

American Electric Power Mea Culpa

Symbol	Price		Market Cap (\$mm)	Net		McDep Ratio	EV/	EV/	P/E	Div'd	PV/
	8-Feb 2002	Shares (mm)		Present Value (\$/sh)	Debt/ Present Value		Sales NTM	Ebitda NTM		NTM	NTM
AEP	40.31	324	13,070	42.10	0.64	0.98	0.7	9.8	14.3	6.0	10.0

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

EV = Enterprise Value = Market Cap and Debt:

\$mm 37,000

Ebitda = Earnings before interest, tax, depreciation and amortization:

\$mm 3,760

NTM = Next Twelve Months Ended March 31, 2003; P/E = Stock Price to Earnings

PV = Present Value of energy businesses:

\$mm 37,600

Summary and Recommendation

We revise our recommendation to Neutral from Buy for American Electric Power stock because it now ranks near the top by McDep Ratio in a redefined Large Cap Energy Infrastructure group. Its ratio of Debt/Present Value remains uncomfortably high. We take responsibility for a 13% negative total return since our recommendation last May. We made a mistake recommending a stock with a McDep Ratio above 1.2 even if it was among the lowest in its group. Our main reason for recommending the stock, low cost coal-fired generating capacity is still valid. Taxable investors may want to take the loss since our May 7, 2001 recommendation and reestablish energy representation in another recommended stock. Now here are the excuses and rationalization. Even ExxonMobil the world's largest energy company returned a negative 12% over the same time. On a risk adjusted basis the loss in AEP was less than in XOM. The most remarkable implication of the AEP experience is how well the McDep Ratio predicted stock price performance.

Stunning Correlation of McDep Ratio and Future Stock Performance

Last May was the time we first applied the McDep Ratio to power stocks. The results were far more dramatic than we anticipated. Performance lined up almost exactly with McDep Ratio. The highest ranked stock lost all its value. The lowest ranked stock was the only gainer. The second highest ranked stock lost more than 80%. The second lowest ranked stock lost a "modest" 17% and so on.

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy analysis by Kurt Wulff doing business as McDep Associates is accessible at www.mcdep.com. Owning shares in energy stocks, neither Mr. Wulff nor his spouse act contrary to a buy or sell rating. Mr. Wulff is not paid by covered companies.

McDep Associates

Stock Idea

February 11, 2002

Here is a guide to the tables attached. First, is Table L-1, our current valuation ranking. Next is Rank by McDep Ratio from May 2001. Finally we add a chart of stock price change and our current cash flow model for AEP.

Kurt H. Wulff, CFA

Table L-1
Mega Cap and Large Cap Energy Companies
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>		<i>Price</i>		<i>Market</i>	<i>Net</i>	<i>Debt/</i>	
	<i>Rating</i>		<i>(\$/sh)</i>	<i>Shares</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>McDep</i>
			<i>8-Feb</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	<i>Ratio</i>
			<i>2002</i>			<i>(\$/sh)</i>		
Mega Cap								
Exxon Mobil Corporation	XOM		38.29	6,924	265,000	36.00	0.09	1.06
BP plc	BP		46.20	3,738	173,000	47.00	0.16	0.99
TotalFinaElf S.A.	TOT		71.34	1,382	99,000	80.00	0.15	0.91
Royal Dutch/Shell	RD	3	49.13	3,520	173,000	55.00	0.04	0.90
ChevronTexaco Corporation	CVX		81.85	1,062	86,900	110.00	0.14	0.78
					<i>Total or Median</i>		<i>0.14</i>	<i>0.91</i>
					<i>797,000</i>			
Energy Infrastructure								
American Electric Power Co. Inc.	AEP	3	40.31	322	13,000	42.10	0.64	0.98
Duke Energy Corporation	DUK		33.29	781	26,000	36.30	0.44	0.95
Southern Company	SO		24.99	683	17,100	27.40	0.42	0.95
El Paso Corporation	EPG		35.90	532	19,100	44.80	0.49	0.90
Williams Companies	WMB		15.06	521	7,800	22.70	0.58	0.86
Dominion Resources	D		57.51	247	14,200	79.40	0.45	0.85
Exelon Corporation	EXC	2	50.61	323	16,400	84.00	0.40	0.76
					<i>Total or Median</i>		<i>0.44</i>	<i>0.88</i>
					<i>101,000</i>			
Natural Gas and Oil								
Occidental Petroleum Corp.	OXY		25.36	372	9,400	28.50	0.50	0.94
ENI S.p.A.	E		65.80	789	51,900	71.40	0.19	0.94
Unocal Corporation	UCL		34.65	257	8,900	38.90	0.35	0.93
Anadarko Petroleum Corp.	APC		48.24	266	12,800	56.00	0.26	0.90
ConocoPhillips	P		57.45	680	39,100	71.20	0.34	0.87
Encana Corporation	PCX	2	28.75	490	14,100	35.00	0.19	0.86
OAo Lukoil	LUKOY		57.51	299	17,200	69.10	0.09	0.85
Devon Energy	DVN		37.05	165	6,100	54.60	0.48	0.83
Burlington Resources	BR	1	34.34	201	6,900	52.00	0.32	0.77
Marathon Oil Corporation	MRO	1	27.48	310	8,500	42.00	0.27	0.75
					<i>Total or Median</i>		<i>0.27</i>	<i>0.86</i>
					<i>166,000</i>			
Service								
Baker Hughes Inc.	BHI		33.15	338	11,200	24.50	0.13	1.31
Schlumberger Ltd.	SLB		53.89	581	31,300	44.00	0.12	1.20
Halliburton Company	HAL		13.95	429	6,000	24.90	0.12	0.61

