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 AUTH. NAME: AUTHOR AFFILIATION  
 ALEXICH, M.P. Indiana & Michigan Electric Co.  
 ALEXICH, M.P. American Electric Power Service Corp.  
 RECIP. NAME: RECIPIENT AFFILIATION  
 DENTON, H.R. Office of Nuclear Reactor Regulation, Director

SUBJECT: Forwards Annual Financial Rept, 1983, consisting of annual financial statements & projected cash flow for 1983.

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AMERICAN ELECTRIC POWER *Service Corporation*



1 Riverside Plaza (614) 223-1000  
P.O. Box 16631  
Columbus, Ohio 43216-6631

December 5, 1983  
AEP:NRC:0740A

Donald C. Cook Nuclear Plant Unit Nos. 1 and 2  
Docket Nos. 50-315 and 50-316  
License Nos. DPR-58 and DPR-74  
FINANCIAL INFORMATION FOR INDIANA & MICHIGAN ELECTRIC COMPANY


Mr. Harold R. Denton, Director  
Office of Nuclear Reactor Regulation  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

Dear Mr. Denton:

Enclosure 1 contains three copies of the Indiana & Michigan Electric Company's (I&MECo) Annual Report for 1982. Enclosure 2 contains three copies of I&MECo's projected cash flow for 1983. These reports are submitted pursuant to 10 CFR 50.71(b) and 10 CFR 140.21(e).

This document has been prepared following Corporate procedures which incorporate a reasonable set of controls to ensure its accuracy and completeness prior to signature by the undersigned.

Very truly yours,

  
Milton P. Alexich  
Vice President

th

Enclosures

cc: John E. Dolan  
W. G. Smith, Jr. - Bridgman  
R. C. Callen  
G. Charnoff  
E. R. Swanson, NRC Resident Inspector - Bridgman

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# Indiana & Michigan Electric Company

**ANNUAL REPORT 1982**

**AMERICAN ELECTRIC POWER SYSTEM**

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## Background of the Company

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INDIANA & MICHIGAN ELECTRIC COMPANY (the Company), a subsidiary of American Electric Power Company, Inc. (AEP) is engaged in the generation, purchase, transmission and distribution of electric power. The Company was organized under the laws of Indiana on February 21, 1925, and is also authorized to transact business in Michigan and West Virginia. Its principal executive offices are in Fort Wayne, Indiana.

The Company has two wholly owned subsidiaries; they are Blackhawk Coal Company, which owns coal mines and related mining assets, and Price River Coal Company, which mines coal from land owned by Blackhawk that is purchased largely by the Company.

The Company serves approximately 444,000 customers in northern and eastern Indiana and a portion of southwestern Michigan. Among the principal industries served are stone, clay, glass and concrete products, primary metals, fabricated metal products, electrical and electronic machinery and transportation equipment. In addition, the Company supplies wholesale electric power to other electric utilities, municipalities and cooperatives.

The Company's generating plants and important load centers are interconnected by a high-voltage transmission network. This network in turn is interconnected either directly or indirectly with the following other AEP System companies to form a single integrated power system: Appalachian Power Company, Columbus and Southern Ohio Electric Company, Kentucky Power Company, Kingsport Power Company, Michigan Power Company, Ohio Power Company and Wheeling Electric Company. The Company is also interconnected with the following other utilities: Central Illinois Public Service Company, The Cincinnati Gas & Electric Company, Commonwealth Edison Company, Consumers Power Company, Illinois Power Company, Indiana-Kentucky Electric Corporation (a subsidiary of Ohio Valley Electric Corporation), Indianapolis Power & Light Company, Northern Indiana Public Service Company and Public Service Company of Indiana, Inc.

## Directors

---

FRANK N. BIEN  
W. A. BLACK  
LAWRENCE R. BRUNKE (a)  
RICHARD E. DISBROW  
JOHN E. DOLAN  
M. R. HARRELL (a)  
G. E. LEMASTERS (b)

GERALD P. MALONEY  
RICHARD C. MENGE  
C. W. ROHRIG (b)  
J. F. STARK  
BEVERLY I. STEARS  
W. S. WHITE, JR.

## Officers

---

W. S. WHITE, JR.  
*Chairman of the Board  
and Chief Executive Officer*

W. A. BLACK  
*President and  
Chief Operating Officer*

J. F. STARK  
*Senior Vice President*

FRANK N. BIEN  
*Vice President*

RICHARD E. DISBROW  
*Vice President*

JOHN E. DOLAN  
*Vice President*

A. JOSEPH DOWD  
*Vice President*

RICHARD F. HERING  
*Vice President*

ROBERT S. HUNTER  
*Vice President*

GERALD P. MALONEY  
*Vice President*

RICHARD C. MENGE  
*Vice President*

BEVERLY I. STEARS  
*Vice President*

PETER J. DEMARIA  
*Treasurer*

JOHN R. BURTON  
*Secretary*

ALLEN H. STUHLMANN  
*Assistant Secretary and  
Assistant Treasurer*

JOHN F. DILORENZO, JR.  
*Assistant Secretary*

CARL J. MOOS  
*Assistant Secretary*

WILLIAM E. OLSON  
*Assistant Secretary*

WILLIAM J. PROCHASKA  
*Assistant Secretary*

JOAN ST. JAMES (c)  
*Assistant Secretary*

LEONARD V. ASSANTE  
*Assistant Treasurer*

BRUCE M. BARBER  
*Assistant Treasurer*

WILLIAM N. D'ONOFRIO  
*Assistant Treasurer*

GERALD R. KNORR  
*Assistant Treasurer*

*The principal occupation of each of the above directors and officers of Indiana & Michigan Electric Company, with eight exceptions, is as an employee of American Electric Power Service Corporation. The exceptions are W. A. Black, Lawrence R. Brunke, M. R. Harrell, Richard C. Menge, Carl J. Moos, J. F. Stark, Beverly I. Stears, and Allen H. Stuhlmann whose principal occupations are as officers or employees of Indiana & Michigan Electric Company.*

(a) Elected April 27, 1982

(b) Resigned April 27, 1982

(c) Elected February 1, 1982



## Selected Financial Data

	Year Ended December 31,				
	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
	(in thousands)				
INCOME STATEMENTS DATA:					
OPERATING REVENUES — ELECTRIC .....	\$809,803	\$812,149	\$742,683	\$683,013	\$595,845
TOTAL OPERATING EXPENSES .....	<u>634,858</u>	<u>634,209</u>	<u>577,502</u>	<u>524,800</u>	<u>438,608</u>
OPERATING INCOME .....	174,945	177,940	165,181	158,213	157,237
TOTAL OTHER INCOME AND DEDUCTIONS .....	<u>48,725</u>	<u>29,713</u>	<u>30,541</u>	<u>29,042</u>	<u>29,749</u>
INCOME BEFORE INTEREST CHARGES .....	223,670	207,653	195,722	187,255	186,986
NET INTEREST CHARGES .....	<u>102,647</u>	<u>104,313</u>	<u>99,151</u>	<u>91,475</u>	<u>75,439</u>
CONSOLIDATED NET INCOME — before preferred stock dividend requirements ...	121,023	103,340	96,571	95,780	111,547
PREFERRED STOCK DIVIDEND REQUIREMENTS ..	<u>28,628</u>	<u>23,624</u>	<u>23,242</u>	<u>19,995</u>	<u>18,357</u>
EARNINGS APPLICABLE TO COMMON STOCK ...	<u>\$ 92,395</u>	<u>\$ 79,716</u>	<u>\$ 73,329</u>	<u>\$ 75,785</u>	<u>\$ 93,190</u>

	December 31,				
	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
	(in thousands)				
<b>BALANCE SHEETS DATA:</b>					
ELECTRIC UTILITY PLANT .....	\$3,541,114	\$3,356,987	\$3,117,381	\$2,657,930	\$2,397,245
ACCUMULATED PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION .....	<u>685,789</u>	<u>611,699</u>	<u>561,773</u>	<u>475,643</u>	<u>410,520</u>
NET ELECTRIC UTILITY PLANT .....	2,855,325	2,745,288	2,555,608	2,182,287	1,986,725
TOTAL ASSETS .....	3,135,884	3,035,614	2,826,172	2,616,996	2,360,813
COMMON STOCK, PREMIUMS ON CAPITAL STOCK AND OTHER PAID-IN CAPITAL .....	777,783	727,652	637,287	587,193	527,193
RETAINED EARNINGS .....	91,756	100,170	114,495	130,480	133,057
CUMULATIVE PREFERRED STOCK:					
NOT SUBJECT TO MANDATORY REDEMPTION .	197,000	197,000	197,000	197,000	197,000
SUBJECT TO MANDATORY REDEMPTION (a) ..	104,447	105,509	68,348	70,000	30,000
LONG-TERM DEBT (a) .....	1,397,475	1,404,044	1,264,673	1,124,255	1,050,626

(a) Including portion due within one year.

# Management's Discussion and Analysis of Results of Operations and Financial Condition

---

The following are the more significant factors bearing on the financial condition of Indiana & Michigan Electric Company and its subsidiaries as reflected in the consolidated results of operations. This discussion refers to the consolidated financial statements that follow.

## Operating Revenues and Expenses

Consolidated operating revenues decreased 0.3% in 1982 in contrast to a 9.4% increase in 1981. Kilowatt-hours sold decreased by 8.3% in 1982 and 1.7% in 1981. The primary reason for the decrease in the sales of electric energy and operating revenues was the continued depressed economic activity in the Company's service area as well as the extraordinarily mild weather experienced throughout most of the year in the service area.

Revenues from retail customers (residential, commercial and industrial) were up 7.2% in 1982 on a 2.1% decline in kwh sales and increased 11.1% in 1981 on a 0.6% increase in kwh sales. The increase in revenues can be attributed to higher rates which went into effect during the period and the recovery of higher fuel costs, a portion of which is passed on to customers through fuel-adjustment charges. The reduction in kwh sales was due principally to decreased sales to industrial customers.

Wholesale revenues decreased by 9.6% in 1982 and increased 3.9% in 1981. This decrease in 1982 revenues was the result of a decrease of 13.7% in kwh sales compared to a 3.6% decrease of kwh sales in 1981. Wholesale sales to municipalities, electric cooperatives and other electric utilities, while lower in 1982, are expected to continue to be significant during the next few years as well; however, much will depend upon the timing and extent of improvements in the economy and the return to more normal weather patterns.

In 1982 purchased and interchange power costs increased by 11.2% due to increased kwh purchases of 12.4%. In 1981 these costs increased 8.1% because of a higher cost per unit purchased, which more than offset a 5% decrease in kwh purchased. Because of AEP's powerful interconnection and transmission capacity, normally during periods of peak demand that exceed the available generating capacity, wholesale customers' requirements are able to be met by purchasing power from neighboring utilities for resale to others.

Fuel expenses decreased 18.8% in 1982 as a result of decreased sales and a change in fuel mix, and increased 2.4% in 1981 mainly due to the increased cost of fuel for generation. Future fuel expenses will be affected by

generation levels, contractual agreements between the coal industry and the United Mine Workers of America, foreign purchases of United States coal and the possibility of yet more stringent environmental restrictions on burning certain types of coal. Whether or not continued increases in fuel costs will adversely affect earnings will depend on the Company's continued ability to recover those costs promptly in the face of efforts by consumer groups and others to delay or reduce rate increases and to eliminate or reduce the extent of coverage of fuel-adjustment clauses.

