At AEP

Success begins with taking care of our customers
### 2004 SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income (in millions)</td>
<td>$924</td>
<td>$975</td>
<td>$(51)</td>
</tr>
<tr>
<td>ongoing</td>
<td>$1,089</td>
<td>$110</td>
<td>$979</td>
</tr>
<tr>
<td>as reported</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings Per Share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ongoing</td>
<td>$2.33</td>
<td>$2.53</td>
<td>(0.20)</td>
</tr>
<tr>
<td>as reported</td>
<td>$2.75</td>
<td>$0.29</td>
<td>$2.46</td>
</tr>
<tr>
<td>Revenues (in billions)</td>
<td>$14.1</td>
<td>$14.7</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Cash Dividends</td>
<td>$1.40</td>
<td>$1.65</td>
<td>(0.25)</td>
</tr>
<tr>
<td>Year-End Closing Stock Price</td>
<td>$34.34</td>
<td>$30.51</td>
<td>$3.83</td>
</tr>
<tr>
<td>Book Value Per Share at Year-End</td>
<td>$21.51</td>
<td>$19.93</td>
<td>$1.58</td>
</tr>
<tr>
<td>Total Assets (in billions)</td>
<td>$34.7</td>
<td>$36.8</td>
<td>(2.1)</td>
</tr>
<tr>
<td>U.S. Customers (at year-end) (in thousands)</td>
<td>5,053</td>
<td>5,023</td>
<td>30</td>
</tr>
<tr>
<td>Global Employment (at year-end)</td>
<td>19,893</td>
<td>22,075</td>
<td>(2,182)</td>
</tr>
</tbody>
</table>

2004 reported earnings of $2.75 per share adjusted for net gains from disposals of $(0.57) per share, miscellaneous adjustments of $(0.01) per share, and UK and LIG discontinued operations of $0.16 per share, produces ongoing earnings of $2.33 per share.

2003 reported earnings of $0.29 per share adjusted for disposition and write-down of assets of $2.42 per share, and UK and LIG discontinued operations (excluding write-down of assets) of $0.32 per share, offset in part by the changes in accounting principles for asset retirement obligations and mark-to-market accounting of $(0.50) per share, produces ongoing earnings of $2.53 per share.
DEAR FELLOW SHAREHOLDERS  American Electric Power became a stronger, more focused company in 2004. We sold non-core assets, reduced debt and met our earnings target while the people of AEP overcame some of the worst challenges Mother Nature can offer. In addition, we restructured the company, creating seven operating units to improve customer focus and to move more decisions to the local level. We accomplished a lot, and we certainly have much more to accomplish. But, all told, 2004 was a very exciting and good year.

FINANCIAL RESULTS  AEP’s ongoing earnings per share for 2004 totaled $2.33, within our guidance range of $2.20 to $2.40. As-reported, or GAAP, earnings (prepared according to Generally Accepted Accounting Principles) were $2.75 per share, reflecting gains from asset sales.

Our share price advanced 12.6 percent last year – well ahead of the overall market – and total return to shareholders, including dividends, exceeded 17 percent.

AEP’s liquidity position remained favorable in 2004. At year’s end the company had more than $400 million in cash and cash equivalents on its balance sheet and access to nearly $3 billion in credit facilities.

ASSET SALES  In 2004 we substantially completed our program of selling assets that are unrelated to our core, domestic utility operations.

Among the facilities and operations sold were 4,000 megawatts of coal-fired generation in the United Kingdom, our interest in a power plant in China, the Louisiana Intrastate Gas pipeline and storage operations, four domestic independent power plants, and AEP Coal assets in Ohio and Kentucky.

Some divestitures were unrelated to our sale of non-core assets. We sold most of our Texas generating assets to establish our level of stranded-cost recovery, consistent with Texas electric restructuring law.

The $1.4 billion in proceeds from last year’s asset sales – along with retained-earnings growth and pension contributions – helped us meet our goal of reducing our debt ratio to below 60 percent of capitalization.

GETTING CLOSER TO OUR CUSTOMERS  AEP reorganized its field operations into seven operating units last year to move decision-making responsibility closer to customers and other stakeholders. Already, we see positive results from this effort to strengthen our ties with the communities we serve. I’m confident the new structure will allow us to meet our customers’ needs more quickly and effectively. And positive customer relationships help build positive regulatory relationships.

Each operating unit is headed by a president and chief operating officer who has authority for energy distribution operations and for customer and regulatory relationships. Other companywide operations, such as generation, transmission, and distribution dispatch, remain centralized to retain the efficiencies that matter so much to our customers and regulators.
Our new operating units are profiled in this report. I hope you will read about them to get a sense of our front-line operations and the people who run them.

ACHIEVEMENTS AND CHALLENGES  Once again, in 2004, AEP faced many operational challenges. And, once again, our people responded.

Severe ice storms crippled much of our Ohio service territory in late December. Nearly 2,000 people from 13 states – including AEP employees, contractors and neighboring utilities' employees – spent time away from their families during the holidays, working in frigid, sometimes hazardous conditions to restore power to our customers.

Last summer, AEP dispatched hundreds of employees and contractors to Florida to assist utilities ravaged by several hurricanes that hit in rapid succession. Times like these truly demonstrate the skill, dedication and drive of our employees.

Despite our overall high-quality service, we continue to address service reliability issues in areas of our service territory. In Ohio, we have made progress on a program to improve the performance of our least-reliable energy distribution circuits by an average of 40 percent. We are also working hard to improve service reliability in Oklahoma, where new service quality rules took effect last year, and in Louisiana and other states.

I’m pleased to tell you that, after a permitting process that stretched over some 15 years, construction began in 2004 on the Wyoming-Jacks ons Ferry 765-kilovolt transmission line. We hope to complete the 90-mile line in mid-2006. The new line will help reinforce the transmission system serving southern West Virginia, southwestern Virginia and eastern Kentucky, where energy demand has skyrocketed since the last major transmission line was built to serve that region more than 30 years ago. The projected cost of building the line is $271 million.

All told, AEP invested nearly $800 million in our energy delivery system last year. We plan to invest more than $1 billion in the system this year to improve performance where needed.

AEP joined PJM Interconnection in October, fulfilling our commitment at the time of the Central & South West merger to join Regional Transmission Organizations (RTOs). PJM, based in Valley Forge, Pa., oversees transmission system reliability in a 12-state region encompassing AEP’s eastern service territory and provides a larger common market for AEP generation. Our success in the PJM market increases as we gain experience, and we believe our membership will produce long-term benefits for customers and shareholders.

The Federal Energy Regulatory Commission also has approved Southwest Power Pool (SPP) as an RTO. AEP transmission assets in Oklahoma, Louisiana, Arkansas and a portion of Texas fall within SPP.

Our D.C. Cook nuclear plant set site records in 2004 for generation and capacity factor, surpassing milestones reached in 1996. Last year, the plant gener-
ated 16,770 gigawatt-hours of electricity and had a capacity factor of 92.7 percent. We’re pleased with the recent performance improvements at Cook and anticipate further progress. Our goal is to achieve top-industry performance.