Buy/Sell rating after symbol: 1-Strong Buy, 2-Buy, 3-Neutral, 4-Sell, 5-Strong Sell

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy analysis by Kurt Wulff doing business as McDep Associates is accessible at www.mcdep.com. Owning shares in energy stocks, neither Mr. Wulff nor his spouse act contrary to a buy or sell rating. Mr. Wulff is not paid by covered companies.

McDep Associates

Stock Idea

February 11, 2002

Rank by McDep Ratio	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 4-May 2001</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
Mega Cap							
Exxon Mobil Corporation	XOM	87.55	3,520	308,000	72.10	0.16	1.18
BP PLC	BP	51.90	3,720	193,000	48.90	0.17	1.05
TOTAL Fina Elf S.A.	TOT	72.25	1,400	101,000	72.00	0.16	1.00
Royal Dutch/Shell	RD	58.75	3,580	210,000	60.80	0.09	0.97
<i>Total or Median</i>				<i>812,000</i>		<i>0.16</i>	<i>1.03</i>
Large Cap Natural Gas and Oil							
Chevron (incl. Texaco)	CHV	93.35	1,060	99,000	103.40	0.15	0.92
Burlington Resources, Inc	BR	44.28	216	9,600	60.50	0.17	0.78
ENI S.p.A.	E	66.60	800	53,300	91.90	0.10	0.75
Anadarko Petroleum Corp.	APC	62.06	249	15,400	90.90	0.17	0.73
Conoco Inc.	COC.B	30.38	623	18,900	48.00	0.21	0.71
Phillips (incl. Tosco)	P	57.46	379	21,800	102.10	0.27	0.68
<i>Total or Median</i>				<i>218,000</i>		<i>0.17</i>	<i>0.74</i>
Large Cap Power							
Enron Corp.	ENE	59.48	795	47,300	14.50	0.70	1.93
Calpine Corporation	CPN	54.10	313	16,900	21.80	0.47	1.78
Mirant Corporation	MIR	39.08	353	13,800	9.70	0.78	1.67
Williams Companies	WMB	41.67	485	20,200	16.60	0.69	1.46
Duke Energy Corporation	DUK	45.84	752	34,500	20.90	0.62	1.46
El Paso Corporation	EPG	67.55	521	35,200	40.00	0.50	1.34
American Electric Power Co. Inc.	AEP 2	48.54	324	15,700	25.90	0.73	1.23
Southern Company	SO	22.46	683	15,300	16.90	0.54	1.15
<i>Total or Median</i>				<i>199,000</i>		<i>0.66</i>	<i>1.46</i>
Mid Cap							
Barrett Resources Corporation	BRR	67.30	34	2,300	53.80	0.21	1.20
PanCanadian Pete Ltd. (15%)	PCP.TO	44.26	38	1,700	49.10	0.07	0.91
Occidental Petroleum	OXY	28.97	370	10,700	35.60	0.46	0.90
PetroChina Company Ltd (10%)	PTR	21.55	176	3,800	28.40	0.24	0.82
Unocal Corporation	UCL	36.50	256	9,300	51.90	0.27	0.78
Valero Energy Corp.	VLO	45.47	64	2,900	65.00	0.25	0.77
USX-Marathon Group	MRO 1	30.69	360	11,100	47.00	0.30	0.76
Petro-Canada	PCZ	25.70	272	7,000	38.70	0.08	0.69
Norsk Hydro ASA	NHY	41.66	262	10,900	65.90	0.15	0.69
Devon Energy Corporation	DVN	56.00	135	7,600	89.70	0.15	0.68
<i>Total or Median</i>				<i>63,300</i>		<i>0.22</i>	<i>0.78</i>
Small Cap							
Cross Timbers Royalty Tr*	CRT	20.99	6.0	126	18.90	-	1.11
Dorchester Hugoton, Ltd.*	DHULZ	14.00	10.7	150	13.40	-	1.04
San Juan Basin Royalty Tr*	SJT	17.42	46.6	810	17.70	-	0.98
Hugoton RoyaltyTrust*	HGT	15.74	40.0	630	18.70	-	0.84
Encore Acquisition Corporation	EAC	13.47	30.0	400	16.70	0.12	0.83
Energy Partners Ltd.*	EPL 1	10.41	27.1	280	18.90	0.04	0.57
<i>Total or Median</i>				<i>2,400</i>		<i>-</i>	<i>0.91</i>