## Construction and Financing Program

Expenditures for the Company's construction program over the three-year period 1983-1985 are estimated to be approximately \$609 million. Substantial additional expenditures may be required if existing generating plants require modification or additional facilities to comply with present and future environmental quality standards. In recent years, the construction program has been affected by substantial increases in construction costs and difficulties in obtaining financing for the program due to high costs of capital. The construction program is reviewed continuously and revised from time to time in response to revised projections of load growth and changes in the cost and availability of capital. In recent years, these reviews have resulted in extending construction schedules of a number of projects with the objective of reducing the level of annual construction expenditures. However, deferrals of construction projects may have an adverse effect on the quality of the Company's service to its customers in the future, and any resulting reductions in current construction costs may, in the long run, be at least partially offset by cancellation charges and general inflationary trends. In addition, when the completion date of a project under construction is substantially delayed, it becomes more expensive, both because of the foregoing factors and because certain costs, principally financing costs, continue to accrue until the facility is placed in commercial operation.

As a result of the assumption of partial ownership of the Rockport Plant by AEP Generating Company and possibly Kentucky Power Company (see Note 9 of the Notes to Consolidated Financial Statements), it is anticipated that the Company will require minimal external financings to meet its 1983-1985 construction program. Any additional amounts needed will have to be raised externally, as in the past, through sales of securities and investments in the Company's common equity by AEP. The Company initially finances current construction

expenditures in excess of available internally generated funds by issuing unsecured short-term debt (commercial paper and bank loans) and then periodically reduces short-term debt with the proceeds from sales of long-term securities and preferred stock and with investments in the Company's common equity by AEP.

The amounts of short-term debt which the Company may issue are limited by regulatory restrictions under the Public Utility Holding Company Act of 1935 and by restrictions in its charter and in certain debt instruments. At December 31, 1982, the Company had received authorizations from the Securities and Exchange Commission to issue a total of approximately \$135 million of short-term debt. Note 7 of Notes to Consolidated Financial Statements contains information on the Company's short-term bank lines of credit and revolving credit agreements. Bank lines of credit may be withdrawn at any time by the banks extending them and in most cases the banks require the maintenance of compensating deposit balances or the payment of fees in lieu of deposits.

In order for the Company to issue additional long-term debt and preferred stock, it is necessary for it to comply with earnings-coverage requirements contained in its mortgage bond and debenture indentures and in its charter. In order to issue additional long-term debt (except to refund maturing long-term debt), the Company must have pre-tax earnings equal to at least twice the annual interest charges on long-term debt, giving effect to the issuance of the new debt, for a period of 12 consecutive months within the 15 months immediately preceding the date of the new issue. To issue additional preferred stock, the Company must have after tax gross income at least equal to one and one-half times annual interest charges and preferred dividends, giving effect to the issuance of the new preferred stock, for the same period. These provisions do not prevent certain types of pollution control revenue bond financings by public bodies on behalf of the Company, but the levels of coverage under them may affect the cost and marketability of such bonds. At December 31, 1982, the coverages of the Company under these provisions were at least 1.79 for long-term debt and 1.51 for preferred stock.

In view of these restrictions on the issuance of additional debt securities and preferred stock, the Company believes that it will be possible to meet the capital requirements of its construction program only if the Company receives rate increases over the next several years sufficient to meet the earnings levels required to issue the necessary amounts of long-term debt and preferred stock and to provide an appropriate return on new equity investment.

#### Net Income

Consolidated net income before preferred dividend requirements increased in 1982 by 17.1% and in 1981 by 7%. These changes in net income were accompanied by an increase in the total proportion of allowance for funds used during construction (AFUDC) reflected in net income, 92% in 1982 and 77.3% in 1981. AFUDC does not represent cash income or a reduction in actual interest expense, but is an accounting convention required by regulatory systems of accounts. By means of AFUDC, the net cost of borrowed funds used for construction and a reasonable rate of return on other funds, when so used, is capitalized as a cost of construction projects with a concurrent credit to the Income Statement. The amount capitalized is added to the cost of construction projects and generally included in the plant investment base for setting rates and recovered through depreciation charges included in rates after the project is placed in commercial operation.

#### Effects of Inflation

In recent years inflation has had a substantial effect on the Company's consolidated revenues, expenses and net income that is not readily evident in conventional financial statements. For additional information on the effects of inflation, refer to Note 12 of the Notes to Consolidated Financial Statements, which presents a consolidated statement of income for 1982, adjusted for effects of inflation, and a comparison of selected supplementary data for a four-year period, similarly adjusted.

# Auditors' Opinion

**Deloitte  
Haskins+Sells**

155 East Broad Street  
Columbus, Ohio 43215  
(614) 221-1000  
Cable DEHANDS

To the Shareowners and the Board of  
Directors of Indiana & Michigan  
Electric Company:

We have examined the consolidated balance sheets of Indiana & Michigan Electric Company and its subsidiaries as of December 31, 1982 and 1981 and the related consolidated statements of income, retained earnings and sources and applications of funds for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of the Company and its subsidiaries at December 31, 1982 and 1981 and the results of their operations and their sources and applications of funds for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

*Deloitte Haskins + Sells*

February 22, 1983

# Consolidated Statements of Income

	Year Ended December 31,		
	1982	1981	1980
	(in thousands)		
OPERATING REVENUES — ELECTRIC .....	\$809,803	\$812,149	\$742,683
OPERATING EXPENSES:			
Operation:			
Fuel for Electric Generation .....	143,025	176,074	171,943
Purchased and Interchange Power (net) .....	154,683	139,119	128,645
Other .....	126,922	101,792	79,788
Maintenance .....	56,431	48,895	41,377
Depreciation, Depletion and Amortization .....	83,031	81,458	77,668
Taxes Other Than Federal Income Taxes .....	32,567	32,698	26,296
Federal Income Taxes .....	38,199	54,173	51,785
Total Operating Expenses .....	634,858	634,209	577,502
OPERATING INCOME .....	174,945	177,940	165,181
OTHER INCOME AND DEDUCTIONS:			
Allowance for Other Funds Used During Construction .....	57,889	32,885	18,438
Miscellaneous Nonoperating Income Less Deductions .....	(9,164)	(3,172)	12,103
Total Other Income and Deductions .....	48,725	29,713	30,541
INCOME BEFORE INTEREST CHARGES .....	223,670	207,653	195,722
INTEREST CHARGES:			
Interest on Long-term Debt .....	142,841	129,023	109,138
Interest on Short-term Debt .....	8,974	18,042	18,847
Miscellaneous Interest Charges .....	4,258	4,228	2,993
Total Interest Charges .....	156,073	151,293	130,978
Allowance for Borrowed Funds Used During			
Construction (credit) .....	(53,426)	(46,980)	(31,827)
Net Interest Charges .....	102,647	104,313	99,151
CONSOLIDATED NET INCOME — before preferred stock			
dividend requirements .....	121,023	103,340	96,571
PREFERRED STOCK DIVIDEND REQUIREMENTS .....	28,628	23,624	23,242
EARNINGS APPLICABLE TO COMMON STOCK .....	\$ 92,395	\$ 79,716	\$ 73,329

See Notes to Consolidated Financial Statements.

# Consolidated Balance Sheets

	December 31,	
	<u>1982</u>	<u>1981</u>
	(in thousands)	
<b>ASSETS</b>		
<b>ELECTRIC UTILITY PLANT:</b>		
Production .....	\$1,532,241	\$1,512,548
Transmission .....	441,241	438,849
Distribution .....	305,528	296,677
General and Miscellaneous (includes mining plant) .....	186,890	194,177
Construction Work in Progress .....	<u>1,075,214</u>	<u>914,736</u>
Total Electric Utility Plant .....	3,541,114	3,356,987
Less Accumulated Provisions for Depreciation, Depletion and Amortization .....	<u>685,789</u>	<u>611,699</u>
Electric Utility Plant Less Provisions .....	<u>2,855,325</u>	<u>2,745,288</u>
 OTHER PROPERTY AND INVESTMENTS .....	 <u>28,319</u>	 <u>24,838</u>
 <b>CURRENT ASSETS:</b>		
Cash .....	10,000	7,486
Special Deposits and Working Funds .....	4,098	18,574
Accounts Receivable:		
Customers .....	56,739	73,978
Associated Companies .....	9,214	9,995
Miscellaneous .....	4,148	9,037
Accumulated Provision for Uncollectible Accounts .....	(414)	(375)
Materials and Supplies (at average cost or less):		
Fuel .....	72,811	48,644
Construction and Operation Materials and Supplies .....	19,821	19,947
Accrued Utility Revenues .....	21,874	19,994
Prepayments and Other Current Assets .....	<u>5,134</u>	<u>5,076</u>
Total Current Assets .....	<u>203,425</u>	<u>212,356</u>
 <b>DEFERRED DEBITS:</b>		
Unamortized Debt Expense .....	3,570	3,715
Property Taxes .....	1,740	1,729
Deferred Collection of Fuel Costs .....	215	502
Deferred Strike Costs .....	2,413	3,791
Other Work in Progress .....	3,961	6,048
Other Deferred Debits .....	<u>36,916</u>	<u>37,347</u>
Total Deferred Debits .....	<u>48,815</u>	<u>53,132</u>
Total .....	<u>\$3,135,884</u>	<u>\$3,035,614</u>

See Notes to Consolidated Financial Statements.