Although we have refocused on our core utility business, our commercial businesses continue to add value to the enterprise. Our energy marketing and trading activities center on areas where we have assets and customers, helping to make our operations more profitable while hedging against risk.

I’m proud to report that AEP was recognized as an exemplary workplace in 2004. The company was named one of the best places to work for women and minorities by Essence magazine, for working mothers by Working Mother magazine, and for those with military backgrounds by G.I. Jobs magazine.

2005: INVESTING IN THE FUTURE  We are optimistic about our prospects this year. We expect that the general economy will continue to strengthen, which will benefit our customers. AEP projects 2005 ongoing earnings of $2.30 to $2.50 per share. We plan to reduce our operation and maintenance expenses to the extent possible and sustain our debt-to-capitalization ratio at below 60 percent. We will also continue to evaluate the potential for an increase in the quarterly dividend.

The year is already off to a good start. We have sold our controlling interest in Houston Pipe Line Company, generating approximately $1 billion in cash. We reached settlement agreements with federal agencies regarding investigations of gas-price reporting and gas-storage activities. And we announced a goal of fully funding AEP pension liabilities by the end of 2005, which will further strengthen our balance sheet, enhance earnings potential and reassure our valued employees.

Much of AEP’s energy will focus on regulatory activity this year as we explain our need to make significant investments in our generating fleet, the largest in the nation. Our goal is to persuade our regulators that improving the environmental performance of our plants absolutely will be in the best interest of our customers, our shareholders and the people who live in the communities where our generating facilities are located. The end result will be cleaner air for everyone, a fair return for shareholders and the assurance of reasonable rates for customers for years to come.

Most of the rate activity in our eastern states is geared toward recovery of planned investments. The rate plan that Ohio regulators approved in January provides a fair balance for AEP customers and shareholders and will benefit the environment.

In Texas, we will seek stranded-cost recovery on the AEP Texas Central Company generating assets that are being sold, as authorized by Texas deregulation legislation. The difference between the plants’ sale proceeds and book value can be securitized, which will generate cash to pay down debt and fund capital expenditures. We expect to make a mid-year filing with the Public Utility Commission of Texas and anticipate a decision around the end of the year.
AEP uses more coal than anyone else in the nation – some 75 million tons annually on average. Approximately 73 percent of our 36,000-megawatt generating capacity is fired by coal and lignite. Continued use of coal is important for the energy security and economy of our nation, and for the interests of our stakeholders.

Keeping coal as a viable energy option will require advanced technologies. That is why we are continuing our tradition of technological innovation by pioneering construction of the largest Integrated Gasification Combined Cycle (IGCC) plant in the world. We announced this clean-coal project last year and will finalize site selection and seek cost recovery in 2005. We anticipate completion by 2010.

While other companies remain focused on supercritical coal-fired generation – pioneered by AEP nearly 50 years ago – we are moving to the next level of generation technology.

We believe increasingly stringent air-quality regulations and the possibility of eventual constraints on carbon dioxide emissions make IGCC the right investment and the most environmentally responsible choice for future coal-fired generation. IGCC technology has the potential to provide the environmental benefits of a high-efficiency, natural gas-fired, combined-cycle facility while capitalizing on the comparatively low and stable fuel costs associated with coal. I invite you to read more about IGCC technology later on in this report.

AEP also expects to invest approximately $3.7 billion through 2010 and another $1.5 billion through 2020 in improvements at our existing coal-fired plants. This will extend their productive lives, keep them operating profitably and improve air quality for those living nearby. Technology already in place at some AEP plants will be added to other facilities to reduce emissions of sulfur dioxide, nitrogen oxide and mercury. AEP has invested roughly $2 billion in environmental enhancements at our generating facilities since the mid-1990s.

Even after electric rates that allow us to recover our planned expenditures are approved, our customers’ costs will remain among the lowest in the regions we serve. AEP also will stay competitive in wholesale power markets. These are enormous advantages that we intend to keep.

AEP will continue as an industry leader in addressing global climate change. As a founding member of the Chicago Climate Exchange, the first voluntary platform for trading greenhouse gas emission credits, we have committed to reduce or offset greenhouse gas emissions a cumulative 10 percent between 2003 and 2006. This is in addition to our widely recognized tree-planting program and our efforts to preserve forests to sequester carbon dioxide.

A diverse fuel mix that includes renewable energy is important for our nation and our company. AEP operates nearly 900 megawatts of hydroelectric generation and is one of the largest generators of wind energy in the United States with more than 300 megawatts operating in Texas. We are exploring opportuni-
ties to grow our wind portfolio. We’re also testing the use of plant material and animal waste combined with coal at some of our plants to reduce emissions.

SAFETY AEP employees are continually urged not to compromise their safety, or others’ safety, in order to get the job done. So it pains me to report that three employees lost their lives in job-related accidents during 2004. Our hearts go out to their loved ones. No safety program is a success if fatalities occur, and we are reevaluating every aspect of our safety programs to find new and better ways to protect employees and raise safety awareness. In addition, we have changed our management incentive compensation plan so that no safety-related award will be paid if we experience one fatality during the year, regardless of how good our overall safety record is.

TRANSITIONS The AEP Board of Directors welcomed Lionel Nowell as a new member in 2004. Lionel, senior vice president and treasurer of PepsiCo, Inc., brings financial acumen and valuable experience in corporate strategy and business development to our endeavors. We’re delighted to have him on board.

We’ll miss Leonard Kujawa, who is leaving the AEP Board after eight years of service. His broad knowledge of the energy industry has been a great asset during a volatile period for our sector. We wish Len the best.

Key executives retiring since publication of our last annual report include Tom Shockley, vice chairman and chief operating officer; Henry Fayne, executive vice president – Energy Delivery and former chief financial officer; Armando Peña, senior vice president – Financial Policy and former AEP treasurer; Melinda Ackerman, senior vice president – Human Resources; and Glenn Files, senior vice president – Distribution. Each has left a positive mark on our company. We are a better organization because of their contributions.

A LONG-TERM COMMITMENT I want to thank all AEP stakeholders for investing in our plans and our vision. AEP is in the business of providing electric service in a cost-effective, environmentally responsible manner for generations to come. Our unparalleled assets – human and otherwise – are key to attaining this goal. We do a pretty good job at it, but we need to continue to get better. That will ensure a secure and rewarding future for our customers, our employees, and you, our valued shareholders.
At AEP

Taking care of our customers means providing reliable, efficient service
Our customers speak — Through letters, electronic messages, telephone calls and other communication vehicles, our customers let us know what is on their minds. Here is a sampling of comments from customers about their experiences with AEP and its operating units.

A huge thank you to the American Electric Power crew that restored our power at 2 a.m. Christmas Day. All of these folks went above and beyond their duty, working in the dark in frigid temperatures. Thanks also to the families of the electric workers who had to modify holiday plans so that their husbands, dads, brothers and uncles could work in unbelievable conditions to make us comfortable. We truly appreciate all their efforts and are very grateful for each of them!

