is "insufficient to warrant aggressive regulatory actions." Nevertheless, the NIEHS identified several areas where further research might be warranted. AEP has supported EMF research through the years and continues to fund the Electric Power Research Institute's EMF research program, contributing over $400,000 to this program in 2000 and intending to contribute a similar amount in 2001. See Research and Development.

AEP's participation in these programs is a continuation of its efforts to monitor and support further research and to communicate with its customers and employees about this issue. Residential customers of AEP are provided information and field measurements on request, although there is no scientific basis for interpreting such measurements.

A number of lawsuits based on EMF-related grounds have been filed against electric utilities. A suit was filed on May 23, 1990 against I&M involving claims that EMF from a 345 KV transmission line caused adverse health effects. On March 23, 1998 the court ruled that the plaintiffs failed to prove that I&M caused any of the injuries claimed by the plaintiffs. This part of the trial court's decision was upheld on appeal. Certain issues unrelated to health effects are pending at the trial court. No specific amount has been requested for damages in this case. Mediation is scheduled for June, 2001.

Some states have enacted regulations to limit the strength of magnetic fields at the edge of transmission line rights-of-way. No state which the AEP System serves has done so.

Management cannot predict the ultimate impact of the question of EMF exposure and adverse health effects. If further research shows that EMF exposure contributes to increased risk of cancer or other health problems, or if the courts conclude that EMF exposure harms individuals and that utilities are liable for damages, or if states limit the strength of magnetic fields to such a level that the current

electricity delivery system must be significantly changed, then the results of operations and financial condition of AEP and its operating subsidiaries could be materially adversely affected unless these costs can be recovered from ratepayers.

RESEARCH AND DEVELOPMENT

AEP and its subsidiaries are involved in over 150 research projects that are directed to:

- Exploring new methods of generating electricity, such as through renewable sources (e.g., wind, solar).

- Developing more efficient methods of operating generating plants.

- Reducing emissions resulting from the burning of fossil fuels (coal and natural gas).

- Improving the efficiency, utilization and reliability of the transmission and distribution systems.

- Exploring the application of new electrotechnologies.

- Exploring the use and application of distributed generation.

AEP System operating companies are members of the Electric Power Research Institute (EPRI), an organization founded in 1973 that manages research and development initiatives on behalf of its members. EPRI's members include investor owned and public utilities, independent power producers, international organizations and others.

AEP participates in EPRI programs that meet its research and development objectives. Total AEP dues to EPRI were $17,000,000 for 2000, $22,000,000 for 1999 and $23,000,000 for 1998. Of these amounts, the former CSW System paid approximately $7,000,000 in 2000, $8,000,00 in 1999 and $8,000,000 in 1998 for EPRI programs.

Total research and development expenditures by AEP and its subsidiaries, including EPRI dues, were approximately $20,000,000 for the year ended December 31, 2000, $25,000,000 for the year ended December 31, 1999 and $32,000,000 for the year ended December 31, 1998.

Item 2. PROPERTIES

At December 31, 2000, the subsidiaries of AEP owned (or leased where indicated) generating plants with the net power capabilities (winter rating) shown in the following table:

COMPANY	STATIONS	COAL MW	NATURAL GAS MW	HYDRO MW	NUCLEAR MW	LIGN
AEGCo	1(a)	1,300				
APCo	17(b)	5,081		777		
CPL	12(c)(d)	686	3,175	6	630	
CSPCo	6(e)	2,595				
I&M	10(a)	2,295		11	2,110	
KEPCo	1	1,060				
OPCo	8(b)(f)	8,464		48		
PSO	8(c)	1,018	2,873			
SWEPCo	9	1,848	1,797			
WTU	12(c)	377	999			
Totals:	79	24,724	8,862	842	2,740	

(a) Unit 1 of the Rockport Plant is owned one-half by AEGCo and one-half by I&M. Unit 2 of the Rockport Plant is leased one-half by AEGCo and one-half by I&M. The leases terminate in 2022 unless extended.