	December 31,	
	<u>1982</u>	<u>1981</u>
	(in thousands)	
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION:</b>		
Common Stock — No Par Value:		
Authorized — 2,500,000 Shares		
Outstanding — 1,400,000 Shares .....	\$ 56,584	\$ 56,584
Premiums on Capital Stock .....	381	381
Other Paid-in Capital .....	720,818	670,687
Retained Earnings .....	<u>91,756</u>	<u>100,170</u>
Total Common Shareowner's Equity .....	869,539	827,822
Cumulative Preferred Stock:		
Not Subject to Mandatory Redemption .....	197,000	197,000
Subject to Mandatory Redemption (less sinking fund requirements due within one year) .....	104,000	105,500
Long-term Debt (less portion due within one year) .....	<u>1,304,505</u>	<u>1,298,502</u>
Total Capitalization (less amounts due within one year) .	<u>2,475,044</u>	<u>2,428,824</u>
<b>CURRENT LIABILITIES:</b>		
Cumulative Preferred Stock Sinking Fund Requirements		
Due Within One Year .....	447	9
Long-term Debt Due Within One Year .....	92,970	105,542
Short-term Debt:		
Notes Payable to Banks .....	89,150	15,500
Commercial Paper .....	3,000	38,100
Accounts Payable:		
General .....	35,147	38,440
Associated Companies .....	12,586	9,377
Dividends Declared:		
Common Stock .....	—	1,124
Cumulative Preferred Stock .....	7,140	6,303
Customer Deposits .....	2,836	2,483
Taxes Accrued .....	11,464	29,943
Interest Accrued .....	35,120	31,583
Revenue Refunds Accrued .....	11,921	23,095
Other Current Liabilities .....	<u>25,895</u>	<u>33,182</u>
Total Current Liabilities .....	<u>327,676</u>	<u>334,681</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>		
<b>DEFERRED CREDITS AND OPERATING RESERVES:</b>		
Deferred Income Taxes .....	255,098	230,223
Deferred Investment Tax Credits .....	35,877	22,907
Other Deferred Credits and Operating Reserves .....	<u>42,189</u>	<u>18,979</u>
Total Deferred Credits and Operating Reserves ....	<u>333,164</u>	<u>272,109</u>
Total .....	<u>\$3,135,884</u>	<u>\$3,035,614</u>

# Consolidated Statements of Sources and Applications of Funds

	Year Ended December 31,		
	1982	1981	1980
	(in thousands)		
SOURCES OF FUNDS:			
Funds from Operations:			
Consolidated Net Income .....	\$121,023	\$103,340	\$ 96,571
Principal Non-fund Charges (Credits) to Income:			
Depreciation, Depletion and Amortization .....	87,459	85,978	83,393
Provision for Deferred Income Taxes (net) .....	22,533	36,082	34,840
Deferred Investment Tax Credits (net) .....	25,638	9,247	11,124
Amortization of Deferred Strike Costs .....	1,378	3,195	—
Amortization of Deferred Collection of Fuel Costs .....	287	287	508
Allowance for Other Funds Used During Construction ..	(57,889)	(32,885)	(18,438)
Other (net) .....	1,141	710	767
Total Funds from Operations .....	<u>201,570</u>	<u>205,954</u>	<u>208,765</u>
Funds from Contributions and Financings:			
Contributions and Financings:			
Capital Contributions from Parent Company .....	50,000	90,000	50,000
Cumulative Preferred Stock .....	—	38,734	—
Long-term Debt .....	99,167	158,922	177,021
Short-term Debt (net) .....	38,550	(92,925)	(2,770)
Total .....	187,717	194,731	224,251
Less Retirements of Cumulative Preferred Stock and Long-term Debt .....	106,997	22,019	38,149
Net Funds from Contributions and Financings ....	80,720	172,712	186,102
Sales of Property .....	77,745	40,845	50,673
Total Sources of Funds .....	<u>\$360,035</u>	<u>\$419,511</u>	<u>\$445,540</u>
APPLICATIONS OF FUNDS:			
Plant and Property Additions:			
Gross Additions to Utility Plant .....	\$267,783	\$307,672	\$304,678
Gross Other Additions .....	326	578	6,013
Total Gross Additions .....	268,109	308,250	310,691
Allowance for Other Funds Used During Construction ....	(57,889)	(32,885)	(18,438)
Net Plant and Property Additions .....	210,220	275,365	292,253
Dividends on Common Stock .....	100,800	92,624	89,320
Dividends on Cumulative Preferred Stock .....	28,628	23,624	23,242
Deferred Strike Costs .....	—	6,986	—
Other Changes (net) .....	(4,103)	2,415	11,117
Increase in Working Capital (a) .....	24,490	18,497	29,608
Total Applications of Funds .....	<u>\$360,035</u>	<u>\$419,511</u>	<u>\$445,540</u>
(a) Excludes Cumulative Preferred Stock Sinking Fund Requirements Due Within One Year, Long-term Debt Due Within One Year and Short-term Debt and is represented by increase (decrease) as follows:			
Cash and Cash Items .....	\$ (11,962)	\$ 11,765	\$ 5,707
Accounts Receivable .....	(22,948)	2,405	9,334
Materials and Supplies .....	24,041	(16,505)	18,503
Accrued Utility Revenues .....	1,880	8,198	(8,308)
Accounts Payable .....	84	6,936	6,933
Dividends Declared on Common Stock .....	1,124	10,376	18,630
Revenue Refunds Accrued .....	11,174	15,121	(10,038)
Taxes Accrued .....	18,479	(6,139)	(3,670)
Other (net) .....	2,618	(13,660)	(7,483)
	<u>\$ 24,490</u>	<u>\$ 18,497</u>	<u>\$ 29,608</u>

See Notes to Consolidated Financial Statements.



## Consolidated Statements of Retained Earnings

	Year Ended December 31,		
	1982	1981	1980
	(in thousands)		
Balance at Beginning of Year:			
As Previously Reported .....	\$101,725	\$116,050	\$132,035
Restatement (Note 2) .....	(1,555)	(1,555)	(1,555)
As Restated .....	100,170	114,495	130,480
Consolidated Net Income .....	121,023	103,340	96,571
Total .....	221,193	217,835	227,051
Deductions:			
Cash Dividends Declared:			
Common Stock .....	100,800	92,624	89,320
Cumulative Preferred Stock:			
4 1/8 % Series .....	495	495	495
4.56 % Series .....	273	273	273
4.12 % Series .....	165	165	165
7.08 % Series .....	2,124	2,124	2,124
7.76 % Series .....	2,716	2,716	2,716
8.68 % Series .....	2,604	2,604	2,604
12 % Series .....	3,003	3,226	3,425
\$2.15 Series .....	3,440	3,440	3,440
\$2.25 Series .....	3,600	3,600	3,600
\$2.75 Series .....	4,400	4,400	4,400
\$3.63 Series .....	5,808	581	—
Total Cash Dividends Declared .....	129,428	116,248	112,562
Capital Stock Expense .....	9	1,417	(6)
Total Deductions .....	129,437	117,665	112,556
Balance at End of Year .....	\$ 91,756	\$100,170	\$114,495

See Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

## 1. Significant Accounting Policies:

The common stock of the Company is wholly owned by American Electric Power Company, Inc. (AEP).

The accounting and rates of the Company are subject in certain respects to the requirements of state regulatory bodies and in certain respects to the requirements of the Federal Energy Regulatory Commission (FERC).

The consolidated financial statements include the accounts of the Company and two wholly owned subsidiaries engaged in coal mining. Significant inter-company items have been eliminated in consolidation. The consolidated financial statements have been prepared on the basis of the accounts which are maintained for FERC purposes.

### *Electric Utility Plant; Other Property and Investments; Depreciation, Depletion and Amortization*

Electric utility plant is stated at original cost. Generally, the plant of the Company is subject to first mortgage liens.

The Company capitalizes, as a construction cost, an allowance for funds used during construction, an item not representing cash income, which is defined in the applicable regulatory systems of accounts as the net cost of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. The composite rates used by the Company were 12.75% in 1982, 12% in 1981 and 10.75% in 1980 applied on a semi-annual compound basis during 1982 and 1981.

The Company provides for depreciation on a straight-line basis over the estimated useful lives of the property. The current provisions are determined largely with the use of functional composite rates as follows:

Functional Class of Property	Composite Annual Rates
Production:	
Steam — Nuclear .....	4.0%
Steam — Fossil-fired .....	3.7%
Transmission .....	2.1%
Distribution .....	3.7%
General .....	2.8%

Depreciation, depletion and amortization of coal-mining property are provided in amounts estimated to be sufficient to amortize the costs of the related assets, less any estimated salvage (which is not significant), over their useful lives and are calculated by use of the following methods:

Description	Method
Mining Structures and Equipment	Straight-line method (original lives range from 2 to 30 years)
Coal Interests and Mine Development Costs	Units-of-production method (based on estimated recoverable tonnages; current rate averages \$1.07 per ton)

Substantially all of the amount of the provisions for depreciation, depletion and amortization of coal-mining property is classified in the Consolidated Statements of Income as fuel for electric generation.

Operating expenses are charged with the costs of labor, materials, supervision and other costs incurred in maintaining the properties. Property accounts are charged with costs of betterments and major replacements of property and the accumulated provisions for depreciation are charged with retirements, together with removal costs less salvage.

Other property and investments are generally stated at cost.

### *Income Taxes*

Deferred Federal income taxes, reduced where applicable by investment tax credits, are provided by the Company generally to the extent that such amounts are allowed for rate-making purposes.

The Company normalizes the effect of tax reductions resulting from investment tax credits recognized in connection with accruals of current income taxes and provisions for certain deferred Federal income taxes, consistent with rate-making policies. The tax benefits associated with investment tax credits and the Accelerated Cost Recovery System have been normalized for rate-making and accounting purposes as required by the Economic Recovery Tax Act of 1981.

The Company's consolidated coal subsidiaries generally use the "flow-through" method of accounting for investment tax credits and practice deferred tax accounting for the effects of certain timing differences.

### *Pension Plans*

The companies participate with other companies in the AEP System in a non-contributory trustee plan to provide pensions for all their employees who are not participants in pension plans of the United Mine Workers of America (UMWA), subject to certain eligibility requirements.

Pension costs for the years ended December 31, 1982, 1981 and 1980 were approximately \$3,057,000, \$3,201,000 and \$3,416,000, respectively. The amounts

cover the costs of currently accruing benefits and amortization of, and interest on, unfunded prior-service costs, which are being amortized over 30 years. The companies make annual contributions to the plan equal to the amounts accrued for pension expense.

A comparison of the plan's accumulated benefits and net assets as of January 1, 1982, the date of the most recent actuarial study, is presented below:

	January 1,	
	1982	1981
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested .....	\$46,652	\$46,410
Nonvested .....	4,830	5,030
	<u>\$51,482</u>	<u>\$51,440</u>
Net assets available for benefits .....	<u>\$76,659</u>	<u>\$77,283</u>

The assumed rate of return used by the actuary in determining the actuarial present value of accrued benefits was 8% at each valuation date.

Under a contract with the UMW, a subsidiary is required to make payments into two multi-employer pension plans based on coal production and hours worked. The cost of the plans was approximately \$2,442,000 in 1982 and \$1,700,000 in 1981. As of June 30, 1982, the Company's actuary estimates, based on information that is available, that the subsidiary's share of the unfunded vested liabilities of the UMW pension plans approximates \$9,160,000.

#### *Black Lung Benefits*

The coal-mining subsidiaries are liable under the Federal Coal Mine Health and Safety Act of 1969 (Act), as amended, to pay certain black lung benefits to eligible present and former employees. The subsidiaries provide self-insurance accruals sufficient to amortize the actuarially computed present and future liabilities for such benefits as a level percentage of pay over the future working lifetime of the employees, taking into account the remaining life of the mines. Such provisions were approximately \$530,000, \$398,000 and \$391,000 in 1982, 1981 and 1980, respectively. A Black Lung Benefits Trust is maintained under Section 501(c)(21) of the Internal Revenue Code. As of January 1, 1982 (the latest valuation date), the companies' actuary estimates the unfunded actuarial value of medical and liability benefits under the Act, as well as comparable state legislation, was approximately \$6,000,000. The companies fund the actuarially determined liabilities at a level which currently approximates the recorded expense provisions.

#### *Other*

The Company accrues unbilled revenues for electric service rendered subsequent to the last billing cycle through month-end.

Miscellaneous nonoperating income for the years ended December 31, 1982, 1981 and 1980 includes gains amounting to \$496,000, \$489,000 and \$397,000, respectively, on certain long-term debt reacquired.