— COLUMBUS, OHIO

It’s time for central Ohio to reach out and support the American Electric Power crews who continue to work around the clock to restore power to the Columbus area. Our family, along with thousands of our neighbors, suffered the effects of losing power for several days. This has been no small sacrifice in comfort, warmth and convenience, especially during the holiday season. Through this, however, there are heroes that we seem to have forgotten or, at times, blamed. Those heroes are the AEP employees who are working day and night, some suffering extreme discomfort through the night, outdoors and away from their families, to bring normalcy back to our community.

— BLACKLICK, OHIO

Thank you so very much for all the time and effort you all put toward regaining our power. We appreciate every minute of every cold, wet, dangerous day and night you spent working. We appreciate all the endless hours of stress and dealing with the public you spent. Most of all, we appreciate the fact you were taken from your families during the holidays to be there for all of us, to make our holidays more bearable.

— DANVILLE, OHIO

Just a note to thank you for your superb efforts in restoring power to the Columbus area. Considering the magnitude of this storm, you did an outstanding job. We have been a customer since 1956 and will always remain so.

— COLUMBUS, OHIO

I would like to take this opportunity to express our sincere appreciation for the quick response you gave us to help our fair. We purchased a new ride and we desperately needed additional lighting for this ride. I made a phone call this morning and by 3:00 this afternoon the lights were installed. Talk about service!!! It is very important to our small community to have a service company that still believes in SERVICE.... Thank you, PSO, for being a company that still helps out the local causes.

— Carnival Chairman, Fort Cobb District Fair — FORT COBB, OKLA.
I received your letter in the mail today explaining the power outages in the Bramwell and Nemours area. I wanted you all to know how much I appreciate American Electric Power, in everything that you do. I don’t think the people in this area understand how hard your employees work. — NEMOURS, W.VA.

I’ve dealt with your Customer Solutions Center three separate times, for three different things, and I’ve been impressed. I wasn’t impressed with the service — after all, that’s what you’re in the business of providing. I was impressed with the courtesy. — ROANOKE, VA.

A few months ago, it became increasingly clear that some of our streets were too dark and far too inviting for criminal activity. So we asked AEP to help us shine more light on the East End, and they responded quickly to get it done. — Mayor — CHARLESTON, W.VA.

My husband and I were visited this morning by two AEP technicians and they inspected our ditch and work done so far. They advised my husband of a couple of mistakes he had made and what he needed to do to rectify the problems. They were most helpful in their instructions! — CHARLESTON, W.VA.

Thank you for your contribution to the Bixby Educational Endowment Foundation. The foundation’s purpose is to provide support to the 4,000 students enrolled in Bixby Public Schools. Through grants and scholarships we have the capability of impacting every student in the district. We are so pleased to have you as a part of this endeavor. Again, thank you for your continued support of education! — President, Bixby Educational Endowment Foundation — BIXBY, OKLA.

I wanted to say THANK YOU to Southwestern Electric Power for restoring my power after Hurricane Frances. We were without power for six days and the best sight in the world was when we saw one of your trucks roll into our development to work on our power restoration. Your trucks were all over this area working diligently to restore power. I apologize for being late in sending this e-mail. Coupled with the new outage we suffered from Hurricane Jeanne, time has passed. At any rate, I wanted your company to know that Florida appreciated all the crews you sent to help us in the aftermath of Frances. YOU DID A GREAT JOB! — LAKE WORTH, FLA.

On behalf of the Board of Directors, the staff and the 455,000 people who eat food from the Food Bank of Corpus Christi, I want to thank AEP Texas for the donation of three laptop computers with carrying cases and three docking stations…. Your donation has allowed the Food Bank to join the growing demand for elec-
tronic freedom in today’s world. Our ability to reach out beyond our warehouse walls will be reflected in the expansion of services we provide to the hungry in the 11 counties that we serve. … We are grateful for the support AEP Texas has offered the Food Bank throughout the years. — Executive Director, Food Bank of Corpus Christi — CORPUS CHRISTI, TEXAS

On behalf of the Webb County Head Start program, please accept this letter of appreciation. Your generous contribution brought a priceless amount of joy to the children as they received their gifts. — Director, Webb County Head Start — LAREDO, TEXAS


Most of the time, towboat crews merely travel up and down the Ohio River, placidly pushing “tows” of barges. But that changed for those on some of the boats Thursday, when they were asked to help stop more than a dozen runaway barges.

The barges broke loose from American Electric Power’s Cardinal Plant at Brilliant. Some hung up on the Pike Island Dam – but four passed over it. That prompted authorities to close Ohio River bridges at Wheeling in fear of what

PUBLIC SERVICE COMPANY OF OKLAHOMA

STUART SOLOMON
President and Chief Operating Officer

2004 ANNUAL REPORT TO SHAREHOLDERS

PUBLIC SERVICE COMPANY OF OKLAHOMA

PSO, organized in 1912, is headquartered in Tulsa, Okla., and serves AEP’s Oklahoma customers.

Principal industries served include natural gas and oil production, oil refining, steel processing, aircraft maintenance, paper manufacturing, timber products, glass, chemicals, cement, plastics, telecommunications and rubber goods.

PSO has approximately 565,000 customers.
High-quality service begins with safe, dedicated performance
might happen if the massive barges hit bridge piers. One did, but did not appear to damage the Fort Henry Bridge significantly.

Once the threat became clear, towboat crews in the area were asked to stop the barges. According to the Coast Guard, towboats accomplished that task in at least four instances. Other runaway barges apparently went aground.

Witnesses in Wheeling saw an example of the work done by an AEP towboat’s crew. The crew put their boat in the path of a runaway barge, then expertly nudged it and allowed the swift current to carry it alongside a barge attached to the boat, where it was secured. Towboat crew members made the difficult, dangerous task look easy, reported witnesses.

It wasn’t, of course. It required a great amount of skill and at least some courage. Towboat crews who stopped the runaways deserve high praise for their work.

**AEP CHAIRMAN’S LIFE SAVING AWARD** — AEP unveiled the Chairman’s Life Saving Award in 2004. The award recognizes the extraordinary efforts of AEP employees to help people in need. Chairman Mike Morris presented awards to Public Service Company of Oklahoma employees Lee Ann Myers and Frank Phillips and AEP Ohio employee Steve Frisch.

Myers, a stores attendant in Chickasha, Okla., helped a woman being chased by a gun-wielding man. Myers ignored the man’s threats, drove the woman to safety and used her cell phone to call police. The man was arrested a short while later.

Phillips, community affairs manager based in McAlester, Okla., alerted his neighbors and called 911 late one night after he noticed that a home in his neighborhood was filled with smoke. No one was home in the burning house, which was destroyed, but he was able to rouse other neighbors. Some of the other homes sustained heat damage.

Frisch, a distribution line coordinator in Bucyrus, Ohio, rescued a toddler who was wandering in the middle of a busy street in Daytona, Fla. Frisch, who was assisting with power restoration after a hurricane, visited homes in the neighborhood until he found the boy’s family.

