

AMERICAN ELECTRIC POWER COMPANY INC

Form U-1/A

September 26, 2001

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File No. 70-9937

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form U-1

APPLICATION-DECLARATION

under

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

AMERICAN ELECTRIC POWER COMPANY, INC.

CENTRAL POWER AND LIGHT COMPANY

COLUMBUS SOUTHERN POWER COMPANY

OHIO POWER COMPANY

SOUTHWESTERN ELECTRIC POWER COMPANY

WEST TEXAS UTILITIES COMPANY

1 Riverside Plaza, Columbus, Ohio 43215

(Name of company or companies filing this statement
and address of principal executive offices)

AMERICAN ELECTRIC POWER COMPANY, INC.

1 Riverside Plaza, Columbus, Ohio 43215

(Name of top registered holding company parent)

A. A. Pena, Senior Vice President and Treasurer

AMERICAN ELECTRIC POWER SERVICE CORPORATION

1 Riverside Plaza, Columbus, Ohio 43215

Susan Tomasky, Executive Vice President and General Counsel

AMERICAN ELECTRIC POWER SERVICE CORPORATION

1 Riverside Plaza, Columbus, Ohio 43215

(Names and addresses of agents for service)

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American Electric Power Company, Inc. ("AEP"), a New York corporation and a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"), and its direct and indirect public utility

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subsidiaries Central Power and Light Company ("CPL"), Southwestern Electric Power Company ("SWEPCo"), West Texas Utilities Company ("WTU"), Columbus Southern Power Company ("CSP") and Ohio Power Company ("OPCo") (collectively, "the Operating Subsidiaries") propose to amend their Application/Declaration on Form U-1 in File No. 70-9937 as follows:

1. By restating Item 1. Description of Proposed Transactions immediately preceding the Rule 54 section as follows:

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS

Background. By Order dated December 30, 1976 (HCAR No. 19829; 70-5930) and in subsequent Orders, the Commission authorized Central and Southwest Corporation ("CSW"), a Delaware corporation and a registered holding company under the Act and a wholly owned subsidiary of AEP, to establish and utilize a system money pool ("Money Pool") to co-ordinate short-term borrowings for CSW, its electric subsidiary companies and Central and South West Services, Inc. as set forth in Central and South West Corp., HCAR No. 26697 (Mar. 28, 1997) and Central and South West Corp., HCAR No. 26854 (Apr. 3, 1998).

By Order dated April 5, 1989, in File 70-7643 (HCAR No. 24855), the Commission authorized the coordination of CSW's short-term borrowing program through the use of the CSW System money pool ("the Money Pool"). The Money Pool would be funded through surplus funds of CSW and its operating subsidiaries, a commercial paper program of CSW or short-term loans from banks to CSW and its subsidiaries.

In its Order in File 70-9381 (HCAR No. 27186), the Commission authorized AEP to continue the Money Pool and to add its utility subsidiaries and certain other subsidiaries as participants in the Money Pool and established borrowing limits for all participants in the Money Pool.

Ohio and Texas Restructuring. CPL, SWEPCo and WTU are public utilities operating in Texas. Tex. Util. Code Ann. ss. 39.001-909 (Vernon Supp. 2000), commonly referred to as S.B. 7, requires vertically integrated electric utilities, including WTU and CPL, to separate ownership of their generating and other power supply assets from ownership of their transmission and distribution assets no later than January 1, 2002. Under S.B. 7, vertically integrated utilities are generally obligated to disaggregate into at least (1) a PGC that will sell power and energy at wholesale; and (2) an EDC that will own transmission and local distribution facilities and perform metering and billing functions, but is prohibited from owning power supply facilities or selling electricity. By order issued July 7, 2000, the Public Utility Commission of Texas (PUCT) approved corporate separation plans CPL, SWEPCo and WTU filed to explain how they will comply with S.B. 7.

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CSP and OPCo are public utilities operating in Ohio. CSP and OPCo will make certain transfers to comply with the provisions of an Ohio statute that provides for Competitive Retail Electric Service, commonly referred to as S.B. 3. Ohio Rev. Code Ann. ss. 4928.01-67 (Anderson 2000). The statute directs vertically integrated electric utilities that offer retail electric service in

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Ohio to separate their generating and other competitive operations (such as aggregation, marketing, and brokering) and related assets from their transmission and distribution operations and assets. On September 28, 2000, The Public Utilities Commission of Ohio (Ohio PUC) approved corporate separation plans CSP and OPCo filed to explain how they will comply with S.B. 3. Under their approved corporate separation plans, CSP and OPCo proposed, subject to receipt of federal regulatory approvals, to transfer their transmission and distribution assets and operations to EDC affiliates.

The current short-term borrowing limits of the Operating Subsidiaries under the Money Pool are as follows:

| Money Pool | Short-Term Borrowing Participant Limit |
|------------|--|
| CSP | 350,000,000 |
| CPL | 600,000,000 |
| OPCo | 450,000,000 |
| SWEPCo | 250,000,000 |
| WTU | 165,000,000 |

Proposed Transaction. In order to comply with mandates by the Ohio and Texas legislatures to restructure and pursuant to plans submitted and approved by the PUCT and the Ohio PUC, CPL, CSP, OPCo, SWEPCo and WTU (collectively, the "Operating Subsidiaries") may need to restructure their debt portfolios and may retire and/or redeem their current outstanding long-term debt and replace such long-term debt with short-term debt. The Operating Subsidiaries propose to increase their borrowing limits as follows:

| | |
|--------|--|
| CPL | increase from \$600 million to \$1.2 billion |
| CSP | increase from \$350 million to \$800 million |
| OPCo | increase from \$450 million to \$1.0 billion |
| SWEPCo | increase from \$250 million to \$350 million |
| WTU | increase from \$165 million to \$375 million |

This increase in borrowing authority would require that AEP's external borrowing limit from commercial paper dealers and banks be increased from \$5 billion to \$6.910 billion. This increase in AEP's borrowing limit will ensure that AEP has sufficient borrowing capacity to obtain external borrowings in order to loan funds through the Money Pool to the participants when required. AEP and the Operating Subsidiaries request that such authority extend to December 31, 2002.

AEP hereby represents that it will maintain for itself and for all the Operating Subsidiaries the common equity at a percentage of the consolidated capital (inclusive of short-term debt) of 30% during the authorization period. A chart showing the percentage of equity to consolidated capital is attached as Exhibit A.

Use of Proceeds: The proposed increase in short-term borrowings will be used for the following purpose:

CPL, CSP, OPCo, SWEPCo and WTU will utilize the additional borrowing capacity authorized in this file as a source of funding to

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replace a portion of respective long-term securities. As of June 30, 2001, CPL, CSP, OPCo, SWEPCo and WTU currently have \$1,597,279,000, \$914,875,000, \$1,219,852,000, \$760,175,000 and \$258,387,000, respectively, in long-term securities outstanding. These transactions will not change the debt/equity ratios of the Operating Securities.

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2. By replacing and updating the Rule 54 Compliance language as follows:

Compliance with Rule 54

Rule 54 provides that, in determining whether to approve an application which does not relate to any EWG or FUCO, the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

AEP consummated the merger with Central and South West Corporation on June 15, 2000 pursuant to an order issued June 14, 2000 (HCAR No. 27186), which further authorized AEP to invest up to 100% of its consolidated retained earnings, with consolidated retained earnings to be calculated on the basis of the combined consolidated retained earnings of AEP and CSW (as extended pursuant to HCAR No. 27316, December 26, 2000, the "Rule 53(c) Order").

AEP currently meets all of the conditions of Rule 53(a) and none of the conditions set forth in Rule 53(b) exist or will exist as a result of the transactions proposed herein.

Rule 53(a)(1) At June 30, 2001, AEP's "aggregate investment", as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately \$1.315 billion, or about 40.6% of AEP's "consolidated retained earnings", also as defined in Rule 53(a)(1), for the four quarters ended June 30, 2001 (\$3.242 billion).