Debt discount or premium and debt expenses are being amortized over the lives of the related debt issues and the amortization thereof is included within miscellaneous interest charges.

#### **2. Restatements, Operating Revenues and Operating Expenses:**

Prior year financial statements have been restated to reflect the effects of certain revenue refunds as ordered by state regulatory commissions during the third quarter of 1982. The effects of such restatements were to decrease consolidated net income by \$1,065,000 in 1978 and \$490,000 in 1977.

In March 1982, the Company filed an application with the Public Service Commission of Indiana (PSCI) for a rate increase of \$52,145,000 annually. In December 1982, the PSCI issued an order granting the Company an increase of \$23,800,000 annually, a portion of which is being collected subject to refund pending the outcome of additional proceedings relating to the ratemaking treatment of the Company's coal subsidiaries and Western coal properties.

In May 1982, the Company filed with the FERC applications for authority to increase its rates to its wholesale customers. In July 1982, the FERC authorized the increase to take effect in two steps, subject to refund; the first step representing an increase of \$26,900,000 became effective July 29, 1982, and the second step increase of \$28,900,000 became effective on December 28, 1982. As of December 31, 1982, the Company has collected, subject to refund, approximately \$11,207,000 as a result of that authorization.

Operating revenues derived from a certain wholesale customer represent approximately 10% of total operating revenues for 1982 and 9% for 1981 and 1980.

In December 1982, Price River Coal Company temporarily discontinued mining operations. Mining operations are expected to resume during the second quarter of 1983. As a result thereof, the Company recorded a \$15,000,000 provision for losses (\$8,100,000 net of deferred income taxes) to be incurred during 1983 representing the effects of nonrecoverable mine standby costs.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. Federal Income Taxes:

The details of Federal income taxes as reported are as follows:

	Year Ended December 31,		
	1982	1981	1980
	(in thousands)		
Charged (Credited) to Operating Expenses:			
Current (net)	\$ (16,503)	\$ 8,672	\$ 6,984
Deferred (net)	29,064	36,254	33,677
Deferred Investment Tax Credits (net)	25,638	9,247	11,124
Total	38,199	54,173	51,785
Charged (Credited) to Other Income and Deductions:			
Current (net)	(890)	(1,988)	1,525
Deferred (net)	(6,531)	(172)	1,163
Total	(7,421)	(2,160)	2,688
Total Federal Income Taxes as Reported	\$ 30,778	\$ 52,013	\$ 54,473

The following is a reconciliation of the difference between the amount of Federal income taxes computed by multiplying book income before Federal income taxes by the statutory tax rate, and the amount of Federal income taxes reported in the Consolidated Statements of Income.

	Year Ended December 31,		
	1982	1981	1980
	(in thousands)		
Consolidated Net Income Before Preferred Stock Dividend Requirements	\$121,023	\$103,340	\$ 96,571
Federal Income Taxes	30,778	52,013	54,473
Pre-tax Book Income	\$151,801	\$155,353	\$151,044
Federal Income Taxes on Pre-tax Book Income at Statutory Rate (46%)	\$ 69,828	\$ 71,462	\$ 69,480
Increase (Decrease) in Federal Income Taxes Resulting From the Following Items on Which Deferred Taxes Are Not Provided:			
Excess of Book Over (Under) Tax Depreciation	5,009	1,107	(104)
Allowance for Funds Used During Construction and Miscellaneous Items Capitalized on the Books but Deducted for Tax Purposes	(32,040)	(19,658)	(11,203)
Mine Development Costs	(4,771)	311	(211)
Investment Tax Credits Not Deferred	(1,727)	(1,799)	(409)
Amortization of Prior Years Deferred Investment Tax Credits	(931)	(327)	(641)
Other	(4,590)	917	(2,439)
Total Federal Income Taxes as Reported	\$ 30,778	\$ 52,013	\$ 54,473
Effective Federal Income Tax Rate	20.3%	33.5%	36.1%

The following are the principal components of Federal income taxes as reported:

	Year Ended December 31,		
	1982	1981	1980
	(in thousands)		
Current:			
Federal Income Taxes	\$ (4,008)	\$11,598	\$ 28,299
Investment Tax Credits	(13,385)	(4,914)	(19,790)
Total Current Federal Income Taxes (net)	(17,393)*	6,684	8,509
Deferred:			
Depreciation (liberalized, ADR and ACRS)	12,441	13,440	16,689
Allowance for Borrowed Funds Used During Construction and Miscellaneous Items Capitalized	20,410	18,465	13,330
Unbilled Revenue	894	3,660	(3,822)
Adjustments for Revenue Refunds	8,304	3,134	(5,469)
Amortization of Pollution Control Equipment	1,981	2,874	3,767
Percentage Repair Allowance	(1,539)	1,315	5,005
Nuclear Fuel Lease Adjustments	4,033	1,258	(2,350)
Book Provision for Subsidiary Mine Standby Costs	(6,900)	—	—
Other	(2,180)	(1,605)	74
Investment Tax Credits Applicable to Certain Deferred Income Taxes	(14,911)	(6,459)	7,616
Total Deferred Federal Income Taxes (net)	22,533	36,082	34,840
Total Deferred Investment Tax Credits (net)	25,638	9,247	11,124
Total Federal Income Taxes as Reported	\$ 30,778	\$ 52,013	\$ 54,473

\*The consolidated current Federal income taxes were significantly decreased in 1982 by the tax loss of a coal mining subsidiary, the tax effect of which was not reduced by investment tax credits. In addition, the Company was able to utilize investment tax credits in excess of the statutory limitation as a result of the lack of available credits of other System companies with taxable income.

The companies join in the filing of a consolidated Federal income tax return with their affiliated companies in the AEP System. The allocation of the AEP System's consolidated Federal income tax to the System companies is in accordance with Securities and Exchange Commission (SEC) rules under the Public Utility Holding Company Act of 1935. In 1981, the SEC amended its rules to permit the allocation of the benefit of current tax losses to the System companies giving rise to such losses in determining taxes currently payable. In prior years, in order to be consistent with rate-making, the benefits of these tax losses, without affecting taxes payable, were reallocated to the AEP System companies giving rise to such losses in determining each System company's Federal income tax expense. The tax loss of the System parent company, American Electric Power Company, Inc., continues to be allocated to its subsidiaries with taxable income. With the exception of the loss of the parent company, the new method of allocation approximates a separate return result for each company in the consolidated group. Consolidated investment tax credits utilized are generally allocated to the System companies giving rise to them.

Unused System investment tax credits at December 31, 1982, aggregated approximately \$192,000,000, of which \$73,000,000, generated by the companies are available for their future utilization. Of the companies' investment tax credit carryforwards, approximately \$16,000,000 has been applied as a reduction of deferred income taxes prior to December 31, 1982.

The System has entered into a preliminary agreement with the Internal Revenue Service (IRS) for the settlement of most of the issues from the audit of the consoli-

dated Federal income tax returns for the years 1970-1976. This settlement agreement is subject to final governmental approval. Several issues regarding the 1974-1976 returns are not covered by the settlement agreement and are subject to future disposition. Returns for the years 1977 and 1978 have been reviewed by the IRS, and additional taxes for these years have been proposed, some of which the System companies have protested. In the opinion of management, the final resolution of open matters will not have a material effect on the earnings of the Company.

#### 4. Common Stock, Premiums on Capital Stock and Other Paid-in Capital:

The Company received from its parent cash capital contributions of \$50,000,000 in 1982, \$90,000,000 in 1981 and \$50,000,000 in 1980. In 1982, 1981 and 1980 a credit to other paid-in capital of \$131,000, \$365,000 and \$94,000, respectively, represented the excess of par value over cost of cumulative preferred stock reacquired by the Company to meet sinking fund requirements. There were no other changes in any of the aforementioned accounts in 1982, 1981 or 1980.

#### 5. Retained Earnings:

Various restrictions on the use of retained earnings for cash dividends on common stock and other purposes are contained in or result from covenants in mortgage indentures, debenture and bank loan agreements, charter provisions, and orders of regulatory authorities. Approximately \$48,400,000 at December 31, 1982, was so restricted.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 6. Cumulative Preferred Stock:

At December 31, 1982, authorized shares of cumulative preferred stock were as follows:

Par Value	Shares Authorized
\$100 .....	2,250,000
25 .....	11,200,000

The cumulative preferred stock is callable at the option of the Company at the price indicated plus accrued dividends. The involuntary liquidation preference is par value. Unissued shares of the cumulative preferred stock may or may not possess mandatory redemption characteristics upon issuance. The Company issued and sold 1,600,000 shares of the \$3.63 series in 1981.

### A. Cumulative Preferred Stock Not Subject to Mandatory Redemption:

Series	Current Call Price	Redemption Restricted Prior to	Par Value	Shares Outstanding	Amount	
					December 31,	
					1982	1981
(in thousands)						
4 1/8% .....	\$106.125		\$100	120,000	\$ 12,000	\$ 12,000
4.56% .....	102		100	60,000	6,000	6,000
4.12% .....	102.728		100	40,000	4,000	4,000
7.08% .....	104.68		100	300,000	30,000	30,000
7.76% .....	105.38		100	350,000	35,000	35,000
8.68% .....	107.44		100	300,000	30,000	30,000
\$2.15 .....	26.61		25	1,600,000	40,000	40,000
\$2.25 .....	27.25	3/1/83	25	1,600,000	40,000	40,000
					<u>\$197,000</u>	<u>\$197,000</u>

### B. Cumulative Preferred Stock Subject To Mandatory Redemption:

Series (a)	Current Call Price	Redemption Restricted Prior to	Par Value	Shares Outstanding	Amount	
					December 31,	
					1982	1981
					(in thousands)	
12% (b)	\$112		\$100	244,465	\$ 24,447	\$ 25,509
\$2.75 (c)	27.75	10/1/84	25	1,600,000	40,000	40,000
\$3.63 (d)	28.63	11/1/86	25	1,600,000	40,000	40,000
					104,447	105,509
Less Sinking Fund Requirements Due Within One Year					447	9
					<u>\$104,000</u>	<u>\$105,500</u>

(a) The minimum sinking fund provisions of the series subject to mandatory redemption aggregate \$1,500,000 in the year 1983, and \$3,500,000 in 1984, 1985, 1986 and 1987.

(b) A sinking fund for the 12% series requires the Company to provide, on or before October 1 of each year, for the redemption of 15,000 shares of such series. This provision may be satisfied through shares previously purchased or by redemption at \$100 a share. The Company has the right, on each sinking fund date, to redeem an additional 15,000 shares. At December 31, 1982, the Company had reacquired 10,535 shares in anticipation of future sinking fund requirements. Unless all sinking fund provisions have been met, no distribution may be made on the common stock.

(c) A cumulative sinking fund for the \$2.75 series requires the Company to redeem 80,000 shares on each October 1 commencing on October 1, 1984. The Company has the option to credit shares purchased or otherwise acquired in lieu of redeeming shares for the sinking fund and has the noncumulative option to double the number of shares to be redeemed in any year on and after October 1, 1984.

(d) A cumulative sinking fund for the \$3.63 series requires the Company to redeem 80,000 shares on each January 1 commencing on January 1, 1987. The Company has the option to credit shares purchased or otherwise acquired in lieu of redeeming shares for the sinking fund and has the noncumulative option to double the number of shares to be redeemed in any year on and after January 1, 1987.