Morris said the Chairman’s Life Saving Award is for “those among us who stand taller than the rest of us…. We seem to attract people who are interested in public service. We give of ourselves and we give ourselves freely.”
AMERICAN ELECTRIC POWER'S technological leadership is propelling the company to the next generation of coal plants. AEP plans to build an Integrated Gasification Combined Cycle (IGCC) power plant to serve its customers by 2010. With a generating capacity of as much as 1,200 megawatts, it will be the largest facility of its type in the world.

AEP was the first utility to announce plans for such a plant, reinforcing the company’s heritage of innovation. The plant will be located in one of AEP’s eastern states and will represent the first new coal-fired generating capacity added to this part of the company’s service territory since 1991.

The IGCC process uses a gasifier in which coal is partially combusted with oxygen and steam to form a synthetic gas, commonly known as “syngas.” The syngas is cleaned to remove the particulate matter and sulfur compounds. The clean syngas is then fired in a gas turbine. The hot exhaust from the gas turbine passes through a heat recovery steam generator, where it produces steam that drives another turbine. Electricity is produced from both the gas turbine and the steam turbine, hence the term “combined cycle.” This results in a more efficient conversion of energy from fuel to electricity than with conventional steam electric plants.

IGCC technology provides other advantages over traditional pulverized coal-fired plants. Emissions of sulfur dioxide, particulates, nitrogen oxides and mercury can be reduced significantly. Carbon dioxide emissions will also be lower. In addition, IGCC technology offers the potential for future retrofit of carbon dioxide capture systems at a lower capital cost and with lower efficiency losses when compared with conventional technologies.

AEP believes it is important to continue to be able to use coal to generate electricity in an economic and more environmentally responsible way. Coal is our nation’s most abundant energy source.

IGCC technology has the potential to provide the lowest capital cost, highest efficiency and best emission characteristics among coal-based technologies, and the most carbon-friendly fossil-fuel technology over the long term.

AEP's decision to build an IGCC plant, combined with its plan for significant investments in emission-reduction technologies at existing coal-fired generating stations, underscores the company’s commitment to coal as its primary energy source for the future.
Coal, water and oxygen are fed into a high-pressure gasifier, where the coal is partially combusted and converted into synthetic gas (“syngas”).

The ash in the coal is converted to inert, glassy slag.

The syngas produced in the gasifier is cooled and cleaned of particles.

The slag and other inert material may be used to produce other products or may be safely managed in a landfill.

Next, the syngas passes through a bed of activated charcoal, which captures the mercury.

The sulfur is removed from the syngas and converted to either elemental sulfur or sulfuric acid for sale to chemical companies or fertilizer companies.

The syngas can either be burned in a combustion turbine or used as a feedstock for other marketable chemical products.

The syngas is fired in a combustion turbine that produces electricity.

The hot exhaust from the gas turbine passes to a Heat Recovery Steam Generator (HRSG).

Steam produced in the HRSG, along with additional steam that has been generated throughout the gasification process, drives a steam turbine, which also produces electricity.

The steam exhausted from the steam turbine cools and then condenses back into water, which is then pumped back into the steam generation cycle.

Sulfur is removed from the syngas and converted to elemental sulfur or sulfuric acid for sale to chemical companies or fertilizer companies.

Solids & Co-Products

Other Chemical Products

Clean Syngas

Sulfur

Cooling Water

Heated Water

Condenser

Electricity

Exhaust Stack

Water

Steam

Electricity

Heat Recovery Steam Generator

Clean Syngas

Other Chemical Products

Sulfur Removal

Solids & Co-Products
MICHAEL G. MORRIS, 58
Chairman, President and
Chief Executive Officer

E.R. BROOKS, 67
Retired Chairman and
Chief Executive Officer,
Central & South West Corp.
Granbury, Texas

DR. DONALD M. CARLTON,
67
Retired President and
Chief Executive Officer,
Radian International, LLC
Austin, Texas

JOHN P. DESBARRES, 65
Investor
Park City, Utah
(1997) D, E, H, P

ROBERT W. FRI, 69
Visiting Scholar,
Resources for the Future
Washington, D.C.

WILLIAM R. HOWELL, 69
Chairman Emeritus,
J.C. Penney Company, Inc.
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(2000) D, E, F, P

DR. LESTER A. HUDSON, JR., 65
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School of Business,
Queens University of Charlotte
Charlotte, North Carolina
(1987) A, D, E, P

LEONARD J. KUJAWA, 72
International Energy Consultant
Atlanta, Georgia
(1997) A, D, E, P

LIONEL L. NOWELL III, 50
Senior Vice President and
Treasurer,
PepsiCo, Inc.
Purchase, New York

DR. RICHARD L. SANDOR, 63
Chairman and Chief
Executive Officer,
Chicago Climate Exchange, Inc.
Chicago, Illinois

DONALD G. SMITH, 69
Chairman, Chief Executive
Officer and Treasurer,
Roanoke Electric Steel Corp.
Roanoke, Virginia
(1994) E, N, P

DR. KATHRYN D. SULLIVAN, 53
President and Chief
Executive Officer,
Center of Science & Industry
Columbus, Ohio
(1997) N, P

COMMITTEES OF THE BOARD:
The chairman is listed in ()
A Audit (Kujawa),
D Directors and Corporate
Governance (Hudson),
E Executive (Morris),
F Finance (Howell),
H Human Resources (DesBarres),
N Nuclear Oversight (Sullivan),
P Policy (Fri)
AMERICAN ELECTRIC POWER COMPANY, INC.

MICHAEL G. MORRIS
Chairman, President and Chief Executive Officer

CARL L. ENGLISH
President – Utility Group

ROBERT P. POWERS
Executive Vice President

SUSAN TOMASKY
Executive Vice President and Chief Financial Officer

COULTER R. BOYLE III
Senior Vice President

JOHN B. KEANE
Senior Vice President, Secretary, Chief Compliance Officer and General Counsel

JOSEPH M. BUONAIUTO
Senior Vice President, Controller and Chief Accounting Officer

STEPHEN P. SMITH
Senior Vice President and Treasurer

AMERICAN ELECTRIC POWER SERVICE CORPORATION

MICHAEL G. MORRIS
Chairman, President and Chief Executive Officer

CARL L. ENGLISH
President – Utility Group

ROBERT P. POWERS
Executive Vice President – AEP Utilities-West

HOLLY K. KOEPEL
Executive Vice President – AEP Utilities-East

JOSEPH M. BUONAIUTO
Senior Vice President, Controller and Chief Accounting Officer

JEFFREY D. CROSS
Senior Vice President and Assistant Secretary

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Senior Vice President – Corporate Communications

J. CRAIG BAKER
Senior Vice President – Regulatory Services

COULTER R. BOYLE III
Senior Vice President – Commercial Operations

JOSEPH HAMROCK
Senior Vice President and Chief Information Officer

DALE E. HEYDAUFF
Senior Vice President – Distribution and Customer Operations

JOHN R. KEANE
Senior Vice President, General Counsel, Chief Compliance Officer and Assistant Secretary