(b) Unit 3 of the John E. Amos Plant is owned one-third by APCo and two-thirds by OPCo.
(c) CPL, PSO, and WTU jointly own the Oklaunion power station. Their respective ownership interests are reflected in this table.
(d) Reflects CPL's interest in STP.
(e) CSPCo owns generating units in common with CG&E and DP&L. Its ownership interest of 1,330 MW is reflected in this table.
(f) The scrubber facilities at OPCo's General James M. Gavin Plant are leased. The lease terminates in 2010 unless extended.
(g) PSO and WTU have 25 MW and 10 MW respectively of facilities designed primarily to burn oil. WTU has one 6 MW wind farm facility.

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In addition to the generating facilities described above, AEP has ownership interests in other electrical generating facilities, both foreign and domestic. Information concerning these facilities at December 31, 2000 is listed below.

FACILITY	COMPANY	LOCATION	CAPACITY TOTAL MW
Brush II	CSWEnergy	Colorado	68
Fort Lupton	CSWEnergy	Colorado	272
Mulberry	CSWEnergy	Florida	120
Orange Cogen	CSWEnergy	Florida	103
Newgulf	CSWEnergy	Texas	85
Sweeny (a)	CSWEnergy	Texas	360
Total U.S.			1,008
Medway	CSWInternational	UnitedKingdom	675
Altamira	CSWInternational	Mexico	118
Total International			793

(a) During 2001, additional development at the Sweeny facility is expected to add approximately 120 MW to current capacity.

See Item 1 under Fuel Supply, for information concerning coal reserves owned or controlled by subsidiaries of AEP.

The following table sets forth the total overhead circuit miles of transmission and distribution lines of the AEP System and its operating companies and that portion of the total representing 765,000-volt lines:

	TOTAL OVERHEAD CIRCUIT MILES OF TRANSMISSION AND DISTRIBUTION LINES	CIRCUIT MILES OF 765,000-VOLT LINES

AEP System (a)	208,809(b)	2,023
APCo	50,187	642
CPL	31,125	---
CSPCo (a)	13,864	---
I&M	20,602	614
KEPCo	10,385	258
OPCo	29,620	509
PSO	18,565	---
SWEPCo	18,851	---
WTU	12,439	---

(a) Includes 766 miles of 345,000-volt jointly owned lines.
(b) Includes 73 miles of transmission lines not identified with an operating company.

TITLES

The AEP System's electric generating stations are generally located on lands owned in fee simple. The greater portion of the transmission and distribution lines of the System has been constructed over lands of private owners pursuant to easements or along public highways and streets pursuant to appropriate statutory authority. The rights of the System in the realty on which its facilities are located are considered by it to be adequate for its use in the conduct of its business. Minor defects and irregularities customarily found in title to properties of like size and character may exist, but such defects and irregularities do not materially impair the use of the properties affected thereby. System companies generally have the right of eminent domain whereby they may, if necessary, acquire, perfect or secure titles to or easements on privately-held lands used or to be used in their utility operations.

Substantially all the physical properties of the AEP System operating companies are subject to the lien of the mortgage and deed of trust securing the first mortgage bonds of each such company.

SYSTEM TRANSMISSION LINES AND FACILITY SITING

Legislation in the states of Arkansas, Indiana, Kentucky, Michigan, Ohio, Texas, Virginia, and West Virginia requires prior approval of sites of generating facilities and/or routes of high-voltage transmission lines. Delays and additional costs in constructing facilities have been experienced as a result of proceedings conducted pursuant to such statutes, as well as in proceedings in which operating companies have sought to acquire rights-of-way through condemnation, and such proceedings may result in additional delays and costs in future years.

PEAK DEMAND

The east zone system is interconnected through 121 high-voltage transmission interconnections with 25 neighboring electric utility systems. The all-time and 2000 one-hour peak system demands were 25,940,000 and 23,223,000 kilowatts, respectively (which included 7,314,000 and 5,341,000 kilowatts, respectively, of scheduled deliveries to unaffiliated systems which the system might, on appropriate notice, have elected not to schedule for delivery) and occurred on June 17, 1994 and August 7, 2000, respectively. The net dependable capacity to serve the system load on such date, including power available under contractual obligations, was 23,457,000 and 23,790,000 kilowatts, respectively.