Rule 53(a)(2) Each FUCO in which AEP invests will maintain books and records and make available the books and records required by Rule 53(a)(2).

Rule 53(a)(3) No more than 2% of the employees of the electric utility subsidiaries of AEP will, at any one time, directly or indirectly, render services to any FUCO.

Rule 53(a)(4) AEP has submitted and will submit a copy of Item 9 and Exhibits G and H of AEP's Form U5S to each of the public service commissions having jurisdiction over the retail rates of AEP's electric utility subsidiaries.

Rule 53(b) (i) Neither AEP nor any subsidiary of AEP is the subject of any pending bankruptcy or similar proceeding; (ii) AEP's average consolidated retained earnings for the four quarters ended June 30, 2001 (\$3,242,159,000) represented a decrease of approximately \$302,490,000 (or 8.5%) in the average consolidated retained earnings from the four quarters ended June 30, 2000 (\$3,544,649,000); and (iii) for the fiscal year ended December 31, 2000, AEP did not report operating losses attributable to its direct or indirect investments in EWGs and FUCOs.

AEP's interests in EWGs and FUCOs have made a positive contribution to earnings over the four calendar years ending after the Rule 53(c)

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Order. Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to AEP's investments in EWGs and FUCOs has not had an adverse impact on AEP's financial integrity.

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3. By amending and restating Item 3. Applicable Statutory Provisions as follows:

Sections 6(a), 7, 9(a) and 10 and Rules 43 and 45 thereunder are or may be applicable to the proposed transactions. To the extent any other sections of the Act may be applicable to the proposed transactions, the Applicants hereby request appropriate orders thereunder.

4. By filing the following exhibits:

| | |
|-----------|----------------------|
| Exhibit A | Capitalization Chart |
| Exhibit H | Form of Notice |

5. By filing the following financial statements:

Balance Sheets as of June 30, 2001 and States of Income and Retained Earnings for the 12 months ended June 30, 2001 of AEP and its subsidiaries consolidated and of CPL, SWEPCo, WTU, CSP and OPCo.

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this Amendment No. 1 to its Form U-1 to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN ELECTRIC POWER COMPANY, INC.

And

Central Power and Light Company
Columbus Southern Power Company
Ohio Power Company
Southwestern Electric Power Company
West Texas Utilities Company

By: /s/ A. A. Pena
Vice President

Dated: September 24, 2001

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Exhibit A

CAPITALIZATION STRUCTURE
(as of 6/30/01)

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| | \$ in thousands | Common Equity | Preferred Stock | | Long-Term Debt | | Short-Term Debt | | Total Capitalization | |
|--------|--------------------|------------------|--------------------|------|-------------------|-------|--------------------|-------|-------------------------|------|
| AEP | 8,147,958 | 33.5% | 161,265 | 0.7% | 11,955,487 | 49.2% | 4,054,955 | 16.7% | 24,319,665 | 100% |
| CPL | 1,379,507 | 43.1% | 5,967 | 0.2% | 1,591,313 | 49.7% | 223,512 | 7.0% | 3,200,299 | 100% |
| WTU | 254,598 | 43.5% | 2,482 | 0.4% | 255,905 | 43.7% | 71,953 | 12.3% | 584,938 | 100% |
| SWEPCO | 675,082 | 43.0% | 4,704 | 0.3% | 755,471 | 48.1% | 136,484 | 8.7% | 1,571,740 | 100% |
| CSP | 730,130 | 41.5% | 15,000 | 0.9% | 899,875 | 51.1% | 115,302 | 6.6% | 1,760,307 | 100% |
| OPCO | 1,173,304 | 46.4% | 25,498 | 1.0% | 1,078,354 | 42.6% | 252,323 | 10% | 2,529,479 | 100% |

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Exhibit H

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935
Release No. /September , 2001

In the Matter of
AMERICAN ELECTRIC POWER COMPANY, INC., et al.
1 Riverside Plaza
Columbus, OH 43215

(70-9937)

NOTICE IS HEREBY GIVEN that American Electric Power Company, Inc. ("AEP"), a New York corporation and a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"), and its direct and indirect public utility subsidiaries Central Power and Light Company ("CPL"),

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Southwestern Electric Power Company ("SWEPCo"), West Texas Utilities Company ("WTU"), Columbus Southern Power Company ("CSP") and Ohio Power Company ("OPCo") (collectively, "the Operating Subsidiaries") have filed a Form U-1 Application or Declaration with this Commission pursuant to Sections 6(a), 7, 9(a) and 10 of the Public Utility Holding Company Act of 1935 (the "Act") and Rules 43 and 45 thereunder seeking authorization to increase the borrowing limits of the Operating Subsidiaries from the AEP system money pool as authorized in File No. 70-9381.

By Order dated December 30, 1976 (HCAR No. 19829; 70-5930) and in subsequent Orders, the Commission authorized Central and Southwest Corporation ("CSW"), a Delaware corporation and a registered holding company under the Act and a wholly owned subsidiary of AEP, to establish and utilize a system money pool ("Money Pool") to coordinate short-term borrowings for CSW, its electric subsidiary companies and Central and South West Services, Inc. as set forth in Central and South West Corp., Holding Co. Act Release No. 26697 (March 28, 1997) and Central and South West Corp., Holding Co Act Release No. 26854 (Apr. 3, 1998). In its Order in File 70-9381 (HCAR 35-27186), the Commission approved the merger of CSW and AEP, authorized AEP to continue the Money Pool and established borrowing limits for all participants in the Money Pool.

In order to comply with mandates by the Ohio and Texas legislatures to restructure and pursuant to plans submitted and approved by the Public Utility Commission of Texas and The Public Utilities Commission of Ohio (Ohio PUC) the Operating Subsidiaries may need to restructure their debt portfolios and may retire and/or redeem their current outstanding long-term debt and replace such long-term debt with short-term debt. AEP and the Operating Subsidiaries propose to increase the borrowing limits as follows:

CPL increase from \$600 million to \$1.2 billion CSP increase from 350 million to 800 million OPCo increase from \$450 million to \$1.0 billion SWEPCo increase from \$250 million to \$350 million WTU increase from \$165 to \$375 million

This increase in borrowing authority would require that AEP's borrowing limit be increased from \$5 billion to \$6.910 billion with the aggregate amount for all participants together not to exceed the limitation for AEP. This increase in AEP's borrowing limit will ensure that AEP has sufficient borrowing capacity to obtain external borrowings in order to loan funds through the Money Pool to the participants when required. The Operating Subsidiaries request that such authority extend to December 31, 2002.

CPL, CSPCo, OPCo, SWEPCo and WTU intend to utilize the additional borrowing capacity authorized in this file as a source of funding to replace of portion of respective long-term securities. As of June 30 2001, CPL, CSPCo, OPCo, and SWEPCo and WTU currently have \$1,597,279,000, \$914,875,000, \$1,219,852,000, \$760,175,000 and \$258,387,000, respectively, in long-term securities outstanding. AEP has represented that it will maintain for all the Operating Subsidiaries the common equity at a percentage of the consolidated capital (inclusive of short-term debt) of 30% during the authorization period.

It is stated that no other state commission and no federal commission, other than this Commission, has jurisdiction over the proposed transaction.

The Application or Declaration and any amendments thereto are available for public inspection through the Commission's Office of Public Reference. Interested persons wishing to comment or request a hearing should submit their views in writing by October ____, 2001 to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the applicant or declarant at the address specified above. Proof of service (by affidavit or, in case of any attorney at law, by certificate) should be filed with the request. Any request for a hearing shall identify specifically the issues of fact or law

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that are disputed. A person who so requests will be notified of any hearing if ordered, and will receive a copy of any notice or Order issued in this matter. After said date, the Application or Declaration, as filed or as it may be amended, may be permitted to become effective.

For the Commission, by the Office of Public Utility Regulation, pursuant to delegated authority.