MARK W. MARANO
Senior Vice President – Generation Business Services

VENITA MCCELLON-ALLEN
Senior Vice President – Corporate Planning and Budgeting

RICHARD E. MUNZINSKI
Senior Vice President – Corporate Planning and Budgeting

MANO K. NAZAR
Senior Vice President and Chief Nuclear Officer

MICHAEL W. RENCHECK
Senior Vice President – Engineering, Technical and Environmental Services

WILLIAM L. SIGMON, JR.
Senior Vice President – Fossil and Hydro Generation

JULIE SLOAT
Vice President – Investor Relations

SCOTT N. SMITH
Senior Vice President and Chief Risk Officer

STEPHEN P. SMITH
Treasurer and Senior Vice President – Corporate Accounting, Planning and Strategy

BRIAN X. TIERNEY
Senior Vice President – Transmission

RICHARD P. VERRET
Senior Vice President – Fuel, Emissions and Logistics

CHARLES E. ZEBULA
Senior Vice President – Fuel, Emissions and Logistics
INTRODUCTION: This condensed financial presentation should not be considered a substitute for the full financial statements, inclusive of footnotes and Management’s Financial Discussion and Analysis of Results of Operations, provided to all shareholders as Appendix A to the Proxy Statement and included in the annual Form 10-K filing with the Securities and Exchange Commission. A copy of the Form 10-K and/or Appendix A to the Proxy Statement that includes the full financial statements can be obtained by calling 1-800-551-1AEP or through the Internet at www.AEP.com.

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
The following discussion is a summary analysis of our results of operations for the year 2004 compared with 2003 and an overview of our business outlook and financial condition. A complete analysis of our results of operations and discussion of our financial condition can be found in the Management’s Financial Discussion and Analysis of Results of Operations portion of Appendix A to the Proxy Statement. Appendix A and Form 10-K also contain detailed discussion of major uncertainties, contingencies, risks and other issues we face.

Our Utility Operations, the core of our business, had a year of continued improvement despite some unfavorable operating conditions. Our results for the year reflect the increased demand from our industrial customers and sales growth in the residential and commercial classes. These are solid indicators that the economic recovery is reaching all sectors. We also realized a positive earnings impact due to a favorable court decision in Texas, which allows us to recover carrying costs for stranded costs in Texas. However, these favorable results were not sufficient to offset the absence of the wholesale capacity auction true-up revenues in 2004 and higher planned plant maintenance and distribution system reliability improvement work. Additionally, unfavorable weather due to a mild summer in 2004 lowered our revenues below expected norms and a significant late-December ice storm in parts of our eastern territory increased our storm damage repair operation and maintenance expenses.

In May 2004, we announced the reorganization of our distribution and customer service operations into seven regional utility divisions, placing operational authority into the hands of division presidents and their support staffs. With this new structure, we have created stronger utilities by moving the decision-making closer to the customer and other external stakeholders.

On October 1, 2004, we integrated our east region transmission and generation operations, commercial processes and data systems into those of PJM. While we continue to own our transmission assets, use our low-cost generation fleet to serve the needs of our native-load customers, and sell available generation to other parties, we are performing those functions through PJM.

During 2004, we further stabilized our financial strength by:

• Completing significant asset divestitures resulting in proceeds of approximately $1.4 billion.

• Using the cash flows from our asset divestitures to reduce outstanding debt, resulting in an improved debt to total capital ratio of 59.1% at December 31, 2004.

• Stabilizing our credit ratings as indicated by Moody’s change in outlook from “stable” to “positive” in August 2004.

While we were extremely successful during 2004 in reducing our outstanding debt and the related debt to capital ratio from 64.6% to 59.1%, we have significant capital expenditures projected for the near-term. Through a combination of cash generated from operations and proceeds from our asset dispositions we expect to maintain the strength of our balance sheet and fund our capital expenditure program. After the completion of our remaining planned divestitures and after the results of our Texas true-up proceedings are finalized, we hope to recommend to the board gradual, sustainable increases to our current 35 cent per share quarterly common stock dividend. In February 2005, our Board of Directors authorized us to repurchase up to $500 million of our common stock from time to time through 2006.

OUTLOOK FOR 2005

We remain focused on the fundamental earning power of our utilities, and we are committed to maintaining the strength of our balance sheet. Our strategy for achieving these goals is well planned. We expect to:

• Continue to identify opportunities to increase the efficiency of our operations and capital expenditure program.

• Seek rate changes that are fair and reasonable and that allow us to make the necessary operational, reliability and environmental improvements to our system.

• Efficiently manage generating facilities to benefit our customers and to maximize off-system sales.

• Successfully operate unregulated investments such as our wind farms and our barge and river transport groups, which complement our core utility operations.

• Pursue new environmentally friendly, state-of-the-art coal-fired power plants.

There are, nevertheless, certain risks and challenges including:

• Rate activity such as the AEP Texas Central Company (TCC) wires rate case and the Public Service Company of Oklahoma rate case.

• Completion of our asset sales, including the remaining TCC generation assets.
• TCC stranded generation cost recovery, including the generation securitization, wholesale capacity auction true-up, fuel and clawback transition charge, and related carrying costs.
• Fuel cost volatility and fuel cost recovery.
• Financing and recovering the cost of capital expenditures, including environmental and new technology.

RESULTS OF OPERATIONS
In 2004, AEP’s principal operating business segments and their major activities were:
• Utility Operations:
  – Domestic generation of electricity for sale to retail and wholesale customers
  – Domestic electricity transmission and distribution
• Investments – Gas Operations:
  – Gas pipeline and storage services
• Investments – UK Operations:
  – Generation of electricity in the UK for sale to wholesale customers
  – Coal procurement and transportation to our plants
• Investments – Other:
  – Bulk commodity barging operations, wind farms, independent power producers and other energy supply-related businesses.

Income Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Changes in 2004 increased $605 million compared to 2003 due to increased retail margins and stranded generation carrying cost deferrals at TCC in our Utility Operations, improved margins and lower impairments in our Gas Operations and Investments – Other segments, gains realized on the sale of assets, and lower provisions for penalties and other expenses booked at the parent company. These increases were offset, in part, by decreased margins due to the divestiture of Texas generation assets, the loss of the capacity auction true-up revenues in Texas, and higher operation and maintenance expense, all occurring in our Utility Operations segment.

Our Net Income for 2004 of $1,089 million, or $2.75 per share, includes income, net of tax, on discontinued operations of $83 million, resulting primarily from a gain on the sale of our UK Operations, and an extraordinary loss of $121 million, net of tax, which represents a provision for probable disallowance to the stranded cost net regulatory assets of TCC based on Public Utility Commission of Texas orders in nonaffiliated true-up proceedings. Our Net Income for 2003 of $110 million, or $0.29 per share, includes a $605 million loss, net of tax, on discontinued operations and $193 million of income, net of tax, from the cumulative effect of changing our accounting for asset retirement obligations and for certain trading activities.

Average shares outstanding increased to 396 million in 2004 from 385 million in 2003 due to a common stock issuance in 2003 and common shares issued related to our incentive compensation plans. The additional average shares outstanding decreased our 2004 earnings per share by $0.08.