Buy/Sell rating after symbol: 1 - Strong Buy, 2 - Buy

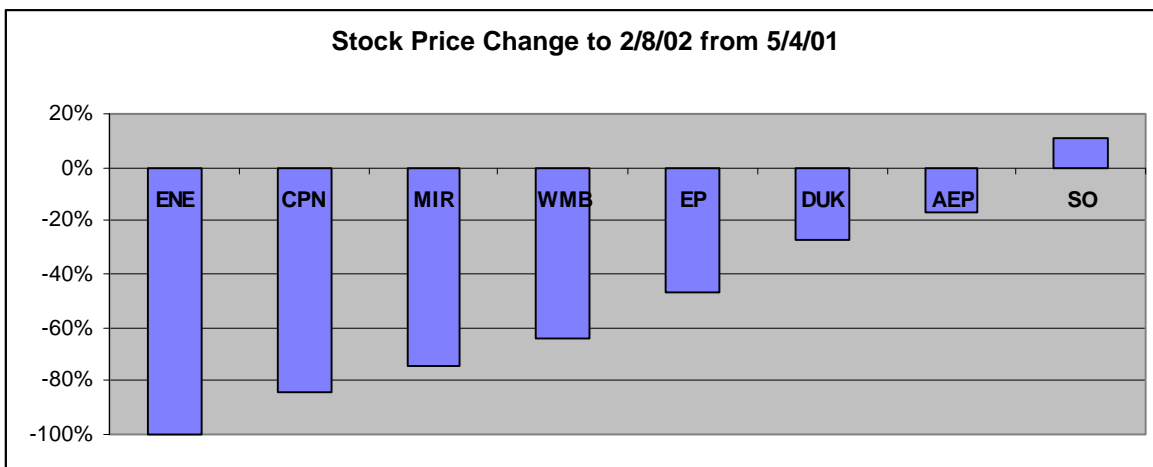
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

Analysis is prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy analysis by Kurt Wulff doing business as McDep Associates is accessible at www.mcdep.com. Owning shares in energy stocks, neither Mr. Wulff nor his spouse act contrary to a buy or sell rating. Mr. Wulff is not paid by covered companies.

McDep Associates

Stock Idea

February 11, 2002



American Electric Power Next Twelve Months Financial Estimates

	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Year</i>	<i>Next</i>
	<i>3/31/01</i>	<i>6/30/01</i>	<i>9/30/01</i>	<i>12/31/01</i>	<i>2001E</i>	<i>2002E</i>	<i>Twelve</i>
							<i>Months</i>
Revenue (\$mm)	13,542	14,528	18,385	14,200	60,655	56,800	56,800
Expense	12,598	13,492	17,084	13,435	56,609	53,040	53,040
Ebitda	944	1,036	1,301	765	4,046	3,760	3,760
Deprec., Deplet., & Other non-cash items	336	354	340	340	1,370	1,360	1,360
Ebit	608	682	961	425	2,676	2,400	2,400
Interest	269	241	252	252	1,014	1,008	1,008
Ebt	339	441	709	173	1,662	1,392	1,392
Income Tax	119	154	248	61	582	487	487
Net Income (\$mm)	221	287	461	113	1,081	905	905
Shares (millions)	324	322	322	322	323	322	322
Per share (\$)							
Wholesale	0.53	0.82	0.98	0.16	2.49		
Energy Delivery	0.47	0.55	0.80	0.43	2.25		
Other	0.05	0.01	0.05	0.06	0.17		
Capital Costs	(0.37)	(0.49)	(0.40)	(0.30)	(1.56)		
Total	0.68	0.89	1.43	0.35	3.35	2.81	2.81
Ebitda margin	7%	7%	7%	5%	7%	7%	7%
Tax rate	35%	35%	35%	35%	35%	35%	35%

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy analysis by Kurt Wulff doing business as McDep Associates is accessible at www.mcdep.com. Owning shares in energy stocks, neither Mr. Wulff nor his spouse act contrary to a buy or sell rating. Mr. Wulff is not paid by covered companies.