The all-time and 2000 one-hour internal peak demands were 19,952,000 and 19,167,000 kilowatts, respectively, and occurred on July 30, 1999 and January 28, 2000, respectively. The net dependable capacity to serve the system load on such date, including power dedicated under contractual arrangements, was 23,829,000 and 24,036,000 kilowatts, respectively. The all-time one-hour integrated and internal net system peak demands and 2000 peak demands for the east zone generating subsidiaries are shown in the following tabulation:

	ALL-TIME ONE-HOUR INTEGRATED NET SYSTEM PEAK DEMAND		2000 ONE-HOUR INTEGRATED NET SYSTEM PEAK DEMAND	
	(IN THOUSANDS)			
	NUMBER OF KILOWATTS	DATE	NUMBER OF KILOWATTS	DATE
APCo.....	8,303	January 17, 1997	7,509	December 20, 2000
CSPCo.....	4,239	August 2, 2000	4,240	August 2, 2000
I&M.....	5,040	August 15, 2000	5,048	August 15, 2000
KEPCo.....	1,860	January 10, 2001	1,761	December 20, 2000
OPCo.....	7,291	June 17, 1994	6,199	August 2, 2000

	ALL-TIME ONE-HOUR INTEGRATED NET INTERNAL PEAK DEMAND		2000 ONE-HOUR INTEGRATED NET INTERNAL PEAK DEMAND	
	(IN THOUSANDS)			
	NUMBER OF KILOWATTS	DATE	NUMBER OF KILOWATTS	DATE
APCo.....	6,908	February 5, 1996	6,558	January 28, 2000
CSPCo.....	3,804	July 30, 1999	3,499	August 31, 2000
I&M.....	4,127	July 30, 1999	3,949	August 30, 2000
KEPCo.....	1,579	January 3, 2001	1,558	January 27, 2000
OPCo.....	5,705	June 11, 1999	5,029	June 14, 2000

The all-time and 2000 one-hour internal peak demand for the west zone system was 14,234,000 kilowatts on August 31, 2000. The all-time one-hour internal net system peak demands and 2000 peak demands for the west zone generating subsidiaries are shown in the following tabulation:

	ALL-TIME ONE-HOUR INTEGRATED NET INTERNAL PEAK DEMAND		2000 ONE-HOUR INTEGRATED NET INTERNAL PEAK DEMAND	
	(IN THOUSANDS)			
	NUMBER OF KILOWATTS	DATE	NUMBER OF KILOWATTS	DATE
CPL	4,623	September 5, 2000	4,623	September 5, 2000
PSO.....	3,823	August 30, 2000	3,823	August 30, 2000
SWEPCo.....	4,625	August 31, 2000	4,625	August 31, 2000
WTU.....	1,537	September 5, 2000	1,537	September 5, 2000

HYDROELECTRIC PLANTS

AEP has 18 facilities, of which 16 are licensed through FERC. The new license for the Elkhart hydroelectric plant in Indiana was issued January 11, 2001 and extends for a period of thirty years. The license for the Mottville hydroelectric plant in Michigan expires in 2003. A notice of intent to relicense was filed in 1998. The application for new license will be filed in 2001.

COOK NUCLEAR PLANT AND STP

The following table provides operating information relating to the Cook Plant and STP.

	COOK PLANT		STP(a)	
	UNIT 1	UNIT 2	UNIT 1	UNIT 2
YEAR PLACED IN OPERATION	1975	1978	1988	1989
YEAR OF EXPIRATION OF NRC LICENSE (b)	2014	2017	2027	2028
NOMINAL NET ELECTRICAL RATING IN KILOWATTS	1,020,000	1,090,000	1,250,600	1,250,600
NET CAPACITY FACTORS				
2000 (c)	1.4%	50.0%	78.2%	96.1%
1999 (c)	0%	0%	88.0%	89.4%

(a) Reflects total plant.
(b) For economic or other reasons, operation of the Cook Plant and STP for the full term of their operating licenses cannot be assured.
(c) The Cook Plant was shut down in September 1997 to respond to issues raised regarding the operability of certain safety systems. The restart of both units of the Cook Plant was completed with Unit 2 reaching 100% power on July 5, 2000 and Unit 1 achieving 100% power on January 3, 2001.