Jonathan G. Katz
Secretary

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AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES Consolidated Statements of Income

(in millions - except per share amounts)

| | Year Ended December 31, | | |
|---|-------------------------|----------|----------|
| | 2000 | 1999 | 1998 |
| REVENUES: | | | |
| Domestic Electric Utility Operations | \$10,827 | \$ 9,838 | \$ 9,834 |
| Worldwide Electric and Gas Operations | 2,867 | 2,569 | 2,006 |
| | ----- | ----- | ----- |
| TOTAL REVENUES | 13,694 | 12,407 | 11,840 |
| | ----- | ----- | ----- |
| EXPENSES: | | | |
| Fuel and Purchased Power | 4,128 | 3,449 | 3,455 |
| Maintenance and Other Operation | 3,017 | 2,675 | 2,596 |
| Non-recoverable Merger Costs | 203 | - | - |
| Depreciation and Amortization | 1,062 | 1,011 | 989 |
| Taxes Other Than Income Taxes | 671 | 664 | 659 |
| Worldwide Electric and Gas Operations | 2,587 | 2,283 | 1,861 |
| | ----- | ----- | ----- |
| TOTAL EXPENSES | 11,668 | 10,082 | 9,560 |
| | ----- | ----- | ----- |
| OPERATING INCOME | 2,026 | 2,325 | 2,280 |
| OTHER INCOME (net) | 33 | 139 | 95 |
| | ----- | ----- | ----- |
| INCOME BEFORE INTEREST, PREFERRED DIVIDENDS AND INCOME TAXES | 2,059 | 2,464 | 2,375 |
| INTEREST AND PREFERRED DIVIDENDS | 1,160 | 996 | 898 |
| | ----- | ----- | ----- |
| INCOME BEFORE INCOME TAXES | 899 | 1,468 | 1,477 |

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| | | | |
|---|---------|--------|--------|
| INCOME TAXES | 597 | 482 | 502 |
| | ----- | ----- | ----- |
| INCOME BEFORE EXTRAORDINARY ITEM | 302 | 986 | 975 |
| EXTRAORDINARY LOSSES: | | | |
| DISCONTINUANCE OF REGULATORY ACCOUNTING FOR GENERATION | (35) | (8) | - |
| LOSS ON REACQUIRED DEBT | - | (6) | - |
| | ----- | ----- | ----- |
| NET INCOME | \$ 267 | \$ 972 | \$ 975 |
| | ===== | ===== | ===== |
| AVERAGE NUMBER OF SHARES OUTSTANDING | 322 | 321 | 318 |
| | === | === | === |
| EARNINGS PER SHARE: | | | |
| Income Before Extraordinary Item | \$ 0.94 | \$3.07 | \$3.06 |
| Extraordinary Losses | (0.11) | (.04) | - |
| | ----- | ----- | ----- |
| Net Income | \$ 0.83 | \$3.03 | \$3.06 |
| | ===== | ===== | ===== |
| CASH DIVIDENDS PAID PER SHARE | \$2.40 | \$2.40 | \$2.40 |
| | ===== | ===== | ===== |

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AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
Consolidated Balance Sheets

(in millions - except share data)

| | December 31, | |
|--------------------------------------|--------------|--------|
| | 2000 | 1999 |
| | ---- | ---- |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | \$ 437 | \$ 609 |
| Special Deposits | - | 50 |
| Accounts Receivable: | | |
| Customers | 827 | 553 |
| Miscellaneous | 2,883 | 1,486 |
| Allowance for Uncollectible Accounts | (11) | (12) |
| Energy Trading Contracts | 16,627 | 1,001 |
| Other | 1,268 | 1,311 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 22,031 | 4,998 |
| | ----- | ----- |
| PROPERTY PLANT AND EQUIPMENT: | | |
| Electric: | | |
| Production | 16,328 | 15,869 |
| Transmission | 5,609 | 5,495 |

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| | | |
|--|----------|----------|
| Distribution | 10,843 | 10,432 |
| Other (including gas and coal mining assets and nuclear fuel) | 4,077 | 4,081 |
| Construction Work in Progress | 1,231 | 1,061 |
| | ----- | ----- |
| Total Property, Plant and Equipment | 38,088 | 36,938 |
| Accumulated Depreciation and Amortization | 15,695 | 15,073 |
| | ----- | ----- |
| NET PROPERTY, PLANT AND EQUIPMENT | 22,393 | 21,865 |
| | ----- | ----- |
| REGULATORY ASSETS | 3,698 | 3,464 |
| | ----- | ----- |
| INVESTMENTS IN POWER AND COMMUNICATIONS PROJECTS | 782 | 862 |
| | ----- | ----- |
| GOODWILL (NET OF AMORTIZATION) | 1,382 | 1,531 |
| | ----- | ----- |
| LONG-TERM ENERGY TRADING CONTRACTS | 1,620 | 136 |
| | ----- | ----- |
| OTHER ASSETS | 2,642 | 2,863 |
| | ----- | ----- |
| TOTAL | \$54,548 | \$35,719 |
| | ===== | ===== |

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AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
Consolidated Balance Sheets

| | December 31, | |
|--------------------------------------|--------------|----------|
| | 2000 | 1999 |
| | ----- | ----- |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts Payable | \$ 2,627 | \$ 1,280 |
| Short-term Debt | 4,333 | 3,012 |
| Long-term Debt Due Within One Year* | 1,152 | 1,367 |
| Energy Trading Contracts | 16,801 | 964 |
| Other | 2,154 | 1,443 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 27,067 | 8,066 |
| | ----- | ----- |
| LONG-TERM DEBT* | 9,602 | 10,157 |
| | ----- | ----- |

CERTAIN SUBSIDIARY OBLIGATED, MANDATORILY REDEEMABLE,

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| | | |
|--|-------------|----------|
| PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF SUCH SUBSIDIARIES | 334 | 335 |
| | ----- | ----- |
| DEFERRED INCOME TAXES | 4,875 | 5,150 |
| | ----- | ----- |
| DEFERRED GAIN ON SALE AND LEASEBACK - ROCKPORT PLANT UNIT 2 | 203 | 213 |
| | ----- | ----- |
| DEFERRED INVESTMENT TAX CREDITS | 528 | 580 |
| | ----- | ----- |
| LONG-TERM ENERGY TRADING CONTRACTS | 1,381 | 108 |
| | ----- | ----- |
| DEFERRED CREDITS AND REGULATORY LIABILITIES | 637 | 607 |
| | ----- | ----- |
| OTHER NONCURRENT LIABILITIES | 1,706 | 1,648 |
| | ----- | ----- |
| CUMULATIVE PREFERRED STOCK OF SUBSIDIARIES* | 161 | 182 |
| | ----- | ----- |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |
| COMMON SHAREHOLDERS' EQUITY: | | |
| Common Stock-Par Value \$6.50: | | |
| | 2000 | 1999 |
| | ---- | ---- |
| Shares Authorized. .600,000,000 | 600,000,000 | |
| Shares Issued. . . .331,019,146 | 330,692,317 | |
| (8,999,992 shares were held in treasury at December 31, 2000 and 1999) | 2,152 | 2,149 |
| Paid-in Capital | 2,915 | 2,898 |
| Accumulated Other Comprehensive Income (Loss) | (103) | (4) |
| Retained Earnings | 3,090 | 3,630 |
| | ----- | ----- |
| TOTAL COMMON SHAREHOLDERS' EQUITY | 8,054 | 8,673 |
| | ----- | ----- |
| TOTAL | \$54,548 | \$35,719 |
| | ===== | ===== |

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AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES
Consolidated Statements of Common Shareholders' Equity
(in millions)

| | Common Shares | Stock Amount | Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | T |
|-----------------|------------------|-----------------|--------------------|----------------------|--|-----|
| JANUARY 1, 1998 | 326 | \$2,036 | \$2,818 | \$3,356 | \$23 | \$8 |