Utility Operations
In our Utility Operations, Income Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Changes in 2004 decreased $48 million to $1,171 million in 2004 primarily due to the absence of the wholesale capacity auction true-up revenues and higher purchased power costs resulting from the partial divestiture of a portion of TCC’s generation assets as part of the transition to retail competition in Texas. In addition, operating expenses increased due to higher planned plant maintenance and distribution system reliability work, as well as storm damage repair due to major ice storms in our Ohio service territory. These decreases were partially offset by increased demand resulting from higher usage and customer growth in our residential and commercial classes, as well as higher demand across most classes of customers reflecting the economic recovery in our regions. In addition, we recognized Carrying Costs on Texas Stranded Cost Recovery, which represents the debt component of carrying costs accrued on TCC’s net stranded generation costs and its capacity auction true-up

<table>
<thead>
<tr>
<th>UTILITY REVENUES BY CLASS</th>
<th>(in millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>Commercial</td>
</tr>
<tr>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industrial</th>
<th>Wholesale</th>
<th>Industrial</th>
<th>Wholesale</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,000</td>
<td>4,000</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>2,000</td>
<td>2,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>1,000</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
assets. We also benefited from decreased interest expense reflecting the refinancings completed in 2004.

Investments – Gas Operations

Our Loss Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Changes from Gas Operations decreased $239 million to $51 million in 2004. The key driver of the decrease was $315 million of impairments recorded in 2003, partially offset by a $103 million decrease in income tax benefit principally related to the impairments. In January 2005, we announced the sale of 98% of our interest in Houston Pipeline Company, including gas and working capital, for $1 billion. This sale essentially completes our divestiture of natural gas assets in the U.S.

Investments – UK Operations

Our Investments – UK Operations segment (all classified as Discontinued Operations) increased to $91 million in income, which includes a gain on sale of $128 million in 2004, compared with a loss of $508 million in 2003, before the cumulative effect of accounting changes. In July 2004, we completed the sale of substantially all operations and assets within our Investments – UK Operations segment.

Investments – Other

Income Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Changes from our Investments – Other segment increased from a loss of $278 million in 2003 to income of $78 million in 2004 primarily due to gains on asset sales in 2004 and impairments recorded in 2003.

FINANCIAL CONDITION

We measure our financial condition by the strength of our balance sheet and the liquidity provided by our cash flows. During 2004, we improved our financial condition as a consequence of the following actions and events:

- We reduced short-term debt by $303 million, terminated our Euro revolving credit facility, completed approximately $2.3 billion of long-term debt redemptions, including optional redemptions such as our Steelhead financing, and funded $770 million of debt maturities.
- We maintained stable credit ratings across the AEP System. Moody’s Investor Services assigned a positive outlook on AEP Inc.’s ratings, while the rated subsidiaries continued to have ratings with stable outlooks.

Our $2.6 billion in cash flows from operations, combined with our reduction in cash expenditures for investments in discontinued operations, the proceeds from asset sales, a reduction in the dividend beginning in the second quarter of 2003 and the use of a portion of our cash on hand, allowed us to reduce long-term debt by $1.8 billion and short-term debt by $303 million.

Our common equity increased due to earnings exceeding the amount of dividends paid in 2004, a discretionary $200 million cash contribution to our pension fund which allowed us to remove a portion of the charge to equity related to the underfunded plan, and the issuance of $17 million of new common equity (related to our incentive compensation plans).

As a consequence of the capital changes during 2004, we improved our ratio of debt to total capital from 64.6% to 59.1%.
## CONDENSED CONSOLIDATED BALANCE SHEETS

*At December 31 (In Millions)*

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$420</td>
<td>$976</td>
</tr>
<tr>
<td>Other Cash Deposits</td>
<td>175</td>
<td>206</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>1,524</td>
<td>1,710</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>1,902</td>
<td>1,935</td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>37,286</td>
<td>36,021</td>
</tr>
<tr>
<td>Accumulated Depreciation and Amortization</td>
<td>(14,485)</td>
<td>(14,004)</td>
</tr>
<tr>
<td>Net Property, Plant and Equipment</td>
<td>22,801</td>
<td>22,017</td>
</tr>
<tr>
<td>Regulatory Assets</td>
<td>3,601</td>
<td>3,582</td>
</tr>
<tr>
<td>Assets of Discontinued Operations and Held for Sale</td>
<td>628</td>
<td>3,094</td>
</tr>
<tr>
<td>Other Noncurrent Assets</td>
<td>3,612</td>
<td>3,261</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$34,663</strong></td>
<td><strong>$36,781</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND SHAREHOLDERS’ EQUITY</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$1,051</td>
<td>$1,337</td>
</tr>
<tr>
<td>Short-term Debt and Long-term Debt Due Within One Year</td>
<td>1,302</td>
<td>2,105</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>2,654</td>
<td>2,540</td>
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<tr>
<td>Long-term Debt</td>
<td>11,008</td>
<td>12,322</td>
</tr>
<tr>
<td>Deferred Income Taxes</td>
<td>4,819</td>
<td>3,957</td>
</tr>
<tr>
<td>Regulatory Liabilities and Deferred Investment Tax Credits</td>
<td>2,540</td>
<td>2,395</td>
</tr>
<tr>
<td>Liabilities of Discontinued Operations and Held for Sale</td>
<td>250</td>
<td>1,876</td>
</tr>
<tr>
<td>Other Noncurrent Liabilities</td>
<td>2,463</td>
<td>2,314</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>26,087</strong></td>
<td><strong>28,846</strong></td>
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<tr>
<td>Cumulative Preferred Stock Not Subject to Mandatory Redemption</td>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td>Common Shareholders’ Equity</td>
<td>8,515</td>
<td>7,874</td>
</tr>
<tr>
<td><strong>Total Shareholders’ Equity</strong></td>
<td><strong>$34,663</strong></td>
<td><strong>$36,781</strong></td>
</tr>
</tbody>
</table>

Full disclosure of all financial information is included in Appendix A to the Proxy Statement.
## Condensed Consolidated Statements of Operations