**7. Long-term Debt, Lines of Credit, and  
Compensating Balances:**

Long-term debt by major category was outstanding as follows:

	December 31,	
	1982	1981
	(in thousands)	
First Mortgage Bonds .....	\$1,202,904	\$1,203,648
Sinking Fund Debentures .....	20,964	21,930
Installment Purchase Contracts ....	159,073	158,936
Other Long-term Debt .....	14,534	19,530
	<u>1,397,475</u>	<u>1,404,044</u>
Less Portion Due Within One Year .....	92,970	105,542
Total .....	<u>\$1,304,505</u>	<u>\$1,298,502</u>

First mortgage bonds outstanding were as follows:

		December 31,	
		1982	1981
		(in thousands)	
% Rate	Due		
3¼	1982 — January 1 .....	\$ —	\$ 16,046
10¼	1982 — June 1 .....	—	70,000
3½	1983 — September 1 ...	13,762	13,762
11	1983 — September 1 ...	60,000	60,000
3½	1984 — October 1 .....	15,082	15,082
10½	1984 — Dec. 1 (b)(c) ...	56,938	59,250
10	1985 — March 1 (c) ....	10,500	11,250
10¼	1987 — January 1 .....	80,000	80,000
13½	1987 — February 1 .....	55,000	55,000
3½	1988 — February 1 .....	22,974	22,974
4¾	1988 — November 1 ...	17,557	17,557
14¾	1989 — March 1 .....	120,000	120,000
11½	1990 — June 1 .....	80,000	80,000
15½	1991 — November 1 ...	40,000	40,000
16½	1992 — April 1 (a) ....	100,000	—
4¾	1993 — August 1 .....	42,902	42,902
7	1998 — May 1 .....	35,000	35,000
8½	2000 — April 1 .....	50,000	50,000
9½	2003 — June 1 (c) .....	265,500	277,000
8½	2003 — December 1 ....	40,000	40,000
9½	2008 — March 1 .....	100,000	100,000
Unamortized Discount (net) .....		<u>(2,311)</u>	<u>(2,175)</u>
		<u>1,202,904</u>	<u>1,203,648</u>
Less Portion Due Within One Year .....		88,200	100,547
Total .....		<u>\$1,114,704</u>	<u>\$1,103,101</u>

(a) Issued by the Company in April 1982.

(b) Guaranteed by American Electric Power Company, Inc.

(c) Sinking fund payments are required as follows:

10% series due 1985 — \$750,000 annually on March 1.

10½% series due 1984 — \$2,250,000 annually on December 1, through 1983, with the noncumulative election to redeem an additional \$2,250,000 in each year.

9½% series due 2003 — \$11,500,000 annually on June 1, through 1991 and \$13,500,000 annually on June 1, 1992 through 2002 with the noncumulative option to redeem an additional amount in each of the specified years from a minimum of \$100,000 to a maximum equal to the scheduled requirement for each year, but with a maximum optional redemption, as to all years in the aggregate, of \$75,000,000.

The indentures relating to the first mortgage bonds contain improvement, maintenance and replacement provisions requiring the deposit of cash or bonds with the trustee, or in lieu thereof, certification of unfunded property additions. The Company has elected to use unfunded property additions to meet these provisions in the past.

Sinking fund debentures outstanding were as follows:

	December 31,	
	1982	1981
	(in thousands)	
5¼% Due 1986 — June 1 .....	\$10,104	\$10,690
7¼% Due 1998 — May 1 .....	10,829	11,201
Unamortized Premium .....	31	39
Total .....	<u>\$20,964</u>	<u>\$21,930</u>

Installment purchase contracts have been entered into by the Company in connection with the issuance of pollution control revenue bonds by governmental authorities as follows:

		December 31,	
		1982	1981
		(in thousands)	
% Rate	Date		
City of Lawrenceburg, Indiana:			
8½	2006 — July 1 .....	\$ 25,000	\$ 25,000
7	2006 — May 1 .....	40,000	40,000
6%	2006 — May 1 .....	12,000	12,000
City of Rockport, Indiana:			
9½	2005 — June 1 .....	6,500	6,500
9¼	2010 — June 1 .....	33,500	33,500
City of Sullivan, Indiana:			
7¾	2004 — May 1 .....	7,000	7,000
6%	2006 — May 1 .....	25,000	25,000
7½	2009 — May 1 .....	13,000	13,000
Unamortized Discount .....		<u>(2,927)</u>	<u>(3,064)</u>
Total .....		<u>\$159,073</u>	<u>\$158,936</u>

Under the terms of certain installment purchase contracts, the Company is required to pay purchase price installments in amounts sufficient to enable the cities to pay interest on and the principal (at stated maturities and upon mandatory redemption) of related pollution control revenue bonds issued to finance the construction of pollution control facilities at certain generating plants of the Company.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other long-term debt outstanding consisted of:

	December 31,	
	1982	1981
	(in thousands)	
Coal Reserve Obligations Payable in Equal Annual Installments Through 1985 with Interest at 8% .....	\$14,212	\$18,950
Notes Payable due 1983 Through 1985, 6%-7% .....	322	580
	14,534	19,530
Less Portion Due Within One Year ...	4,770	4,995
Total .....	<u>\$ 9,764</u>	<u>\$14,535</u>

Long-term debt, excluding premium or discount, outstanding at December 31, 1982 is due as follows:

	Principal Amount
	(in thousands)
1983 .....	\$ 92,970
1984 .....	86,955
1985 .....	25,996
1986 .....	21,029
1987 .....	146,800
Later Years .....	1,028,933
Total .....	<u>\$1,402,683</u>

At December 31, 1982 and 1981, the principal amounts of debentures reacquired in anticipation of sinking fund requirements were \$2,067,000 and \$1,909,000, respectively. The Company may make additional debenture or first mortgage bond sinking fund payments of up to \$14,500,000 annually.

The Company had unused short-term bank lines of credit of approximately \$330,000,000 and \$387,000,000 at December 31, 1982 and 1981, respectively, under which notes could be issued with no maturity more than 270 days. The available lines of credit are subject to withdrawal at the banks' option, and \$276,000,000 and \$334,000,000 at December 31, 1982 and 1981, respectively, of such lines are shared with other AEP System companies. In accordance with informal agreements with the banks, compensating balance deposits of up to 10% or equivalent fees are required to maintain the lines of credit and on any amounts actually borrowed, generally either additional compensating balance deposits of up to 10% are maintained or adjustments in interest rates are made. Substantially all bank balances are maintained by the Company to compensate the banks for services and for the Company's share of both used and available lines of credit.

## 8. Supplementary Income Statement Information and Related-Party Transactions:

Electric operating revenues shown in the Consolidated Statements of Income include sales of energy to AEP System companies of approximately \$18,800,000,

\$19,100,000 and \$17,400,000 for the years ended December 31, 1982, 1981 and 1980, respectively.

Operating expenses shown in the Consolidated Statements of Income include certain items not shown separately, as follows:

	Year Ended December 31,		
	1982	1981	1980
	(in thousands)		
Purchased Power (a) .....	\$ 40,817	\$ 38,557	\$ 42,147
Interchange Power (net):			
AEP System Electric			
Utilities .....	116,666	100,960	87,111
Other Companies (b) ....	(2,800)	(398)	(613)
	<u>\$154,683</u>	<u>\$139,119</u>	<u>\$128,645</u>

Taxes Other Than Federal Income Taxes:			
Real and Personal Property			
Taxes .....	\$19,485	\$18,958	\$16,193
State Gross Sales, Excise and Franchise Taxes and Miscellaneous State and Local Taxes .....	8,567	9,399	7,309
State Income Taxes .....	708	1,074	165
Social Security Taxes — Federal and State .....	3,807	3,267	2,629
	<u>\$32,567</u>	<u>\$32,698</u>	<u>\$26,296</u>

Fuel for Electric Generation includes charges relating to mining operations, as follows:			
Maintenance .....	\$3,424	\$3,778	\$5,680
Depreciation, Depletion and Amortization .....	4,284	4,434	5,653
Taxes Other Than Federal Income Taxes .....	2,109	1,336	1,061

(a) Includes power purchased from Ohio Valley Electric Corporation (OVEC) of approximately \$20,229,000 in 1982, \$15,066,000 in 1981 and \$15,837,000 in 1980.

(b) Includes interchange power sold to OVEC of approximately \$143,000 in 1982, \$186,000 in 1981 and \$386,000 in 1980.

Charges to operating expenses for royalties and for advertising are less than 1% of gross revenues in each year.

Sales and purchases of energy and interchange power transactions are regulated by the various commissions having jurisdiction.

American Electric Power Service Corporation provides certain services to the Company and the affiliated companies in the AEP System. The costs of the services are determined by the service company on a direct charge basis to the extent practicable and on reasonable bases of proration for indirect costs. The charges for services are made on a cost basis and include no compensation for the use of equity capital, all of which is furnished to the service company by AEP. The service company is subject to the regulation of the SEC under the Public Utility Holding Company Act of 1935.



## 9. Commitments and Contingencies:

### *Construction*

The construction budget of the companies for the year 1983 is estimated at \$127,000,000 and, in connection therewith, commitments have been made.

AEP Generating Company (AEGCO), a newly organized subsidiary company of AEP, commenced in April 1982 to acquire a 35% interest in the Company's 2.6 million kilowatt capacity Rockport Plant currently under construction, on a buy-in basis. The total estimated cost of the Rockport Plant is \$2.16 billion. It was anticipated that Kentucky Power Company (KEPCO), an operating subsidiary of AEP, would also acquire a 15% interest in the Rockport Plant on a buy-in basis; however, in August 1982 the order of the Kentucky Public Service Commission (KPSC) approving the acquisition was remanded back to it for a specific finding of fact with respect to the AEP System interconnection agreement. Pending further order by KPSC, KEPCO ceased making expenditures in connection with the construction of the Rockport Plant and AEGCO is currently providing for all construction expenditures. The 1983 estimate of construction costs for the Company reflects the assumption by the Company's affiliates of the responsibility of providing for additional construction expenditures with respect to the Rockport Plant, to reduce the Company's ownership interest in the Plant to 50% by late 1984, the estimated date of commercial operation of the first unit of the two-unit Plant.

### *Ohio Valley Electric Corporation*

AEP, Columbus and Southern Ohio Electric Company (C&SOE), a subsidiary of AEP, and several unaffiliated utility companies jointly own Ohio Valley Electric Corporation (OVEC), which supplies the power requirements of a gaseous diffusion plant near Portsmouth, Ohio owned by the Department of Energy (DOE). The aggregate equity participation of AEP and C&SOE in OVEC is 42.1%. The proceeds from the sales of power by OVEC are designed to be sufficient for OVEC to meet its operating expenses and fixed costs, and to provide for a return on its equity capital. The Company, as a sponsoring company, is entitled to receive from OVEC, and is obligated to pay for, the power not required by DOE in proportion to its power participation ratio, at present 7.6%. The DOE power agreement terminates in 1992.