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| | | | | | |
|--|-----|---------|---------|---------|---------|
| Conforming Change in Accounting Policy | - | - | - | (13) | - |
| Reclassification Adjustment | - | 85 | (85) | - | - |
| | --- | ----- | ----- | ----- | ----- |
| Adjusted Balance at Beginning of Period | 326 | 2,121 | 2,733 | 3,343 | 23 |
| Issuances | 2 | 13 | 83 | - | - |
| Retirements and Other | - | - | 2 | 3 | - |
| Cash Dividends Declared | - | - | - | (827) | - |
| Comprehensive Income: | | | | | |
| Other Comprehensive Income, Net of Taxes | | | | | |
| Foreign Currency Translation Adjustment | - | - | - | - | 6 |
| Unrealized Loss on Securities | - | - | - | - | (14) |
| Adjustments for Gain | | | | | |
| Included in Net Income | - | - | - | - | (7) |
| Minimum Pension Liability | - | - | - | - | (1) |
| Net Income | - | - | - | 975 | - |
| | | | | | |
| Total Comprehensive Income | --- | ----- | ----- | ----- | ----- |
| | | | | | |
| DECEMBER 31, 1998 | 328 | 2,134 | 2,818 | 3,494 | 7 |
| Conforming Change in Accounting Policy | - | - | - | (1) | - |
| | --- | ----- | ----- | ----- | ----- |
| Adjusted Balance at Beginning of Period | 328 | 2,134 | 2,818 | 3,493 | 7 |
| Issuances | 3 | 15 | 77 | - | - |
| Retirements and Other | - | - | 3 | - | - |
| Cash Dividends Declared | - | - | - | (833) | - |
| Comprehensive Income: | | | | | |
| Other Comprehensive Income, Net of Taxes | | | | | |
| Foreign Currency Translation Adjustment | - | - | - | - | (13) |
| Minimum Pension Liability | - | - | - | - | 2 |
| Net Income | - | - | - | 972 | - |
| | | | | | |
| Total Comprehensive Income | --- | ----- | ----- | ----- | ----- |
| | | | | | |
| DECEMBER 31, 1999 | 331 | 2,149 | 2,898 | 3,632 | (4) |
| Conforming Change in Accounting Policy | - | - | - | (2) | - |
| | --- | ----- | ----- | ----- | ----- |
| Adjusted Balance at Beginning of Period | 331 | 2,149 | 2,898 | 3,630 | (4) |
| Issuances | - | 3 | 11 | - | - |
| Cash Dividends Declared | - | - | - | (805) | - |
| Other | - | - | 6 | (2) | - |
| Comprehensive Income: | | | | | |
| Other Comprehensive Income, Net of Taxes | | | | | |
| Foreign Currency Translation Adjustment | - | - | - | - | (119) |
| Reclassification Adjustment | | | | | |
| For Loss Included in Net Income | - | - | - | - | 20 |
| Net Income | - | - | - | 267 | - |
| | | | | | |
| Total Comprehensive Income | --- | ----- | ----- | ----- | ----- |
| | | | | | |
| DECEMBER 31, 2000 | 331 | \$2,152 | \$2,915 | \$3,090 | \$(103) |

CENTRAL POWER AND LIGHT COMPANY AND SUBSIDIARIES
 Consolidated Statements of Income

| | Year Ended December 31, | | |
|---|-------------------------|-------------|-------------|
| | 2000 | 1999 | 1998 |
| | (in thousands) | | |
| OPERATING REVENUES | \$1,771,177 | \$1,482,475 | \$1,406,117 |
| OPERATING EXPENSES: | | | |
| Fuel | 550,903 | 403,989 | 385,944 |
| Purchased Power | 177,387 | 68,155 | 40,062 |
| Other Operation | 319,539 | 291,131 | 261,058 |
| Maintenance | 60,528 | 70,165 | 63,779 |
| Depreciation and Amortization | 178,786 | 177,702 | 184,805 |
| Taxes Other Than Federal Income Taxes | 80,009 | 84,538 | 70,927 |
| Federal Income Tax | 96,927 | 92,810 | 116,755 |
| Total Operating Expenses | 1,464,079 | 1,188,490 | 1,123,330 |
| OPERATING INCOME | 307,098 | 293,985 | 282,787 |
| NONOPERATING INCOME | 7,235 | 8,113 | 760 |
| INCOME BEFORE INTEREST CHARGES | 314,333 | 302,098 | 283,547 |
| INTEREST CHARGES | 124,766 | 114,380 | 122,036 |
| INCOME BEFORE EXTRAORDINARY ITEM | 189,567 | 187,718 | 161,511 |
| EXTRAORDINARY LOSS ON REACQUIRED DEBT (INCLUSIVE OF TAX \$2,971,000) | - | (5,517) | - |
| NET INCOME | 189,567 | 182,201 | 161,511 |
| PREFERRED STOCK DIVIDEND REQUIREMENTS | 241 | 6,931 | 6,901 |
| LOSS ON REACQUIRED PREFERRED STOCK | - | (2,763) | - |
| EARNINGS APPLICABLE TO COMMON STOCK | \$ 189,326 | \$ 172,507 | \$ 154,610 |

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CENTRAL POWER AND LIGHT COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets

| | December 31, | |
|--|----------------|-------------|
| | 2000 | 1999 |
| | (in thousands) | |
| ASSETS | | |
| ELECTRIC UTILITY PLANT: | | |
| Production | \$3,175,867 | \$3,152,319 |
| Transmission | 581,931 | 566,629 |
| Distribution | 1,221,750 | 1,157,091 |
| General | 237,764 | 307,378 |
| Construction Work in Progress | 138,273 | 101,550 |
| Nuclear Fuel | 236,859 | 226,927 |
| | ----- | ----- |
| Total Electric Utility Plant | 5,592,444 | 5,511,894 |
| Accumulated Depreciation and Amortization | 2,297,189 | 2,247,225 |
| | ----- | ----- |
| NET ELECTRIC UTILITY PLANT | 3,295,255 | 3,264,669 |
| | ----- | ----- |
| OTHER PROPERTY AND INVESTMENTS | 44,225 | 41,433 |
| | ----- | ----- |
| LONG-TERM ENERGY TRADING CONTRACTS | 66,231 | - |
| | ----- | ----- |
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | 14,253 | 7,995 |
| Special Deposits for Reacquisition of Long-term Debt | - | 50,000 |
| Accounts Receivable: | | |
| General | 67,787 | 49,228 |
| Affiliated Companies | 31,272 | 15,254 |
| Allowance for Uncollectible Accounts | (1,675) | - |
| Fuel Inventory - at LIFO cost | 22,842 | 26,434 |
| Materials and Supplies - at average cost | 53,108 | 58,196 |
| Under-recovered Fuel Costs | 127,295 | 30,423 |
| Energy Trading Contracts | 481,206 | - |
| Prepayments | 3,014 | 3,188 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 799,102 | 240,718 |
| | ----- | ----- |
| REGULATORY ASSETS | 202,440 | 223,359 |
| | ----- | ----- |
| REGULATORY ASSETS DESIGNATED FOR SECURITIZATION | 953,249 | 953,249 |
| | ----- | ----- |
| NUCLEAR DECOMMISSIONING TRUST FUND | 93,592 | 86,122 |
| | ----- | ----- |
| DEFERRED CHARGES | 18,402 | 38,300 |
| | ----- | ----- |
| TOTAL | \$5,472,496 | \$4,847,850 |