Costs associated with the operation (excluding fuel), maintenance and retirement of nuclear plants continue to be of greater significance and less predictable than costs associated with other sources of generation, in large part due to changing regulatory requirements and safety standards, availability of nuclear waste disposal facilities and

experience gained in the construction and operation of nuclear facilities. I&M and CPL may also incur costs and experience reduced output at Cook Plant and STP, respectively, because of the design criteria prevailing at the time of construction and the age of the plant's systems and equipment. Nuclear industry-wide and Cook Plant and STP initiatives have contributed to slowing the growth of operating and maintenance costs at these plants. However, the ability of I&M and CPL to obtain adequate and timely recovery of costs associated with the Cook Plant and STP, respectively, including replacement power, any unamortized investment at the end of the useful life of the Cook Plant and STP

(whether scheduled or premature), the carrying costs of that investment and retirement costs, is not assured. See Competition and Business Change.

POTENTIAL UNINSURED LOSSES

Some potential losses or liabilities may not be insurable or the amount of insurance carried may not be sufficient to meet potential losses and liabilities, including liabilities relating to damage to the Cook Plant or STP and costs of replacement power in the event of a nuclear incident at the Cook Plant or STP. Future losses or liabilities which are not completely insured, unless allowed to be recovered through rates, could have a material adverse effect on results of operations and the financial condition of AEP, CPL, I&M and other AEP System companies.

Reference is made to the footnote to the financial statements entitled Commitments and Contingencies that is incorporated by reference in Item 8 for information with respect to nuclear incident liability insurance.

Item 3. LEGAL PROCEEDINGS

Federal EPA Notice of Violation to OPCo: On August 31, 2000, Region V, Federal EPA, issued a Notice of Violation (NOV) to OPCo's Gavin Plant in connection with stack emissions. Among other alleged violations, the NOV alleges violation of the Federal EPA-approved Ohio air pollution nuisance rule. AEP has submitted a request for a conference to discuss the NOV with Region V representatives.

Municipal Franchise Fee Litigation: CPL has been involved in litigation regarding municipal franchise fees in Texas as a result of a class action suit filed by the City of San Juan, Texas in 1996. The City of San Juan claims CPL underpaid municipal franchise fees and seeks damages of up to $300 million plus attorney's fees. CPL filed a counterclaim for overpayment of franchise fees.

During 1997, 1998 and 1999 the litigation moved procedurally through the Texas Court System and was sent to mediation without resolution.

In 1999 a class notice was mailed to each of the cities served by CPL. Over 90 of the 128 cities declined to participate in the lawsuit. However, CPL has pledged that if any final, non-appealable court decision awards a judgment against CPL for a franchise underpayment, CPL will extend the principles of that decision, with regard to any franchise underpayment, to the cities that declined to participate in the litigation. In December 1999, the court ruled that the class of plaintiffs would consist of approximately 30 cities. A trial date for June 2001 has been set.

Although management believes that it has substantial defenses to the cities' claims and intends to defend itself against the cities' claims and pursue its counterclaim vigorously, management cannot predict the outcome of this litigation or its impact on results of operations, cash flows or financial condition.

COLI Litigation: On February 20, 2001, the U.S. District Court for the Southern District of Ohio ruled against AEP in its suit against the United States over deductibility of interest claimed by AEP in its consolidated federal income tax return related to its COLI program. AEP had filed suit to resolve the IRS' assertion that interest deductions for AEP's COLI program should not be allowed. In 1998 and 1999 AEP paid the disputed taxes and interest attributable to COLI interest deductions for taxable years 1991-98 to avoid the potential assessment by the IRS of additional interest on the contested tax. The payments were included in other assets pending

the resolution of this matter. As a result of the U.S. District Court's decision to deny the COLI interest deductions, net income was reduced in 2000 as follows:

	(IN MILLIONS)
AEP System operating companies	$319
APCo	82
CSPCo	41
I&M	66
KEPCo	8
OPCo	118

The Company plans to appeal the decision.

See Item 1 for a discussion of certain environmental matters.