### *Litigation*

On April 16, 1982, an action was commenced by 29

plaintiffs, almost all of whom are landowners, in the U.S. District Court for the Southern District of Indiana against the Army Corps of Engineers, the Company, AEP, five subsidiaries of AEP and two executive officers of certain of these System companies, in connection with the Rockport Plant and related transmission lines. The complaint contains three counts. The first count alleges that the Corps of Engineers improperly issued permits for the plant and transmission lines because of deficiencies in an environmental impact statement. The plaintiffs are seeking an injunction to prohibit further land acquisition, construction and approvals of construction until the defendants remedy the purported deficiencies. The second count, which is brought as a purported derivative action on behalf of AEP and its shareowners, alleges that corporate assets have been dissipated by constructing the plant and related transmission lines, and plaintiffs seek a judgment of not less than \$700 million and an injunction enjoining further waste and dissipation of corporate assets in connection with such construction. In the third count, the plaintiffs claim violations of their rights to due process, just compensation and equal protection of the law in connection with the use of condemnation proceedings, and they seek unspecified compensatory and exemplary damages from the two System executive officers named as defendants and the Company and another subsidiary, and injunctive relief enjoining the institution of any further condemnation proceedings. A motion for summary judgment has been filed with respect to Count I, and motions to dismiss have been filed with respect to Counts II and III. The Company believes that it has meritorious defenses to the complaint.

In 1978, a retail customer of the Company commenced an action, individually and as representative of an alleged class, in the U.S. District Court, alleging that the Company's lease of electric utility assets from the City of Fort Wayne is in violation of Federal antitrust laws. The complaint seeks to have the lease declared null and void, asks that the Company be restrained from charging excessive prices for the purchase of electric power, seeks treble damages in an unspecified amount in respect of allegedly excessive charges to residents of the City of Fort Wayne and seeks to restore the control of the electric utility assets in question to the City of Fort Wayne. In May, June and July, 1979 the Court granted in part and denied in part the Company's motion to dismiss or for summary judgment. The Court dismissed plaintiff's allegations concerning abuse of a legally acquired monopoly but ruled that plaintiffs could continue to assert other theories of violation of Federal antitrust laws and certified a class of residential

customers who may maintain the action. The case was tried in March 1982 and is awaiting decision.

In 1975, the Federal Power Commission issued an order instituting an investigation under the Federal Power Act concerning the reasonableness and prudence of the coal purchasing policies and practices of members of the System, the manner in which wholesale fuel adjustment clauses are implemented by System members, and related matters. A complainant and eight intervenors are also participating in the proceeding. In 1978, the FERC staff issued a preliminary report which alleged overcharges on the part of the entire System, and of which only a portion relates to the Company's operations. The report also questioned certain aspects of the System's fuel policies, including the AEP System's decision to expand its use of coal from mines owned by affiliates and its use of Western coal. In November 1979, the FERC staff submitted its final recommendations to the administrative law judge. The final recommendations urge refunds of alleged overcharges, corrections of alleged improper coal accounting and pricing practices, disallowances of certain fuel costs associated with Western coal acquisitions, revision of FERC regulations regarding affiliate fuel costs and establishment of hearing procedures to resolve certain of the issues and that a separate investigation be instituted concerning System administration of long-term fuel supply contracts. The System companies have submitted a written response supporting the decisions previously made by the System companies. On February 14, 1980, FERC issued an order directing the administrative law judge immediately to certify to FERC the entire record in the proceeding for review by the Commission and ordered that the procedural schedule be placed in abeyance, pending a further directive. On March 18, 1980, FERC ordered a new investigation into the System's administration of certain long-term coal supply contracts with non-affiliated suppliers. On June 10, 1981 and July 29, 1981, FERC issued orders which included termination of certain portions of the original investigations, the referral of other portions to the Chief Accountant of FERC for resolution (which have been resolved), and the ordering of a hearing, which is currently in its discovery phase, relating to the procurement of Western coal from mines operated by the System and from non-affiliated sources in the light of the possible availability of coal from other sources. The Company cannot assess the outcome or significance of this proceeding.

#### *Environmental Matters*

The companies are subject to regulation by Federal, state and local authorities with regard to air and water

quality control and other environmental matters, and are subject to zoning and other regulation by local authorities. Although the cumulative, long-term effect of changing environmental requirements upon the companies cannot be estimated at present, compliance with such requirements may make it necessary, at costs which may be substantial, to retrofit existing facilities with additional air pollution control equipment; to construct cooling towers or some other closed-cycle cooling systems; to undertake new measures in connection with the storage, transportation and disposal of by-products and wastes; to curtail or cease operations at existing facilities and to delay the commercial operation of, or make design changes with respect to, facilities under construction. Environmental requirements may also affect the ability of the Company to issue additional first mortgage bonds under its mortgage because of covenants and conditions relating to compliance with governmental requirements.

Legislative proposals are pending before the United States Congress which expressly seek to control acid deposition in the eastern portion of the United States. If any of these bills became law, stringent controls upon the emission of sulfur dioxide will be required at existing Company generating plants. These controls would entail very substantial capital and operating costs.

#### *Nuclear Insurance*

The Price-Anderson Act limits the public liability of a licensee of a nuclear plant to \$560 million for a single nuclear incident. The Company has insurance covering its two-unit Cook Nuclear Plant in the maximum available amount of \$160 million, and the balance of \$400 million is covered by a mandatory program of deferred premiums which would be assessed, after a nuclear incident, against all owners of nuclear reactors. When the 80th nuclear power reactor went into operation on November 15, 1982, the Nuclear Regulatory Commission's indemnity obligation was eliminated. Now, as each new reactor is licensed to operate, the \$560 million limit increases by another \$5 million. In the event of a nuclear incident the Company could be assessed \$5 million per incident for each of its units (subject to a maximum of \$10 million per reactor in any year in the event of more than one incident).

The Company also has property insurance for damage to the Cook Plant facilities in the amount of \$983 million. The primary layer of \$500 million is provided through nuclear insurance pools. The excess coverage above \$500 million is provided partially through insurance pools (\$68 million), with the majority provided by Nuclear Electric Insurance Limited (NEIL), as described below.

The Company is a member of NEIL and has obtained insurance under NEIL's two programs. NEIL's extra-expense program provides insurance to cover extra costs of replacement power resulting from a prolonged accidental outage of a nuclear unit. The Company's policy insures against such increased costs up to \$2.5 million per week (starting 26 weeks after the outage) for one year and \$1.25 million per week for the second year; or 80% of those amounts per unit if both units are down for the same reason. The Company would be subject to a retrospective premium of up to \$7,765,630 per unit (five times annual premium) if NEIL's losses exceed its accumulated funds. Additionally, the Company has also joined NEIL's excess property insurance program which presently provides \$415 million in coverage. The maximum assessment under this program could be \$9,016,020 (seven and one-half times the annual premium on a 100% coverage basis).

#### *Disposal of Spent Nuclear Fuel and Nuclear Decommissioning*

The Nuclear Waste Policy Act of 1982 establishes Federal responsibility for the permanent disposal of spent nuclear fuel. Disposal costs will be paid by fees assessed against owners of nuclear plants and deposited into the Nuclear Waste Fund created by the Act. For electricity generated and sold after April 6, 1983 by the Company's Cook Nuclear Plant, the Company will pay a fee of 1.0 mill per kilowatthour to the Fund. Calculation and payment of a one-time fee for spent nuclear fuel associated with generation prior to April 7, 1983 are subject to a rule-making determination by DOE. With respect to decommissioning, the Public Service Commission of Indiana held in its Order dated December 22, 1982 that "a reasonable estimate for the costs of decommissioning the (Cook Plant), when measured in 1982 dollars, should be set at \$155,000,000." In certain of its jurisdictions, the Company is currently recovering, through inclusion in its current charges to customers, a portion of the future costs associated with the disposal of spent nuclear fuel and with decommissioning. Furthermore, in all its jurisdictions the Company will attempt to obtain regulatory approval for the recovery of the remainder of such future costs.

#### 10. Leases:

The Company, as part of its operations, leases property, plant and equipment under leases ranging in length from 1 to 35 years. Most of the leases require the Company to pay related property taxes, maintenance costs and other costs of operation. The Company expects

that in the normal course of business, leases will generally be renewed or replaced by other leases. The majority of the various rentals are included in leases having purchase options or renewal options for substantially all of the economic lives of the properties.

Rentals are analyzed as follows:

	Year Ended December 31,		
	1982	1981	1980
	(in thousands)		
Gross Rentals .....	\$96,000	\$95,000	\$88,000
Less Rental Recoveries (including sublease rentals) (a) .....	3,000	3,000	3,000
Net Rentals (b) .....	<u>\$93,000</u>	<u>\$92,000</u>	<u>\$85,000</u>
(a) Includes amounts paid for or reimbursed by associated companies.			
(b) Classified as:			
Operating Expenses .....	\$88,000	\$87,000	\$82,000
Clearing and Miscellaneous Accounts (portions of which are charged to income) .....	5,000	5,000	3,000
	<u>\$93,000</u>	<u>\$92,000</u>	<u>\$85,000</u>

Future minimum lease payments, by year and in the aggregate, of the Company's capital leases and noncancelable operating leases consisted of the following at December 31, 1982:

	Capital Leases (a)	Operating Leases
	(in thousands)	
1983 .....	\$ 12,000	\$ 11,000
1984 .....	11,000	11,000
1985 .....	9,000	12,000
1986 .....	8,000	12,000
1987 .....	7,000	12,000
Later Years .....	60,000	191,000
Total Future Minimum Lease Payments .	107,000	<u>\$249,000</u>
Less Estimated Interest Element Included Therein (b) .....	54,000	
Estimated Present Value of Future Minimum Lease Payments .....	<u>\$ 53,000</u>	

(a) Excludes leases of nuclear fuel, all of which are capital leases. Nuclear fuel rentals comprise the unamortized balance of the lessor's cost (approximately \$122,000,000 at December 31, 1982), less salvage value, if any, to be paid in proportion to heat produced, and carrying charges on the lessor's unrecovered cost. It is contemplated that portions of the presently leased material will be replenished by additional leased material.

(b) Interest rates used range from 4.9% to 18%.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a pro forma analysis of properties under capital leases and related obligations assuming that such leases are capitalized:

	December 31,	
	1982	1981
	(in thousands)	
Nuclear Fuel .....	\$253,000	\$203,000
Coal-mining and Coal-transportation Equipment .....	28,000	14,000
Other Transportation Equipment .....	13,000	14,000
Real Estate .....	13,000	13,000
Electric Distribution System Property ...	13,000	13,000
Gross Properties under Capital Leases ..	320,000	257,000
Less Accumulated Provision for Amortization .....	153,000	113,000
Net Properties under Capital Leases ....	<u>\$167,000</u>	<u>\$144,000</u>
Obligations under Capital Leases (a) ....	<u>\$175,000</u>	<u>\$151,000</u>

(a) Including an estimated \$60,000,000 and \$56,000,000 at December 31, 1982 and 1981, respectively, due within one year.

A new accounting standard will require the companies to capitalize leases beginning in 1984 for all capital leases entered into after December 31, 1982 and all earlier leases beginning in 1987. This will not have any effect on the Consolidated Statements of Income.