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CENTRAL POWER AND LIGHT COMPANY AND SUBSIDIARIES

| | December 31, | |
|---|----------------|------------|
| | 2000 | 1999 |
| | (in thousands) | |
| CAPITALIZATION AND LIABILITIES | | |
| CAPITALIZATION: | | |
| Common Stock - \$25 Par Value: | | |
| Authorized - 12,000,000 Shares | | |
| Outstanding - 6,755,535 Shares | \$ 168,888 | \$ 168,888 |
| Paid-in Capital | 405,000 | 405,000 |
| Retained Earnings | 792,219 | 758,894 |
| Total Common Shareholder's Equity | 1,366,107 | 1,332,782 |
| Preferred Stock | 5,967 | 5,967 |
| CPL - Obligated, Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely | | |
| Junior Subordinated Debentures of CPL | 148,500 | 150,000 |
| Long-term Debt | 1,254,559 | 1,304,541 |
| TOTAL CAPITALIZATION | 2,775,133 | 2,793,290 |
| CURRENT LIABILITIES: | | |
| Long-term Debt Due Within One Year | 200,000 | 150,000 |
| Advances from Affiliates | 269,712 | 322,158 |
| Accounts Payable - General | 128,957 | 88,702 |
| Accounts Payable - Affiliated Companies | 40,962 | 35,344 |
| Taxes Accrued | 55,526 | 41,121 |
| Interest Accrued | 26,217 | 14,723 |
| Energy Trading Contracts | 489,888 | - |
| Other | 40,630 | 25,349 |
| TOTAL CURRENT LIABILITIES | 1,251,892 | 677,397 |
| DEFERRED INCOME TAXES | 1,242,797 | 1,234,175 |
| DEFERRED INVESTMENT TAX CREDITS | 128,100 | 133,306 |
| LONG-TERM ENERGY TRADING CONTRACTS | 65,740 | - |
| DEFERRED CREDITS | 8,834 | 9,682 |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |

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| | | |
|-------|-------------|-------------|
| TOTAL | \$5,472,496 | \$4,847,850 |
| | ===== | ===== |

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CENTRAL POWER AND LIGHT COMPANY AND SUBSIDIARIES
Consolidated Statements of Retained Earnings

| | Year Ended December 31, | | |
|---|-------------------------|-----------|-----------|
| | 2000 | 1999 | 1998 |
| | ---- | ---- | ---- |
| | (in thousands) | | |
| BALANCE AT BEGINNING OF PERIOD | | | |
| AS PREVIOUSLY REPORTED | \$764,225 | \$739,031 | \$833,282 |
| CONFORMING CHANGE IN ACCOUNTING POLICY | (5,331) | (4,644) | (4,505) |
| | ----- | ----- | ----- |
| ADJUSTED BALANCE AT BEGINNING OF PERIOD | 758,894 | 734,387 | 828,777 |
| NET INCOME | 189,567 | 182,201 | 161,511 |
| DEDUCTIONS: | | | |
| Cash Dividends Declared: | | | |
| Common Stock | 156,000 | 148,000 | 249,000 |
| Preferred Stock | 241 | 6,931 | 6,901 |
| Other | 1 | - | - |
| LOSS ON REACQUIRED PREFERRED STOCK | - | (2,763) | - |
| | ----- | ----- | ----- |
| BALANCE AT END OF PERIOD | \$792,219 | \$758,894 | \$734,387 |
| | ===== | ===== | ===== |

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COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES
Consolidated Statements of Income

| | Year Ended December 31, | | |
|---------------------------------------|-------------------------|-------------|-------------|
| | 2000 | 1999 | 1998 |
| | ---- | ---- | ---- |
| | (in thousands) | | |
| OPERATING REVENUES | \$1,356,408 | \$1,229,994 | \$1,187,745 |
| | ----- | ----- | ----- |
| OPERATING EXPENSES: | | | |
| Fuel | 189,155 | 185,511 | 189,031 |
| Purchased Power | 347,693 | 265,457 | 237,688 |
| Other Operation | 221,775 | 190,614 | 202,720 |
| Maintenance | 69,676 | 65,229 | 62,095 |
| Depreciation | 99,640 | 94,532 | 91,218 |
| Taxes Other Than Federal Income Taxes | 123,291 | 120,147 | 116,548 |

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| | | | |
|---|-----------|------------|------------|
| Federal Income Taxes | 109,301 | 85,714 | 76,234 |
| | ----- | ----- | ----- |
| TOTAL OPERATING EXPENSES | 1,160,531 | 1,007,204 | 975,534 |
| | ----- | ----- | ----- |
| OPERATING INCOME | 195,877 | 222,790 | 212,211 |
| NONOPERATING INCOME (LOSS) | 5,153 | 2,709 | (1,343) |
| | ----- | ----- | ----- |
| INCOME BEFORE INTEREST CHARGES | 201,030 | 225,499 | 210,868 |
| INTEREST CHARGES | 80,828 | 75,229 | 77,824 |
| | ----- | ----- | ----- |
| INCOME BEFORE EXTRAORDINARY ITEM | 120,202 | 150,270 | 133,044 |
| EXTRAORDINARY LOSS: | | | |
| Discontinuance of Regulatory Accounting for Generation (inclusive of tax benefit of \$14,148,000) | (25,236) | - | - |
| | ----- | ----- | ----- |
| NET INCOME | 94,966 | 150,270 | 133,044 |
| PREFERRED STOCK DIVIDEND REQUIREMENTS | 1,783 | 2,131 | 2,131 |
| | ----- | ----- | ----- |
| EARNINGS APPLICABLE TO COMMON STOCK | \$ 93,183 | \$ 148,139 | \$ 130,913 |
| | ===== | ===== | ===== |

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COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES
Consolidated Statements of Retained Earnings

| | Year Ended December 31, | | |
|--|-------------------------|-----------|-----------|
| | 2000 | 1999 | 1998 |
| | ----- | ----- | ----- |
| | (in thousands) | | |
| Retained Earnings January 1 | \$246,584 | \$186,441 | \$138,172 |
| Net Income | 94,966 | 150,270 | 133,044 |
| | ----- | ----- | ----- |
| | 341,550 | 336,711 | 271,216 |
| | ----- | ----- | ----- |
| Deductions: | | | |
| Cash Dividends Declared: | | | |
| Common Stock | 240,600 | 87,996 | 82,644 |
| Cumulative Preferred Stock - 7% Series | 1,400 | 1,750 | 1,750 |
| | ----- | ----- | ----- |
| Total Cash Dividends Declared | 242,000 | 89,746 | 84,394 |
| Capital Stock Expense | 481 | 381 | 381 |
| | ----- | ----- | ----- |
| Total Deductions | 242,481 | 90,127 | 84,775 |
| | ----- | ----- | ----- |
| Retained Earnings December 31 | \$ 99,069 | \$246,584 | \$186,441 |

COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets

| | December 31, | |
|--|--------------------|--------------------|
| | 2000 | 1999 |
| | (in thousands) | |
| ASSETS | | |
| ELECTRIC UTILITY PLANT: | | |
| Production | \$1,564,254 | \$1,544,858 |
| Transmission | 360,302 | 350,826 |
| Distribution | 1,096,365 | 1,032,550 |
| General | 156,534 | 141,137 |
| Construction Work in Progress | 89,339 | 82,248 |
| | ----- | ----- |
| Total Electric Utility Plant | 3,266,794 | 3,151,619 |
| Accumulated Depreciation | 1,299,697 | 1,210,994 |
| | ----- | ----- |
| NET ELECTRIC UTILITY PLANT | 1,967,097 | 1,940,625 |
| | ----- | ----- |
| OTHER PROPERTY AND INVESTMENTS | 39,848 | 80,008 |
| | ----- | ----- |
| LONG-TERM ENERGY TRADING CONTRACTS | 172,167 | 21,278 |
| | ----- | ----- |
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | 11,600 | 5,107 |
| Accounts Receivable: | | |
| Customers | 73,711 | 77,418 |
| Affiliated Companies | 49,591 | 28,453 |
| Miscellaneous | 18,807 | 8,887 |
| Allowance for Uncollectible Accounts | (659) | (3,045) |
| Fuel - at average cost | 13,126 | 21,484 |
| Materials and Supplies - at average cost | 38,097 | 41,696 |
| Accrued Utility Revenues | 9,638 | 48,117 |
| Energy Trading Contracts | 1,085,989 | 90,103 |
| Prepayments | 46,735 | 37,969 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 1,346,635 | 356,189 |
| | ----- | ----- |
| REGULATORY ASSETS | 291,553 | 339,103 |
| | ----- | ----- |
| DEFERRED CHARGES | 77,634 | 72,787 |
| | ----- | ----- |
| TOTAL | \$3,894,934 | \$2,809,990 |