*Year Ended December 31*  
*(In Millions – Except Per Share Amounts)*

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$14,057</td>
<td>$14,667</td>
<td>($610)</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel and Purchased Energy</td>
<td>6,445</td>
<td>6,615</td>
<td>(170)</td>
</tr>
<tr>
<td>Maintenance and Other Operation</td>
<td>3,611</td>
<td>3,660</td>
<td>(49)</td>
</tr>
<tr>
<td>Asset Impairments and Other Related Charges</td>
<td>—</td>
<td>650</td>
<td>(650)</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>1,300</td>
<td>1,307</td>
<td>(7)</td>
</tr>
<tr>
<td>Taxes Other Than Income Taxes</td>
<td>710</td>
<td>681</td>
<td>29</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>12,066</td>
<td>12,913</td>
<td>(847)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1,991</td>
<td>1,754</td>
<td>237</td>
</tr>
<tr>
<td>Interest Income</td>
<td>33</td>
<td>25</td>
<td>8</td>
</tr>
<tr>
<td>Carrying Costs on Texas Stranded Cost Recovery</td>
<td>302</td>
<td>—</td>
<td>302</td>
</tr>
<tr>
<td>Investment Value Losses</td>
<td>(15)</td>
<td>(70)</td>
<td>55</td>
</tr>
<tr>
<td>Gain on Disposition of Equity Investments, Net</td>
<td>153</td>
<td>—</td>
<td>153</td>
</tr>
<tr>
<td>Other Income, Net</td>
<td>22</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Interest and Other Charges</td>
<td>787</td>
<td>840</td>
<td>(53)</td>
</tr>
<tr>
<td>Income Before Income Taxes</td>
<td>1,699</td>
<td>880</td>
<td>819</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>372</td>
<td>338</td>
<td>214</td>
</tr>
<tr>
<td>Income Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Changes</td>
<td>1,127</td>
<td>522</td>
<td>605</td>
</tr>
<tr>
<td>Discontinued Operations, Net of Tax</td>
<td>83</td>
<td>(605)</td>
<td>688</td>
</tr>
<tr>
<td>Extraordinary Loss on Texas Stranded Cost Recovery, Net of Tax</td>
<td>(121)</td>
<td>—</td>
<td>(121)</td>
</tr>
<tr>
<td>Cumulative Effect of Accounting Changes, Net of Tax</td>
<td>—</td>
<td>193</td>
<td>(193)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,089</td>
<td>$110</td>
<td>$979</td>
</tr>
<tr>
<td>Weighted Average Number of Shares Outstanding</td>
<td>396</td>
<td>385</td>
<td>11</td>
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<tr>
<td>Earnings (Loss) Per Share:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Before Discontinued Operations, Extraordinary Item and Cumulative Effect of Accounting Changes</td>
<td>$2.85</td>
<td>$1.35</td>
<td>$1.50</td>
</tr>
<tr>
<td>Discontinued Operations, Net of Tax</td>
<td>0.21</td>
<td>(1.57)</td>
<td>1.78</td>
</tr>
<tr>
<td>Extraordinary Loss, Net of Tax</td>
<td>(0.31)</td>
<td>—</td>
<td>(0.31)</td>
</tr>
<tr>
<td>Cumulative Effect of Accounting Changes, Net of Tax</td>
<td>—</td>
<td>0.51</td>
<td>(0.51)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$2.75</td>
<td>$0.29</td>
<td>$2.46</td>
</tr>
<tr>
<td>Cash Dividends Paid Per Share</td>
<td>$1.40</td>
<td>$1.65</td>
<td>($0.25)</td>
</tr>
</tbody>
</table>
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

*Year Ended December 31 (In Millions)*

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,089</td>
<td>$110</td>
</tr>
<tr>
<td>Plus: (Income) Loss from Discontinued Operations</td>
<td>(83)</td>
<td>605</td>
</tr>
<tr>
<td>Income from Continuing Operations</td>
<td>1,006</td>
<td>715</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>1,300</td>
<td>1,307</td>
</tr>
<tr>
<td>Cumulative Effect of Accounting Changes</td>
<td>—</td>
<td>(193)</td>
</tr>
<tr>
<td>Asset Impairments, Investment Value Losses and Other Related Charges</td>
<td>15</td>
<td>720</td>
</tr>
<tr>
<td>Adjustments for Other Noncash Items and Working Capital</td>
<td>276</td>
<td>(241)</td>
</tr>
<tr>
<td>Net Cash Flows From Operating Activities</td>
<td>2,597</td>
<td>2,308</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Expenditures</td>
<td>(1,693)</td>
<td>(1,358)</td>
</tr>
<tr>
<td>Change in Other Cash Deposits, Net</td>
<td>31</td>
<td>(91)</td>
</tr>
<tr>
<td>Investment in Discontinued Operations, Net</td>
<td>(59)</td>
<td>(615)</td>
</tr>
<tr>
<td>Proceeds from Sale of Assets</td>
<td>1,357</td>
<td>82</td>
</tr>
<tr>
<td>Other</td>
<td>(12)</td>
<td>3</td>
</tr>
<tr>
<td>Net Cash Flows Used For Investing Activities</td>
<td>(376)</td>
<td>(1,979)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of Common Stock</td>
<td>17</td>
<td>1,142</td>
</tr>
<tr>
<td>Change in Long-term Debt, Net</td>
<td>(1,829)</td>
<td>2,054</td>
</tr>
<tr>
<td>Retirement of Preferred Stock</td>
<td>(10)</td>
<td>(9)</td>
</tr>
<tr>
<td>Retirement of Minority Interest</td>
<td>—</td>
<td>(225)</td>
</tr>
<tr>
<td>Change in Short-term Debt, Net</td>
<td>(400)</td>
<td>(2,781)</td>
</tr>
<tr>
<td>Dividends Paid on Common Stock</td>
<td>(555)</td>
<td>(618)</td>
</tr>
<tr>
<td>Net Cash Flows Used For Financing Activities</td>
<td>(2,777)</td>
<td>(437)</td>
</tr>
<tr>
<td>Net Decrease in Cash and Cash Equivalents</td>
<td>(556)</td>
<td>(108)</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - Beginning of Period</td>
<td>976</td>
<td>1,084</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - End of Period</td>
<td>$420</td>
<td>$976</td>
</tr>
<tr>
<td>Net Decrease in Cash and Cash Equivalents from Discontinued Operations</td>
<td>(13)</td>
<td>(10)</td>
</tr>
<tr>
<td>Cash and Cash Equivalents from Discontinued Operations - Beginning of Period</td>
<td>13</td>
<td>23</td>
</tr>
<tr>
<td>Cash and Cash Equivalents from Discontinued Operations - End of Period</td>
<td>$—</td>
<td>$13</td>
</tr>
</tbody>
</table>
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of American Electric Power Company, Inc.:

We have audited the consolidated balance sheets of American Electric Power Company, Inc. and subsidiary companies (the “Company”) as of December 31, 2004 and 2003, and the related consolidated statements of operations, cash flows, common shareholders’ equity and comprehensive income (loss), for each of the three years in the period ended December 31, 2004. We also have audited management’s assessment of the effectiveness of the Company’s internal control over financial reporting and the effectiveness of the Company’s internal control over financial reporting as of December 31, 2004. Such consolidated financial statements, management’s assessment of the effectiveness of the Company’s internal control over financial reporting and our reports thereon dated February 28, 2005, expressing unqualified opinions and including explanatory paragraphs referring to the adoption of SFAS 142 “Goodwill and Other Intangible Assets,” SFAS 143 “Accounting for Asset Retirement Obligations,” EITF 02-3 “Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities,” FIN 46 “Consolidation of Variable Interest Entities,” and FASB Staff Position No. FAS 106-2 “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003,” (which are not included herein) are included in Appendix A to the proxy statement for the 2004 annual meeting of shareholders. The accompanying condensed consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2004 and 2003, and the related condensed consolidated statements of operations and of cash flows for the years then ended, is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.