Included in the above analysis of future minimum lease payments and of properties under capital leases and related obligations are certain leases as to which portion of the related rentals are paid for or reimbursed by associated companies in the AEP System based on their usage of the leased property. The Company cannot predict the extent to which or proportion in which the associated companies will utilize the properties under such leases in the future.

### 11. Unaudited Quarterly Financial Information:

The following consolidated quarterly financial information is unaudited but, in the opinion of the Company, includes all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation of the amounts shown:

Quarterly Periods Ended	Operating Revenues	Operating Income	Net Income*
	(in thousands)		
1982 —			
Mar. 31 .....	\$241,513	\$52,967	\$38,910
June 30 .....	183,212	43,628	30,472
Sept. 30 .....	202,372	35,882	25,331
Dec. 31 .....	182,706	42,468	26,310
1981 —			
Mar. 31 .....	202,158	48,607	26,858
June 30 .....	209,533	40,347	21,799
Sept. 30 .....	203,816	44,099	27,162
Dec. 31 .....	196,642	44,887	27,521

\*Before preferred stock dividend requirements.

### 12. Unaudited Information On Inflation and Changing Prices:

The supplementary information in the statements below is presented in compliance with the requirements of the Financial Accounting Standards Board (FASB). The information is intended to disclose the effects of both general inflation and changing prices; however, the amounts should be considered approximations of such effects rather than precise measures since a number of subjective judgments and estimating techniques were employed in developing the information.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power as measured by the average level of the 1982 Consumer Price Index for All Urban Customers (CPI-U).

Current cost amounts reflect the changes in specific prices of property, plant and equipment from the date such assets were acquired to the present, and differ from constant dollar amounts to the extent that specific prices have risen at a different rate than the general inflation rate as measured by the CPI-U. The current cost of property, plant and equipment represents the approximate cost of replacing such resources and includes utility plant in service, construction work in progress, land, land rights and other property and investments. Current cost amounts were determined primarily by applying appropriate indexes from the Handy-Whitman Index of Public Utility Construction Costs.

Consolidated Statement of Income  
Adjusted for Effects of Changing Prices

Year Ended December 31, 1982	As Stated in the Primary Financial Statements	Adjusted for General Inflation (constant dollar)  (in thousands)	Adjusted for Changes in Specific Prices (current cost)
Operating Revenues .....	\$ 809,803	\$ 810,000	\$ 810,000
Operating Expenses:			
Operation:			
Fuel for Electric Generation (a) .....	143,025	145,000	145,000
Purchased and Interchange Power (net) .....	154,683	155,000	155,000
Other .....	126,922	127,000	127,000
Maintenance .....	56,431	56,000	56,000
Depreciation, Depletion and Amortization (a) .....	83,031	183,000	184,000
Taxes Other Than Federal Income Taxes .....	32,567	33,000	33,000
Federal Income Taxes .....	38,199	38,000	38,000
Total Operating Expenses .....	634,858	737,000	738,000
Operating Income .....	174,945	73,000	72,000
Other Income and Deductions .....	48,725	49,000	49,000
Net Interest Charges .....	(102,647)	(103,000)	(103,000)
Preferred Stock Dividend Requirements .....	(28,628)	(29,000)	(29,000)
Earnings (Loss) Applicable to Common Stock (b) .....	\$ 92,395	\$ (10,000)	\$ (11,000)
Increase in Specific Prices (current cost) of Property, Plant and Equipment Held During the Year (c) .....			\$ 403,000
Reduction to Net Recoverable Cost (d) .....		\$ (17,000)	(185,000)
Effect of Increase in General Price Level .....			(227,000)
Excess of Increase in General Price Level over Increase in Specific Prices After Reduction to Net Recoverable Cost .....			(9,000)
Gain from Decline in Purchasing Power of Net Amounts Owed (e) .		74,000	74,000
Net .....		\$ 57,000	\$ 65,000

(a) As prescribed by the FASB, the items in the Consolidated Statement of Income that have been adjusted are depreciation, depletion and amortization (including portions classified as fuel for electric generation and other income and deductions). Depreciation, depletion and amortization charges were computed by applying current accrual rates to the various plant accounts (production, transmission, distribution, general and miscellaneous) after adjusting such accounts for the effects of changing prices.

(b) Including the reduction to net recoverable cost, the loss from operations on a constant dollar basis and current cost basis would have been \$27,000,000 and \$196,000,000, respectively.

(c) At December 31, 1982, current cost of property, plant and equipment net of accumulated depreciation, depletion and amortization was \$5,613,000,000 while historical cost or net cost recoverable through depreciation, depletion and amortization was \$2,857,000,000.

(d) The reduction to net recoverable cost of property, plant and equipment (as expressed in terms of inflation-adjusted cost) to historical cost recognizes that the rate-making process limits the Company to recovery of the historical cost of the subject assets.

(e) To reflect properly the economics of rate regulation in the Consolidated Statement of Income Adjusted for Effects of Changing Prices, the reduction to net recoverable cost should be offset by the gain that results from the decline in purchasing power of the net amounts owed by the Company. During a period of inflation, holders of monetary assets such as cash and receivables suffer a loss of general purchasing power while holders of monetary liabilities, generally long-term debt, experience a gain (because debt will be repaid in dollars having less purchasing power). The Company's gain from the decline in purchasing power of its net amounts owed is primarily attributable to the substantial amount of debt and cumulative preferred stock subject to mandatory redemption which has been used to finance utility plant.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Concluded)

## Five-Year Comparison of Selected Supplementary Data Adjusted for Effects of Changing Prices (dollar amounts are expressed in terms of average 1982 dollars)

	Year Ended December 31,				
	1982	1981	1980	1979	1978
Operating Revenues .....	\$810,000	\$863,000	\$870,000	\$909,000	\$882,000
<i>Historical Cost Information Adjusted for General Inflation</i>					
Income (Loss) from Operations (excluding reduction to net recoverable cost) .....	\$(10,000)	\$(20,000)	\$(5,000)	\$27,000	
Net Assets at Year-end at Net Recoverable Cost ....	\$1,051,000	\$1,054,000	\$1,064,000	\$1,152,000	
<i>Current Cost Information</i>					
Income (Loss) from Operations (excluding reduction to net recoverable cost) .....	\$(11,000)	\$(20,000)	\$(9,000)	\$8,000	
Excess of Increase in General Price Level over Increase in Specific Prices after Reduction to Net Recoverable Cost .....	\$(9,000)	\$(123,000)	\$(316,000)	\$(254,000)	
Net Assets at Year-end at Net Recoverable Cost ....	\$1,051,000	\$1,054,000	\$1,064,000	\$1,152,000	
<i>General Financial Data</i>					
Gain from Decline in Purchasing Power of Net Amounts Owed .....	\$74,000	\$153,000	\$213,000	\$230,000	
Average Consumer Price Index .....	289.2	272.1	246.8	217.5	195.4
<i>General Information on Mining Operations</i>					
Proven and Probable Coal Reserves at End of Year (thousands of tons) (Note) .....	411,377	412,546	413,964	415,023	
Tons of Coal Mined (thousands) .....	1,168	779	1,059	669	
Average Market Price (at current cost per ton) .....	\$49.32	\$63.92	\$61.81	\$61.16	

Note: Proven reserves — The estimated quantities of commercially recoverable reserves that, on the basis of geological, geophysical and engineering data, can be demonstrated with a reasonably high degree of certainty to be recoverable in the future from known mineral deposits by either primary or improved methods.

Probable reserves — The estimated quantities of commercially recoverable reserves that are less well defined than proven reserves and that may be estimated or indicated to exist on the basis of geological, geophysical and engineering data.

## Operating Statistics

	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
<b>ELECTRIC OPERATING REVENUES (in thousands):</b>					
From Kilowatt-hour Sales:					
Retail:					
Residential:					
Without Electric Heating .....	\$125,798	\$116,340	\$106,488	\$102,543	\$ 95,474
With Electric Heating .....	68,793	59,826	54,277	55,458	53,455
Total Residential .....	194,591	176,166	160,765	158,001	148,929
Commercial .....	127,470	117,725	108,764	106,151	95,229
Industrial .....	137,152	134,519	116,165	127,815	119,856
Miscellaneous .....	7,568	6,953	6,150	6,099	7,644
Total Retail .....	466,781	435,363	391,844	398,066	371,658
Wholesale (sales for resale) .....	325,468	360,096	346,513	280,639	220,137
Total from Kilowatt-hour Sales ..	792,249	795,459	738,357	678,705	591,795
Other Operating Revenues .....	17,554	16,690	4,326	4,308	4,050
Total Electric Operating Revenues ..	<u>\$809,803</u>	<u>\$812,149</u>	<u>\$742,683</u>	<u>\$683,013</u>	<u>\$595,845</u>

### SOURCES AND SALES OF ENERGY (in millions of kilowatt-hours):

#### Sources:

##### Net Generated — Steam:

Fossil Fuel .....	4,587	6,373	6,719	6,443	7,231
Nuclear Fuel .....	12,349	13,167	13,153	11,614	10,101 (a)
Net Generated — Hydroelectric .....	77	98	85	79	75
Subtotal .....	17,013	19,638	19,957	18,136	17,407
Purchased .....	2,154	1,570	1,883	811	301
Net Interchange .....	3,775	3,704	3,669	5,389	4,475
Total Sources .....	22,942	24,912	25,509	24,336	22,183
Less: Losses, Company Use, Etc. ....	1,243	1,239	1,426	1,386	1,340
Net Sources .....	<u>21,699</u>	<u>23,673</u>	<u>24,083</u>	<u>22,950</u>	<u>20,843</u>

#### Sales:

##### Retail:

##### Residential:

Without Electric Heating .....	2,472	2,467	2,493	2,389	2,352
With Electric Heating .....	1,540	1,513	1,549	1,619	1,622
Total Residential .....	4,012	3,980	4,042	4,008	3,974
Commercial .....	2,803	2,748	2,716	2,629	2,498
Industrial .....	3,701	4,021	3,932	4,380	4,319
Miscellaneous .....	197	199	195	194	185
Total Retail .....	10,713	10,948	10,885	11,211	10,976
Wholesale (sales for resale) .....	10,986	12,725	13,198	11,739	9,867
Total Sales .....	<u>21,699</u>	<u>23,673</u>	<u>24,083</u>	<u>22,950</u>	<u>20,843</u>

(a) Includes 691 million kilowatt-hours as test generation. The fuel cost associated with such generation is charged to other operating expense.