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COLUMBUS SOUTHERN POWER COMPANY AND SUBSIDIARIES

| | December 31, | |
|---|----------------|-------------|
| | 2000 | 1999 |
| | ----- | ----- |
| | (in thousands) | |
| CAPITALIZATION AND LIABILITIES | | |
| CAPITALIZATION: | | |
| Common Stock - No Par Value: | | |
| Authorized - 24,000,000 Shares | | |
| Outstanding - 16,410,426 Shares | \$ 41,026 | \$ 41,026 |
| Paid-in Capital | 573,354 | 572,873 |
| Retained Earnings | 99,069 | 246,584 |
| | ----- | ----- |
| Total Common Shareholder's Equity | 713,449 | 860,483 |
| Cumulative Preferred Stock - | | |
| Subject to Mandatory Redemption | 15,000 | 25,000 |
| Long-term Debt | 899,615 | 924,545 |
| | ----- | ----- |
| TOTAL CAPITALIZATION | 1,628,064 | 1,810,028 |
| | ----- | ----- |
| OTHER NONCURRENT LIABILITIES | 47,584 | 43,056 |
| | ----- | ----- |
| CURRENT LIABILITIES: | | |
| Short-term Debt | - | 45,500 |
| Advances from Affiliates | 88,732 | - |
| Accounts Payable - General | 89,846 | 28,279 |
| Accounts Payable - Affiliated Companies | 72,493 | 52,776 |
| Taxes Accrued | 162,904 | 143,477 |
| Interest Accrued | 13,369 | 13,936 |
| Energy Trading Contracts | 1,115,967 | 87,911 |
| Other | 60,701 | 34,375 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 1,604,012 | 406,254 |
| | ----- | ----- |
| DEFERRED INCOME TAXES | 422,759 | 447,607 |
| | ----- | ----- |
| DEFERRED INVESTMENT TAX CREDITS | 41,234 | 44,716 |
| | ----- | ----- |
| DEFERRED CREDITS | 12,861 | 41,875 |
| | ----- | ----- |
| LONG-TERM ENERGY TRADING CONTRACTS | 138,420 | 16,454 |
| | ----- | ----- |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |
| | | |
| TOTAL | \$3,894,934 | \$2,809,990 |

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OHIO POWER COMPANY AND SUBSIDIARIES
Consolidated Statements of Income

| | Year Ended December 31, | | |
|--|-------------------------|-------------|-------------|
| | 2000 | 1999 | 1998 |
| | (in thousands) | | |
| OPERATING REVENUES | \$2,227,902 | \$2,039,263 | \$2,105,547 |
| OPERATING EXPENSES: | | | |
| Fuel | 771,969 | 687,672 | 738,522 |
| Purchased Power | 184,004 | 163,143 | 150,733 |
| Other Operation | 407,375 | 327,132 | 353,194 |
| Maintenance | 124,735 | 121,299 | 139,611 |
| Depreciation and Amortization | 155,944 | 149,055 | 144,493 |
| Taxes Other Than Federal Income Taxes | 165,552 | 165,891 | 169,353 |
| Federal Income Taxes | 191,496 | 136,242 | 120,269 |
| Total Operating Expenses | 2,001,075 | 1,750,434 | 1,816,175 |
| OPERATING INCOME | 226,827 | 288,829 | 289,372 |
| NONOPERATING INCOME (LOSS) | (5,004) | 7,000 | 588 |
| INCOME BEFORE INTEREST CHARGES | 221,823 | 295,829 | 289,960 |
| INTEREST CHARGES | 119,210 | 83,672 | 80,035 |
| INCOME BEFORE EXTRAORDINARY ITEM | 102,613 | 212,157 | 209,925 |
| EXTRAORDINARY LOSS - Discontinuance of Regulatory Accounting for Generation (inclusive of Tax Benefit of \$21,281,000) | (18,876) | - | - |
| NET INCOME | 83,737 | 212,157 | 209,925 |
| PREFERRED STOCK DIVIDEND REQUIREMENTS | 1,266 | 1,417 | 1,474 |
| EARNINGS APPLICABLE TO COMMON STOCK | \$ 82,471 | \$ 210,740 | \$ 208,451 |

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OHIO POWER COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets

| | December 31, | |
|---|----------------|--------------|
| | 2000 | 1999 |
| | (in thousands) | |
| ASSETS | | |
| ELECTRIC UTILITY PLANT: | | |
| Production | \$2,764,155 | \$2,713,421 |
| Transmission | 870,033 | 857,420 |
| Distribution | 1,040,940 | 999,679 |
| General (including mining assets) | 707,417 | 713,882 |
| Construction Work in Progress | 195,086 | 116,515 |
| | 5,577,631 | 5,400,917 |
| Total Electric Utility Plant | | |
| Accumulated Depreciation and Amortization | 2,764,130 | 2,621,711 |
| | 2,813,501 | 2,779,206 |
| NET ELECTRIC UTILITY PLANT | | |
| OTHER PROPERTY AND INVESTMENTS | 109,124 | 221,756 |
| | 256,455 | 31,912 |
| LONG-TERM ENERGY TRADING CONTRACTS | | |
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | 31,393 | 157,138 |
| Advances to Affiliates | 92,486 | - |
| Accounts Receivable: | | |
| Customers | 139,732 | 246,310 |
| Affiliated Companies | 126,203 | 89,215 |
| Miscellaneous | 39,046 | 22,055 |
| Allowance for Uncollectible Accounts | (1,054) | (2,223) |
| Fuel - at average cost | 82,291 | 129,022 |
| Materials and Supplies - at average cost | 96,053 | 95,967 |
| Accrued Utility Revenues | 264 | 45,575 |
| Energy Trading Contracts | 1,617,660 | 134,567 |
| Prepayments and Other | 32,882 | 38,472 |
| | 2,256,956 | 956,098 |
| TOTAL CURRENT ASSETS | | |
| REGULATORY ASSETS | 714,710 | 594,385 |
| | 101,690 | 93,852 |
| DEFERRED CHARGES | | |
| TOTAL | \$6,252,436 | \$ 4,677,209 |

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OHIO POWER COMPANY AND SUBSIDIARIES

| | December 31, | |
|---|----------------|-------------|
| | 2000 | 1999 |
| | (in thousands) | |
| CAPITALIZATION AND LIABILITIES | | |
| CAPITALIZATION: | | |
| Common Stock - No Par Value: | | |
| Authorized - 40,000,000 Shares | | |
| Outstanding - 27,952,473 Shares | \$ 321,201 | \$ 321,201 |
| Paid-in Capital | 462,483 | 462,376 |
| Retained Earnings | 398,086 | 587,424 |
| | ----- | ----- |
| Total Common Shareholder's Equity | 1,181,770 | 1,371,001 |
| Cumulative Preferred Stock: | | |
| Not Subject to Mandatory Redemption | 16,648 | 16,937 |
| Subject to Mandatory Redemption | 8,850 | 8,850 |
| Long-term Debt | 1,077,987 | 1,139,834 |
| | ----- | ----- |
| TOTAL CAPITALIZATION | 2,285,255 | 2,536,622 |
| | ----- | ----- |
| OTHER NONCURRENT LIABILITIES | 542,017 | 414,837 |
| | ----- | ----- |
| CURRENT LIABILITIES: | | |
| Long-term Debt Due Within One Year | 117,506 | 11,677 |
| Short-term Debt | - | 194,918 |
| Accounts Payable - General | 179,691 | 180,383 |
| Accounts Payable - Affiliated Companies | 121,360 | 64,599 |
| Customer Deposits | 39,736 | 8,196 |
| Taxes Accrued | 223,101 | 179,112 |
| Interest Accrued | 20,458 | 16,863 |
| Obligations Under Capital Leases | 32,716 | 34,284 |
| Energy Trading Contracts | 1,662,315 | 131,844 |
| Other | 151,934 | 88,249 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 2,548,817 | 910,125 |
| | ----- | ----- |
| DEFERRED INCOME TAXES | 621,941 | 676,460 |
| | ----- | ----- |
| DEFERRED INVESTMENT TAX CREDITS | 25,214 | 35,838 |
| | ----- | ----- |
| LONG-TERM ENERGY TRADING CONTRACTS | 206,187 | 24,677 |
| | ----- | ----- |
| DEFERRED CREDITS | 23,005 | 78,650 |
| | ----- | ----- |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |
| | | |
| TOTAL | \$6,252,436 | \$4,677,209 |
| | ===== | ===== |