Columbus, Ohio
February 28, 2005

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of American Electric Power Company, Inc. and subsidiary companies (AEP) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. AEP’s internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

AEP management assessed the effectiveness of the company’s internal control over financial reporting as of December 31, 2004. In making this assessment we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on our assessment, the Company’s internal control over financial reporting was effective as of December 31, 2004.

AEP’s independent registered public accounting firm has issued an attestation report on our assessment of the Company’s internal control over financial reporting. The Report of Independent Registered Public Accounting Firm appears in Appendix A to the Proxy Statement.
SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS
1 Riverside Plaza
Columbus, OH 43215-2373
614-716-1000

AEP is incorporated in the State of New York.

ANNUAL MEETING – The 98th annual meeting of shareholders of American Electric Power Company will be held at 9:30 a.m., Central Daylight Time, Tuesday, April 26, 2005, at the Renaissance Tulsa Hotel and Convention Center, 6808 South 107th East Avenue, Tulsa, Oklahoma. Admission is by ticket only. To obtain a ticket, please note the instructions in the Notice of Annual Meeting mailed to shareholders or call the Company. If you hold your shares through a broker, please bring proof of share ownership as of the record date.

INQUIRIES REGARDING YOUR STOCK HOLDINGS – Registered shareholders (shares owned by you, in your name) should contact the Company’s transfer agent, listed below, if you have questions about your account, address changes, stock transfer, lost certificates, direct deposits, dividend checks and other administrative matters. You should have your Social Security number or account number ready; the transfer agent will not speak to third parties about an account without the shareholder’s approval or appropriate documents.

TRANSFER AGENT & REGISTRAR
EquiServe Trust Company, N.A.
(formerly First Chicago Trust Company of New York)
P.O. Box 43069
Providence, RI 02940-3069
Telephone Response Group: 1-800-328-6955
Internet address: www.equiserve.com
Hearing Impaired #: TDD: 1-800-952-9245

BENEFICIAL HOLDERS – (Stock Held in a Bank or Brokerage Account, sometimes referred to as “Street Name”) – When you purchase stock and it is held for you by your broker, it is listed with the Company in the broker’s name, and this is sometimes referred to as “street name” or a “beneficial owner.” AEP does not know the identity of individual shareholders who hold their shares in this manner; we simply know that a broker holds a certain number of shares which may be for any number of customers. If you hold your stock in street name, you receive all dividend payments, annual reports and proxy materials through your broker. Therefore, if your shares are held in this manner, questions about your account should be directed to your broker.

INTERNET ACCESS TO YOUR ACCOUNT – If you are a registered shareholder, you can access your account information through the Internet at www.equiserve.com. Information about obtaining a password is available toll-free at 1-877-843-3927.

DIVIDEND REINVESTMENT AND DIRECT STOCK PURCHASE PLAN – A Dividend Reinvestment and Direct Stock Purchase Plan is available to all investors. It is an economical and convenient method of purchasing shares of AEP common stock, through initial cash investments, cash dividends, and/or additional optional cash purchases. You may obtain the Plan prospectus and enrollment authorization form by contacting the transfer agent.

STOCK EXCHANGE LISTING – The Company’s common stock is traded principally on the New York Stock Exchange under the ticker symbol AEP. AEP stock has been traded on the NYSE for 56 years.

DIVIDENDS – The Company paid $1.40 in cash dividends on common stock in 2004, all of which are taxable for federal income tax purposes. 35 cents per share was paid in each quarter. AEP normally pays dividends on common stock four times a year, generally around the 15th of March, June, September and December. AEP has paid 379 consecutive quarterly dividends on common stock beginning in 1910.

NUMBER OF SHAREHOLDERS – As of December 31, 2004, there were approximately 130,000 registered shareholders and approximately 261,000 individual shareholders holding stock in street name through a bank or broker. There were 395,838,153 shares outstanding at December 31, 2004.

INTERNET HOME PAGE – Information about AEP, including financial documents, Securities and Exchange Commission (SEC) filings, news releases, investor presentations, shareholder information and customer service information, is available on the Company’s home page on the Internet at www.AEP.com.

FINANCIAL AND OTHER INFORMATION – Earnings and other financial results, corporate news and company information are available from Shareholder Direct at 1-800-551-1AEP (1237) anytime day or night. Hard copies of information can be obtained via fax or mail. Requests for annual reports, 10-K’s, 10-Q’s, Proxy Statements and Summary Annual Reports should be made through Shareholder.com. This same information is also available on our website at www.AEP.com.

FINANCIAL COMMUNITY INQUIRIES – Institutional investors or securities analysts who have questions about the Company should direct inquiries to Julie Sloot, 614-716-2885, jsloot@AEP.com; Bette Jo Rozsa, 614-716-2840, brozsa@AEP.com; or Adam Hickman, 614-716-2854, ahickman@AEP.com. Individual shareholders should contact Kathleen Kozero, 614-716-2819, kkozero@AEP.com, or April Dawson, 614-716-2991, adawson@AEP.com.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Deloitte & Touche LLP
155 East Broad St.
Columbus, OH 43215

RECEIVE ANNUAL REPORTS AND PROXY MATERIALS ELECTRONICALLY – You can receive future annual reports, proxy statements and proxies electronically rather than by mail; if you are a registered shareholder, log on to www.econsent.com/aep. If you hold your shares in street name, contact your broker.


AMERICAN ELECTRIC POWER COMPANY, INC.
This discussion contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although we believe that our expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are:

- Electric load and customer growth.
- Weather conditions, including storms.
- Available sources and costs of and transportation for fuels and the credit-worthiness of fuel suppliers and transporters.
- Availability of generating capacity and the performance of our generating plants.
- The ability to recover regulatory assets and stranded costs in connection with deregulation.
- The ability to recover increases in fuel and other energy costs through regulated or competitive electric rates.
- New legislation, litigation and government regulation including requirements for reduced emissions of sulfur, nitrogen, mercury, carbon and other substances.
- Timing and resolution of pending and future rate cases, negotiations and other regulatory decisions (including rate or other recovery for new investments, transmission service and environmental compliance).
- Oversight and/or investigation of the energy sector or its participants.
- Resolution of litigation (including pending Clean Air Act enforcement actions and disputes arising from the bankruptcy of Enron Corp.).
- Our ability to constrain operation and maintenance costs.
- Our ability to sell assets at acceptable prices and on other acceptable terms, including rights to share in earnings derived from the assets subsequent to their sale.
- The economic climate and growth in our service territory and changes in market demand and demographic patterns.
- Inflationary trends.
- Our ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas, and other energy-related commodities.
- Changes in the creditworthiness and number of participants in the energy trading market.
- Changes in the financial markets, particularly those affecting the availability of capital and our ability to refinance existing debt at attractive rates.
- Actions of rating agencies, including changes in the ratings of debt.
- Volatility and changes in markets for electricity, natural gas, and other energy-related commodities.
- Changes in utility regulation, including membership and integration into regional transmission structures.
- Accounting pronouncements periodically issued by accounting standard-setting bodies.
- The performance of our pension and other postretirement benefit plans.
- Prices for power that we generate and sell at wholesale.
- Changes in technology and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes and other catastrophic events.