Reference is made to the footnote to the financial statements entitled Commitments and Contingencies incorporated by reference in Item 8 for further information with respect to other legal proceedings.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

AEP, APCO, CPL, I&M, OPCO AND SWEPCO. None.

AEGCO, CSPCO, KEPCO, PSO AND WTU. Omitted pursuant to Instruction I(2)(c).

EXECUTIVE OFFICERS OF THE REGISTRANTS

AEP. The following persons are, or may be deemed, executive officers of AEP. Their ages are given as of March 1, 2001.

NAME	AGE	OFFICE (a)
E. Linn Draper, Jr.	59	Chairman of the Board, President and Chief Execut Service Corporation
Thomas V. Shockley, III	55	Vice Chairman of the Service Corporation
Paul D. Addis	47	Executive Vice President-Wholesale/Energy Service
Donald M. Clements, Jr.	51	Executive Vice President-Corporate Development of Corporation
Henry W. Fayne	54	Executive Vice President-Finance and Analysis of
William J. Lhota	61	Executive Vice President- Energy Delivery of the
Susan Tomasky	47	Executive Vice President-Legal, Policy and Corpor Corporation
J. H. Vipperman	60	Executive Vice President-Shared Services of the S

(a) All of the executive officers listed above have been employed by the Service Corporation or System companies in various capacities (AEP, as such, has no employees) during the past five years, except for Messrs.

Addis and Shockley and Ms. Tomasky. Prior to joining the Service Corporation in February 1997 in his present position, Mr. Addis was Executive Vice President (1992-1993) and President (1993-January 1997) of Louis Dreyfus Electric Power, Inc. and President of Duke/Louis Dreyfus LLC (1995-January 1997). Mr. Addis became an executive officer of AEP effective January 1, 2000. Prior to joining the Service Corporation in July 1998 as Senior Vice President, Ms. Tomasky was a partner with the law firm of Hogan & Hartson (August 1997-July 1998) and General Counsel of the Federal Energy Regulatory Commission (May 1993-August 1997). Ms. Tomasky became an executive officer of AEP effective with her promotion to Executive Vice President on January 26, 2000. Prior to joining the Service Corporation in his current position upon the merger with CSW, Mr. Shockley was President and Chief Operating Officer of CSW (1997-2000) and Senior Vice President of CSW (1980-1997). All of the above officers are appointed annually for a one-year term by the board of directors of AEP, the board of directors of the Service Corporation, or both, as the case may be.

APCO, CPL, I&M, OPCO AND SWEPCO. The names of the executive officers of APCo, CPL, I&M, OPCo and SWEPCo, the positions they hold with these companies, their ages as of March 1, 2001, and a brief account of their business experience during the past five years appear below. The directors and executive officers of APCo, CPL, I&M, OPCo and SWEPCo are elected annually to serve a one-year term.

NAME	AGE	POSITION (a)(b)
E. Linn Draper, Jr.....	59	Director of CPL and SWEPCo Chairman of the Board and Chief Executive Officer of CPL and Director of APCo, I&M and OPCo Chairman of the Board and Chief Executive Officer of APCo, I& Chairman of the Board, President and Chief Executive Officer of AEP and the Service Corporation
Thomas V. Shockley, III...	55	Director and Vice President of APCo, CPL, I&M, OPCo and SWEPC Vice Chairman of AEP and the Service Corporation President and Chief Operating Officer of CSW Executive Vice President of CSW
Henry W. Fayne.....	54	Director of CPL and SWEPCO Director of APCo Director of OPCo Director of I&M Vice President of CPL and SWEPCo Vice President of APCo, I&M and OPCo Vice President and Chief Financial Officer of AEP Executive Vice President-Finance and Analysis of the Service Executive Vice President-Financial Services of the Service Corporation Senior Vice President-Corporate Planning & Budgeting of the Service Corporation
William J. Lhota.....	61	Director of CPL and SWEPCo Director of APCo Director of I&M and OPCo