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OHIO POWER COMPANY AND SUBSIDIARIES
Consolidated Statement of Retained Earnings

| | Year Ended December 31, | | |
|-------------------------------|-------------------------|-----------|-----------|
| | 2000 | 1999 | 1998 |
| | (in thousands) | | |
| Retained Earnings January 1 | \$587,424 | \$587,500 | \$590,151 |
| Net Income | 83,737 | 212,157 | 209,925 |
| | 671,161 | 799,657 | 800,076 |
| Deductions: | | | |
| Cash Dividends Declared: | | | |
| Common Stock | 271,813 | 210,813 | 211,101 |
| Cumulative Preferred Stock: | | | |
| 4.08% Series | 59 | 61 | 63 |
| 4.20% Series | 96 | 97 | 97 |
| 4.40% Series | 139 | 142 | 143 |
| 4-1/2% Series | 442 | 460 | 467 |
| 5.90% Series | 428 | 472 | 487 |
| 6.02% Series | 66 | 156 | 186 |
| 6.35% Series | 32 | 32 | 32 |
| Total Dividends | 273,075 | 212,233 | 212,576 |
| Retained Earnings December 31 | \$398,086 | \$587,424 | \$587,500 |

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SOUTHWESTERN ELECTRIC POWER COMPANY AND SUBSIDIARIES
Consolidated Statements of
Income

| | Year Ended December 31, | | |
|---------------------|-------------------------|-----------|-----------|
| | 2000 | 1999 | 1998 |
| | (in thousands) | | |
| OPERATING REVENUES | \$1,124,210 | \$971,527 | \$952,952 |
| OPERATING EXPENSES: | | | |
| Fuel | 498,805 | 379,597 | 371,414 |
| Purchased Power | 77,792 | 37,371 | 35,483 |
| Other Operation | 159,459 | 142,385 | 140,627 |
| Maintenance | 75,123 | 64,241 | 51,219 |

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| | | | |
|--|-----------|-----------|-----------|
| Depreciation and Amortization | 104,679 | 108,831 | 98,479 |
| Taxes Other Than Federal Income Taxes | 56,283 | 58,458 | 62,207 |
| Federal Income Taxes | 23,791 | 33,582 | 42,845 |
| | ----- | ----- | ----- |
| Total Operating Expenses | 995,932 | 824,465 | 802,274 |
| | ----- | ----- | ----- |
| OPERATING INCOME | 128,278 | 147,062 | 150,678 |
| NONOPERATING INCOME (LOSS) | 3,851 | (1,965) | 2,451 |
| | ----- | ----- | ----- |
| INCOME BEFORE INTEREST CHARGES | 132,129 | 145,097 | 153,129 |
| INTEREST CHARGES | 59,457 | 58,892 | 55,135 |
| | ----- | ----- | ----- |
| INCOME BEFORE EXTRAORDINARY ITEM | 72,672 | 86,205 | 97,994 |
| EXTRAORDINARY LOSS (net of tax of \$1,621,000) | - | (3,011) | - |
| | ----- | ----- | ----- |
| NET INCOME | 72,672 | 83,194 | 97,994 |
| PREFERRED STOCK DIVIDEND REQUIREMENTS | 229 | 229 | 705 |
| LOSS ON REACQUIRED PREFERRED STOCK | - | - | (856) |
| | ----- | ----- | ----- |
| EARNINGS APPLICABLE TO COMMON STOCK | \$ 72,443 | \$ 82,965 | \$ 96,433 |
| | ===== | ===== | ===== |

Consolidated Statements of Retained Earnings

| | | | |
|---|-----------|-----------|-----------|
| BALANCE AT BEGINNING OF PERIOD AS PREVIOUSLY REPORTED | \$288,019 | \$300,592 | \$324,050 |
| Conforming Change in Accounting Policy | (4,473) | (4,011) | (3,902) |
| | ----- | ----- | ----- |
| ADJUSTED BALANCE AT BEGINNING OF PERIOD | 283,546 | 296,581 | 320,148 |
| NET INCOME | 72,672 | 83,194 | 97,994 |
| LOSS ON REACQUIRED PREFERRED STOCK | - | - | (856) |
| DEDUCTIONS: | | | |
| Cash Dividends Declared: | | | |
| Common Stock | 62,000 | 96,000 | 120,000 |
| Preferred Stock | 229 | 229 | 705 |
| | ----- | ----- | ----- |
| BALANCE AT END OF PERIOD | \$293,989 | \$283,546 | \$296,581 |
| | ===== | ===== | ===== |

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| | December 31, | |
|---|----------------|-------------|
| | 2000 | 1999 |
| | (in thousands) | |
| ASSETS | | |
| ELECTRIC UTILITY PLANT: | | |
| Production | \$1,414,527 | \$1,402,062 |
| Transmission | 519,317 | 484,327 |
| Distribution | 1,001,237 | 958,318 |
| General | 325,948 | 333,949 |
| Construction Work in Progress | 57,995 | 52,775 |
| | ----- | ----- |
| Total Electric Utility Plant | 3,319,024 | 3,231,431 |
| Accumulated Depreciation and Amortization | 1,457,005 | 1,384,242 |
| | ----- | ----- |
| NET ELECTRIC UTILITY PLANT | 1,862,019 | 1,847,189 |
| | ----- | ----- |
| OTHER PROPERTY AND INVESTMENTS | 39,627 | 37,080 |
| | ----- | ----- |
| LONG-TERM ENERGY TRADING CONTRACTS | 63,028 | - |
| | ----- | ----- |
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | 1,907 | 3,043 |
| Accounts Receivable: | | |
| Customers | 42,310 | 49,939 |
| Affiliated Companies | 11,419 | 6,053 |
| Allowance for Uncollectible Accounts | (911) | (4,428) |
| Fuel Inventory - at average cost | 40,024 | 60,844 |
| Materials and Supplies - at average cost | 25,137 | 26,420 |
| Under-recovered Fuel Costs | 35,469 | - |
| Energy Trading Contracts | 457,936 | - |
| Prepayments | 16,780 | 15,953 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 630,071 | 157,824 |
| | ----- | ----- |
| REGULATORY ASSETS | 57,082 | 47,180 |
| | ----- | ----- |
| DEFERRED CHARGES | 10,707 | 16,942 |
| | ----- | ----- |
| TOTAL | \$2,662,534 | \$2,106,215 |
| | ===== | ===== |