# OPERATING STATISTICS (Concluded)

	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
<b>ANNUAL COST OF FUEL CONSUMED (in cents): (a)</b>					
Cents per Million Btu:					
Coal .....	189.59	187.13	164.49	151.91	109.68
Nuclear .....	49.55	49.90	48.44	37.82	34.65
Overall .....	84.85	91.35	84.95	76.25	71.16
Cents per Kilowatt-hour Generated:					
Coal .....	1.85	1.81	1.59	1.52	1.11
Nuclear .....	.53	.54	.52	.41	.38
Overall .....	.89	.95	.89	.81	.75
<b>RESIDENTIAL SERVICE — AVERAGES:</b>					
Annual Kwh Use per Customer:					
Total .....	10,084	10,008	10,206	10,210	10,260
With Electric Heating .....	19,990	19,866	20,584	21,611	22,067
Annual Electric Bill:					
Total .....	\$489	\$443	\$406	\$402	\$389
With Electric Heating .....	\$893	\$785	\$721	\$740	\$736
Price per Kwh (in cents):					
Total .....	4.85	4.43	3.98	3.94	3.79
With Electric Heating .....	4.47	3.95	3.50	3.43	3.34
<b>NUMBER OF ELECTRIC CUSTOMERS:</b>					
Year-End:					
Retail:					
Residential:					
Without Electric Heating .....	320,097	321,850	321,432	319,477	315,472
With Electric Heating .....	<u>77,335</u>	<u>77,002</u>	<u>75,618</u>	<u>75,606</u>	<u>74,900</u>
Total Residential .....	397,432	398,852	397,050	395,083	390,372
Commercial .....	42,233	42,957	42,758	42,563	42,106
Industrial .....	3,249	2,873	2,802	2,748	2,689
Miscellaneous .....	<u>1,458</u>	<u>1,440</u>	<u>1,424</u>	<u>1,373</u>	<u>1,331</u>
Total Retail .....	444,372	446,122	444,034	441,767	436,498
Wholesale (sales for resale) .....	<u>105</u>	<u>104</u>	<u>105</u>	<u>103</u>	<u>107</u>
Total Electric Customers .....	<u>444,477</u>	<u>446,226</u>	<u>444,139</u>	<u>441,870</u>	<u>436,605</u>

(a) Excludes effect of deferred collection of fuel costs.



# Price Range of Cumulative Preferred Stock

By Quarters (1982 and 1981)

Cumulative Preferred Stock (\$100 Par Value)	1982 — Quarters				1981 — Quarters			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
4½% Series								
Dividends Paid Per Share	\$1.03125	\$1.03125	\$1.03125	\$1.03125	\$1.03125	\$1.03125	\$1.03125	\$1.03125
Market Price — \$ Per Share								
(OTC)								
Ask (high/low)	—	—	—	—	—	—	—	—
Bid (high/low)	—	—	—	—	—	—	—	—
4.56% Series								
Dividends Paid Per Share	\$1.14	\$1.14	\$1.14	\$1.14	\$1.14	\$1.14	\$1.14	\$1.14
Market Price — \$ Per Share								
(OTC)								
Ask (high/low)	—	—	—	—	—	—	—	—
Bid (high/low)	—	—	—	—	—	—	—	—
4.12% Series								
Dividends Paid Per Share	\$1.03	\$1.03	\$1.03	\$1.03	\$1.03	\$1.03	\$1.03	\$1.03
Market Price — \$ Per Share								
(OTC)								
Ask (high/low)	—	—	—	—	—	—	—	—
Bid (high/low)	—	—	—	—	—	—	—	—
7.08% Series								
Dividends Paid Per Share	\$1.77	\$1.77	\$1.77	\$1.77	\$1.77	\$1.77	\$1.77	\$1.77
Market Price — \$ Per Share								
(NYSE) — High	46¾	47	50	55	49½	47½	46	47½
— Low	42½	44	44	48	46	44	42	41¾
7.76% Series								
Dividends Paid Per Share	\$1.94	\$1.94	\$1.94	\$1.94	\$1.94	\$1.94	\$1.94	\$1.94
Market Price — \$ Per Share								
(NYSE) — High	50½	52	56½	61½	54	53½	50	51¼
— Low	45½	47½	48	52¼	51½	48½	48	45
8.68% Series								
Dividends Paid Per Share	\$2.17	\$2.17	\$2.17	\$2.17	\$2.17	\$2.17	\$2.17	\$2.17
Market Price — \$ Per Share								
(NYSE) — High	55	58½	59¼	67	61	58	56	56½
— Low	50¾	52	57½	57½	55½	55	50½	54
12% Series								
Dividends Paid Per Share	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Market Price — \$ Per Share								
(NYSE) — High	81½	86½	94	98½	93½	91	88½	84
— Low	77½	79½	79¼	89	85	88¾	78	78½
(\$25 Par Value)								
\$2.15 Series								
Dividends Paid Per Share	\$0.5375	\$0.5375	\$0.5375	\$0.5375	\$0.5375	\$0.5375	\$0.5375	\$0.5375
Market Price — \$ Per Share								
(NYSE) — High	14½	15	15½	17½	15½	14¾	14¾	15¼
— Low	13½	13½	13¼	15½	13¾	13¾	12½	12¾
\$2.25 Series								
Dividends Paid Per Share	\$0.5625	\$0.5625	\$0.5625	\$0.5625	\$0.5625	\$0.5625	\$0.5625	\$0.5625
Market Price — \$ Per Share								
(NYSE) — High	14¾	15½	16½	18¼	16	16	15	16
— Low	13½	13½	14¼	15½	14½	13½	13¾	13
\$2.75 Series								
Dividends Paid Per Share	\$0.6875	\$0.6875	\$0.6875	\$0.6875	\$0.6875	\$0.6875	\$0.6875	\$0.6875
Market Price — \$ Per Share								
(NYSE) — High	18¼	18¾	20	21	20	22½	22	18¾
— Low	17¼	18¾	16½	20	18½	19¾	17	18
\$3.63 Series*								
Dividends Paid Per Share	\$0.63	\$0.90375	\$0.90375	\$0.90375	—	—	—	—
Market Price — \$ Per Share								
(NYSE) — High	—	25½	26¾	29¾	—	—	—	—
— Low	—	22¾	23	25½	—	—	—	—

OTC — Over-the-Counter

NYSE — New York Stock Exchange

\*Issued in November 1981

Note — The above bid and asked quotations represent prices between dealers and do not represent actual transactions.

Market quotations provided by National Quotation Bureau, Inc.

Dash indicates quotation not available.

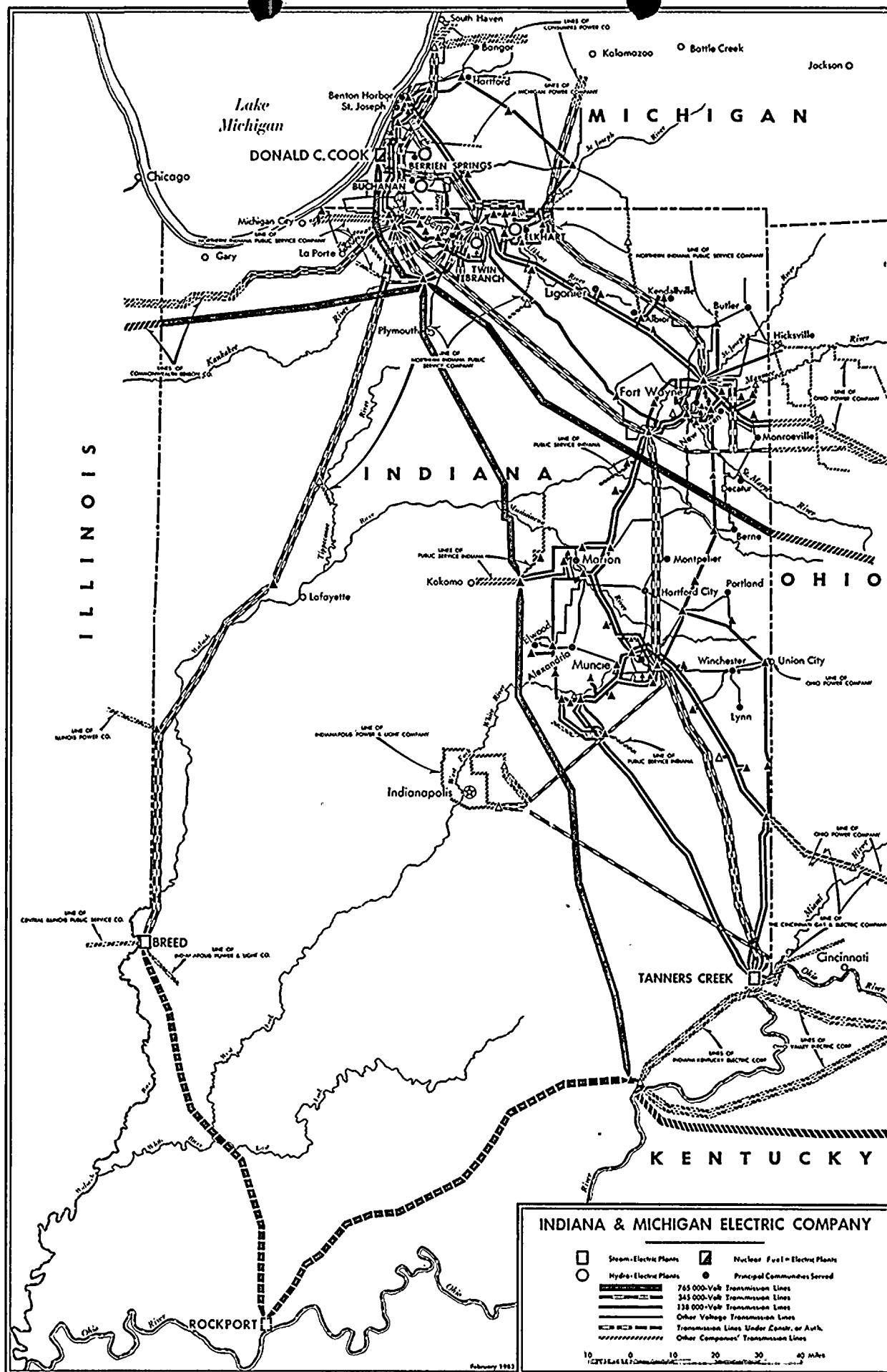
The Company's Annual Report  
(Form 10-K) to the Securities and  
Exchange Commission will be available  
on or about March 31, 1983 to shareowners  
upon written request and at no cost.  
Please address such requests to:

Mr. T. P. Bowman  
American Electric Power  
Service Corporation  
180 East Broad Street  
Columbus, Ohio 43215

Transfer Agent and Registrar of Cumulative Preferred Stock

Morgan Guaranty Trust Company of New York

30 West Broadway, New York, N.Y. 10007



1983 Internal Cash Flow Projection  
for Donald C. Cook Nuclear Plant  
(Millions)

	<u>Actual 1982</u>	<u>Projected 1983</u>
Net income after taxes	121.0	134
Less dividends paid	<u>129.4</u>	<u>136</u>
Retained earnings	( 8.4)	( 2)
Adjustments:		
Depreciation and amortization	87.5	91
Deferred income taxes and investment tax credits	48.2	61
AFUDC	<u>(111.3)</u>	<u>(117)</u>
Total adjustments	24.4	35
Internal cash flow	<u>16.0</u>	<u>33</u>
Average quarterly cash flow	4.0	8.2
Average cash balances and short- term investments	<u>20.0</u>	<u>14.0</u>
Total	<u><u>24.0</u></u>	<u><u>22.2</u></u>

% Ownership in all operating nuclear  
units: Unit 1 and Unit 2 - 100%

Maximum Total Contingent Liability - \$20.0 million  
(2 units)