		President and Chief Operating Officer of CPL and SWEPCo President and Chief Operating Officer of APCo, I&M and OPCo Executive Vice President-Energy Delivery of the Service Corpo Executive Vice President of the Service Corporation
Susan Tomasky.....	47	Director and Vice President of APCo, CPL, I&M, OPCo and SWEPC Executive Vice President-Legal, Policy and Corporate Communic General Counsel of the Service Corporation Senior Vice President and General Counsel of the Service Corp Hogan & Hartson (law firm) General Counsel of the FERC

NAME	AGE	POSITION (a)(b)
J. H. Vipperman.....	60	Director of CPL and SWEPCo Director of APCo Director of I&M and OPCo Vice President of CPL and SWEPCo Vice President of APCo, I&M and OPCo Executive Vice President-Shared Services of the Service Corpo Executive Vice President-Corporate Services of the Service Co Executive Vice President-Energy Delivery of the Service Corpo

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(a) Dr. Draper is a director of BCP Management, Inc., which is the general partner of Borden Chemicals and Plastics L.P., and Mr. Lhota is a director of Huntington Bancshares Incorporated and State Auto Financial Corporation.

(b) Dr. Draper, Messrs. Fayne, Lhota, Shockley and Vipperman and Ms. Tomasky are directors of AEGCo, CSPCo, KEPCo, PSO and WTU. Dr. Draper and Mr. Shockley are also directors of AEP.

PART II

Item 5. MARKET FOR REGISTRANTS' COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

AEP. AEP Common Stock is traded principally on the New York Stock Exchange. The following table sets forth for the calendar periods indicated the high and low sales prices for the Common Stock as reported on the New York Stock Exchange Composite Tape and the amount of cash dividends paid per share of Common Stock.

	PER SHARE MARKET PRICE		
QUARTER ENDED	HIGH	LOW	DIVI
March 1999.....	48-3/16	39-5/16	.60
June 1999.....	44-1/16	37-7/16	.60
September 1999.....	37-7/8	33-1/2	.60

December 1999	35-13/16	30-9/16	.60
March 2000	34-15/16	25-15/16	.60
June 2000	38-1/2	29-7/16	.60
September 2000	40	29-15/16	.60
December 2000	48-15/16	36-3/16	.60

At December 31, 2000, AEP had approximately 160,000 shareholders of record.

AEGCO, APCO, CPL, CSPCO, I&M, KEPCO, OPCO, PSO, SWEPCO AND WTU. The common stock of these companies is held solely by AEP. The amounts of cash dividends on common stock paid by these companies to AEP during 2000 and 1999 are incorporated by reference to the material under Statement of Retained Earnings in the 2000 Annual Reports.

Item 6. SELECTED FINANCIAL DATA

AEGCo, CSPCo, KEPCo, PSO AND WTU. Omitted pursuant to Instruction I(2)(a).

AEP, APCo, CPL, I&M, OPCo AND SWEPCo. The information required by this item is incorporated herein by reference to the material under Selected Consolidated Financial Data in the 2000 Annual Reports.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

AEGCo, CSPCo, KEPCo, PSO AND WTU. Omitted pursuant to Instruction I(2)(a). Management's narrative analysis of the results of operations and other information required by Instruction I(2)(a) is incorporated herein by reference to the material under Management's Narrative Analysis of Results of Operations in the 2000 Annual Reports.

AEP, APCo, CPL, I&M, OPCo AND SWEPCo. The information required by this item is incorporated herein by reference to the material under Management's Discussion and Analysis of Results of Operations and Management's Discussion and Analysis of Financial Condition, Contingencies and Other Matters in the 2000 Annual Reports.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

AEGCo, AEP, APCo, CPL, CSPCo, I&M, KEPCo, OPCo, PSO, SWEPCo AND WTU. The information required by this item is incorporated herein by reference to the material under Management's Discussion and Analysis of Financial Condition, Contingencies and Other Matters in the 2000 Annual Reports.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AEGCo, AEP, APCo, CPL, CSPCo, I&M, KEPCo, OPCo, PSO, SWEPCo AND WTU. The information required by this item is incorporated herein by reference to the financial statements and supplementary data described under Item 14 herein.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

AEGCo, AEP, APCo, CSPCo, I&M, KEPCo AND OPCo. None.