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| | December 31, | |
|--|----------------|-------------|
| | 2000 | 1999 |
| | (in thousands) | |
| CAPITALIZATION AND LIABILITIES | | |
| CAPITALIZATION: | | |
| Common Stock - \$18 Par Value: | | |
| Authorized - 7,600,000 Shares | | |
| Outstanding - 7,536,640 Shares | \$ 135,660 | \$ 135,660 |
| Paid-in Capital | 245,000 | 245,000 |
| Retained Earnings | 293,989 | 283,546 |
| Total Common Shareholder's Equity | 674,649 | 664,206 |
| Preferred Stock | 4,704 | 4,706 |
| SWEPCO - obligated, mandatorily redeemable preferred securities of subsidiary trust holding solely Junior Subordinated Debentures of SWEPCO | 110,000 | 110,000 |
| Long-term Debt | 645,368 | 495,973 |
| TOTAL CAPITALIZATION | 1,434,721 | 1,274,885 |
| OTHER NONCURRENT LIABILITIES | 11,290 | 9,255 |
| CURRENT LIABILITIES: | | |
| Long-term Debt Due Within One Year | 595 | 45,595 |
| Advances from Affiliates | 16,823 | 140,897 |
| Accounts Payable - General | 107,747 | 60,689 |
| Accounts Payable - Affiliated Companies | 36,021 | 39,117 |
| Customer Deposits | 16,433 | 14,236 |
| Taxes Accrued | 11,224 | 24,374 |
| Interest Accrued | 13,198 | 9,792 |
| Energy Trading Contracts | 466,198 | - |
| Other | 15,064 | 12,623 |
| TOTAL CURRENT LIABILITIES | 683,303 | 347,323 |
| DEFERRED INCOME TAXES | 399,204 | 376,504 |
| DEFERRED INVESTMENT TAX CREDITS | 53,167 | 57,649 |
| REGULATORY LIABILITIES AND DEFERRED CREDITS | 18,288 | 40,599 |
| LONG-TERM ENERGY TRADING CONTRACTS | 62,561 | - |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |
| TOTAL | \$2,662,534 | \$2,106,215 |

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WEST TEXAS UTILITIES COMPANY
Statements of Income

| | Year Ended December 31, | | |
|--|-------------------------|------------|------------|
| | 2000 | 1999 | 1998 |
| | (in thousands) | | |
| OPERATING REVENUES | \$ 572,794 | \$ 445,709 | \$ 424,953 |
| OPERATING EXPENSES: | | | |
| Fuel | 183,154 | 123,348 | 122,836 |
| Purchased Power | 127,583 | 61,532 | 48,131 |
| Other Operation | 93,078 | 94,290 | 90,061 |
| Maintenance | 21,241 | 19,604 | 16,666 |
| Depreciation and Amortization | 55,172 | 50,789 | 42,750 |
| Taxes Other Than Federal Income Taxes | 25,321 | 28,267 | 24,638 |
| Federal Income Taxes | 14,904 | 14,080 | 20,595 |
| Total Operating Expenses | 520,453 | 391,910 | 365,677 |
| OPERATING INCOME | 52,341 | 53,799 | 59,276 |
| NONOPERATING INCOME (LOSS) | (1,675) | 2,488 | 2,712 |
| INCOME BEFORE INTEREST CHARGES | 50,666 | 56,287 | 61,988 |
| INTEREST CHARGES | 23,216 | 24,420 | 24,263 |
| INCOME BEFORE EXTRAORDINARY ITEMS | 27,450 | 31,867 | 37,725 |
| EXTRAORDINARY LOSS - (net of tax of \$2,941,000) | - | (5,461) | - |
| NET INCOME | 27,450 | 26,406 | 37,725 |
| PREFERRED STOCK DIVIDEND REQUIREMENTS | 104 | 104 | 104 |
| EARNINGS APPLICABLE TO COMMON STOCK | \$ 27,346 | \$ 26,302 | \$ 37,621 |

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WEST TEXAS UTILITIES COMPANY
Statements of Retained Earnings

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| | Year Ended December 31, | | |
|---|-------------------------|-----------|-----------|
| | 2000 | 1999 | 1998 |
| | (in thousands) | | |
| BALANCE AT BEGINNING OF PERIOD AS | | | |
| PREVIOUSLY REPORTED | \$115,856 | \$117,189 | \$119,479 |
| CONFORMING CHANGE IN ACCOUNTING POLICY | (2,614) | (2,249) | (2,160) |
| ADJUSTED BALANCE AT BEGINNING OF PERIOD | 113,242 | 114,940 | 117,319 |
| NET INCOME | 27,450 | 26,406 | 37,725 |
| DEDUCTIONS: | | | |
| Cash Dividends Declared: | | | |
| Common Stock | 18,000 | 28,000 | 40,000 |
| Preferred Stock | 104 | 104 | 104 |
| BALANCE AT END OF PERIOD | \$122,588 | \$113,242 | \$114,940 |

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WEST TEXAS UTILITIES COMPANY
Balance Sheets

| | December 31, | |
|---|----------------|------------|
| | 2000 | 1999 |
| | (in thousands) | |
| ASSETS | | |
| ELECTRIC UTILITY PLANT: | | |
| Production | \$ 431,793 | \$ 429,783 |
| Transmission | 235,303 | 220,479 |
| Distribution | 416,587 | 403,206 |
| General (including nuclear fuel) | 110,832 | 113,945 |
| Construction Work in Progress | 34,824 | 15,131 |
| Total Electric Utility Plant | 1,229,339 | 1,182,544 |
| Accumulated Depreciation and Amortization | 515,041 | 495,847 |
| NET ELECTRIC UTILITY PLANT | 714,298 | 686,697 |
| OTHER PROPERTY AND INVESTMENTS | 23,154 | 21,570 |
| ENERGY TRADING CONTRACTS - LONG-TERM | 20,944 | - |
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | 6,941 | 6,074 |
| Accounts Receivable: | | |
| Customers | 36,217 | 45,928 |

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| | | |
|--|-------------|------------|
| Affiliated Companies | 16,095 | 4,837 |
| Allowance for Uncollectible Accounts | (288) | (186) |
| Fuel - at average cost | 12,174 | 17,133 |
| Materials and Supplies - at average cost | 10,510 | 14,029 |
| Underrecovered Fuel Costs | 67,655 | 14,652 |
| Energy Trading Contracts | 152,174 | - |
| Prepayments | 851 | 619 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 302,329 | 103,086 |
| | ----- | ----- |
| REGULATORY ASSETS | 24,808 | 29,745 |
| | ----- | ----- |
| DEFERRED CHARGES | 3,399 | 20,107 |
| | ----- | ----- |
| TOTAL | \$1,088,932 | \$ 861,205 |
| | ===== | ===== |

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WEST TEXAS UTILITIES COMPANY

| | December 31, | |
|---|----------------|-----------|
| | 2000 | 1999 |
| | ---- | ---- |
| | (in thousands) | |
| CAPITALIZATION AND LIABILITIES | | |
| CAPITALIZATION: | | |
| Common Stock - \$25 Par Value: | | |
| Authorized - 7,800,000 Shares | | |
| Outstanding - 5,488,560 Shares | \$ 137,214 | \$137,214 |
| Paid-in Capital | 2,236 | 2,236 |
| Retained Earnings | 122,588 | 113,242 |
| | ----- | ----- |
| Total Common Shareholder's Equity | 262,038 | 252,692 |
| Cumulative Preferred Stock: | | |
| Not Subject to Mandatory Redemption | 2,482 | 2,482 |
| Long-term Debt | 255,843 | 263,686 |
| | ----- | ----- |
| TOTAL CAPITALIZATION | 520,363 | 518,860 |
| | ----- | ----- |
| CURRENT LIABILITIES: | | |
| Long-term Debt Due Within One Year | - | 40,000 |
| Advances from Affiliates | 58,578 | 21,408 |
| Accounts Payable - General | 45,562 | 39,611 |
| Accounts Payable - Affiliated Companies | 42,212 | 19,770 |
| Customer Deposits | 2,659 | 2,396 |
| Taxes Accrued | 18,901 | 12,458 |

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| | | |
|---|-------------|-----------|
| Interest Accrued | 3,717 | 4,165 |
| Energy Trading Contracts | 154,919 | - |
| Other | 7,906 | 5,510 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 334,454 | 145,318 |
| | ----- | ----- |
| DEFERRED INCOME TAXES | 157,038 | 148,992 |
| | ----- | ----- |
| DEFERRED INVESTMENT TAX CREDITS | 24,052 | 25,323 |
| | ----- | ----- |
| REGULATORY LIABILITIES AND DEFERRED CREDITS | 32,236 | 22,712 |
| | ----- | ----- |
| ENERGY TRADING CONTRACTS - LONG-TERM | 20,789 | - |
| | ----- | ----- |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |
| | | |
| TOTAL | \$1,088,932 | \$861,205 |
| | ===== | ===== |