CPL, PSO, SWEPCo AND WTU. The information required by this item is

incorporated herein by reference to each company's Current Report on Form 8-K dated July 5, 2000.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS

AEGCo, CSPCo, KEPCo, PSO AND WTU. Omitted pursuant to Instruction I(2)(c).

AEP. The information required by this item is incorporated herein by reference to the material under Nominees for Director of the definitive proxy statement of AEP for the 2001 annual meeting of shareholders, to be filed within 120 days after December 31, 2000. Reference also is made to the information under the caption Executive Officers of the Registrants in Part I of this report.

APCo AND OPCo. The information required by this item is incorporated herein by reference to the material under Election of Directors of the definitive information statement of each company for the 2001 annual meeting of stockholders, to be filed within 120 days after December 31, 2000. Reference also is made to the information under the caption Executive Officers of the Registrants in Part I of this report.

CPL AND SWEPCo. The information required by this item is incorporated herein by reference to the material under Election of Directors of the definitive information statement of APCo for the 2001 annual meeting of stockholders, to be filed within 120 days after December 31, 2000. Reference also is made to the information under the caption Executive Officers of the Registrants in Part I of this report.

I&M. The names of the directors and executive officers of I&M, the positions they hold with I&M, their ages as of March 12, 2001, and a brief account of their business experience during the past five years appear below and under the caption Executive Officers of the Registrants in Part I of this report.

NAME	AGE	POSITION (a)
K. G. Boyd.....	49	Director Vice President - Fort Wayne Distribution Operations Indiana Region Manager Fort Wayne District Manager
Marc E. Lewis.....	46	Director Assistant General Counsel of the Service Corporation Senior Counsel of the Service Corporation Senior Attorney of the Service Corporation
Susanne M. Moorman.....	51	Director General Manager, Community Services Manager, Customer Services Operations Director, Customer Services
John R. Sampson.....	48	Director and Vice President

		Indiana & Michigan State President Site Vice President, Cook Nuclear Plant Plant Manager, Cook Nuclear Plant
Jackie S. Siefker.....	47	Director Manager, Distribution Systems District Manager
D. B. Synowiec.....	57	Director Plant Manager, Rockport Plant
W. E. Walters.....	53	Director Michiana Region Manager Director of Projects

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(a) Positions are with I&M unless otherwise indicated.

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Item 11. EXECUTIVE COMPENSATION

AEGCo, CSPCo, KEPCo, PSO AND WTU. Omitted pursuant to Instruction I(2)(c).

AEP. The information required by this item is incorporated herein by reference to the material under Directors Compensation and Stock Ownership Guidelines, Executive Compensation and the performance graph of the definitive proxy statement of AEP for the 2001 annual meeting of shareholders to be filed within 120 days after December 31, 2000.

APCo AND OPCo. The information required by this item is incorporated herein by reference to the material under Executive Compensation of the definitive information statement of each company for the 2001 annual meeting of stockholders, to be filed within 120 days after December 31, 2000.

CPL, I&M AND SWEPCo. The information required by this item is incorporated herein by reference to the material under Executive Compensation of the definitive information statement of APCo for the 2001 annual meeting of stockholders, to be filed within 120 days after December 31, 2000.

The following table sets forth the aggregate cash and other compensation for services rendered for the fiscal years of 2000, 1999 and 1998 paid or awarded to the presidents of CPL and SWEPCo.

Summary Compensation Table

		ANNUAL COMPENSATION		
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION

J. GONZALO SANDOVAL - General manager/president of CPL (3)	2000	143,323	38,153	0
	1999	138,863	31,268	0
	1998	138,115	34,955	0
MICHAEL H. MADISON - President of SWEPCo (3)	2000	179,922	78,937	0
	1999	186,944	91,065	5,544
	1998	178,953	87,380	28,914

	LONG-TERM COMPENSATION		
	AWARDS	PAYOUTS	
NAME AND PRINCIPAL POSITION	SECURITIES UNDERLYING OPTIONS (#)	LTIP PAYOUTS ($)(1)	ALL OTHER COMPENSATION ($)(2)
J. GONZALO SANDOVAL - General manager/president of CPL (3)	6,250	14,656	7,068
	0	19,661	7,200
	0	9,961	6,580
MICHAEL H. MADISON - President of SWEPCo (3)	15,000	192,444	198,211
	0	19,661	8,103
	0	9,961	7,900

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(1) The awards reflected in this column are the value of restricted shares paid out under CSW's Long-Term Incentive Plan and, in the case of Mr. Madison, performance share units. Upon vesting, shares of AEP Common Stock were reissued without restrictions. The amounts reported in the Summary Compensation Table represent the market value of the shares at the date of grant.

(2) Detail of the 2000 amounts in the All Other Compensation column is shown below.

Item	Mr. Sandoval	Mr. Madison
Savings Plan Matching Contributions.....	$7,068	$7,650
Personal Liability Insurance.....	0	761
Change-in Control Payment.....	0	179,000
Vehicle Allowance.....	0	10,800
Total All Other Compensation.....	$7,068	$198,211

(3) Messrs. Sandoval and Madison resigned their positions on June 28, 2000, but remained employees of the AEP System.

	INDIVIDUAL GRANTS			
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#) (1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 2000 (2)	EXERCISE OR BASE PRICE ($/SH)	EXPIRAT
J. Gonzalo Sandoval	6,250	0.1%	35.625	09-
Michael H. Madison	15,000	0.2%	35.625	09-

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(1) Options were granted on September 20, 2000, pursuant to the AEP 2000 Long-Term Incentive Plan. All options granted on this date have an exercise price equal to the closing price of AEP Common Stock on the New York Stock Exchange Composite Transactions Tape on September 20, 2000. These options will vest in equal increments, annually, over a three-year period beginning on January 1, 2002. Options also fully vest upon termination due to retirement after one year from the grant date or due to disability or death and expire five years thereafter, or on their scheduled expiration date if earlier. Options expire upon termination of employment for reasons other than retirement, disability or death, unless the Human Resources Committee determines that circumstances warrant continuation of the options for up to five years. Options are nontransferable.

(2) A total of 6,046,000 options were granted in 2000.

(3) Value was calculated using the Black-Scholes option valuation model. The actual value, if any, ultimately realized depends on the market value of AEP's Common Stock at a future date. Significant assumptions are shown below:

Stock Price Volatility	24.75%	Dividend Yield	
Risk-Free Rate of Return	6.50%	Option Term	

Aggregated Option Exercises in 2000 and Year-End Option Values

			NUMBER OF SECURITIES UNDERLY	
NAME	SHARE ACQUIRED ON EXERCISE (#) (1)	VALUE REALIZED ($) (1)	UNEXERCISED OPTIONS AT 12-31-0 EXERCISABLE	UNEXERCIS
J. Gonzalo Sandoval	--	--	1,750	6,250
Michael H. Madison	--	--	6,281	15,000

	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 12-31-00 ($) (2)	
NAME	EXERCISABLE	UNEXERCISABLE

J. Gonzalo Sandoval	0	67,969
Michael H. Madison	52,448	163,125

(1) Neither of these officers exercised options during 2000.
(2) Based on the difference between the closing price of AEP Common Stock on the New York Stock Exchange Composite Transactions Tape on December 29, 2000 ($46.50) and the option exercise price. "In-the-money" means the market price of the stock is greater than the exercise price of the option on the date indicated.

Cash Balance Retirement Plan

CPL and SWEPCo maintain the Cash Balance Plan for eligible employees. In addition, these companies maintain the Special Executive Retirement Plan (SERP), a non-qualified plan that provides benefits that cannot be payable under the Cash Balance Plan because of maximum limitations imposed on such plans by the Internal Revenue Code. Under the cash balance formula, each participant has an account for recordkeeping purposes only, to which dollar amount credits are allocated annually based on a percentage of the participant's pay. Pay for the Cash Balance Plan includes base pay, bonuses, overtime, and commissions. The applicable percentage is determined by the age and years of vesting service the participant has as of December 31 of each year.

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The following table shows the percentage used to determine dollar amount credits at the age and years of service indicated:

SUM OF AGE PLUS YEARS OF SERVICE	APPLICABLE PERCENTAGE