

American Electric Power
101A Enterprise Drive
PO Box 5190
Frankfort, KY 40602-5190
www.aep.com



Thomas M. Dorman, Executive Director
Attn.: Isaac S. Scott
Public Service Commission
P. O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

NOV 14 2003


November 14, 2003

Re: Monthly Environmental Surcharge Report

Dear Mr. Dorman:

Pursuant to KRS 278.183(3), American Electric Power files herewith an original and five copies of its Environmental Surcharge Report for the month of October 2003. The report is in compliance with the Commission's Order dated March 31, 2003 in Case No. 2002-00169. The report shows the calculation and supporting documentation of American Electric Power's Environmental Surcharge Factor that will be billed with service on and after November 26, 2003.

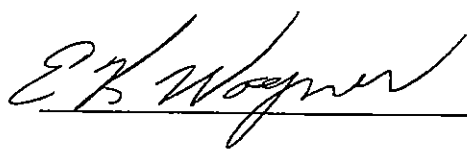
Sincerely,


Errol K. Wagner
Director Regulatory Services

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CALCULATION OF E(m) and SURCHARGE FACTOR
 For the Expense Month of October 2003

| <u>CALCULATION OF E(m)</u> | | |
|----------------------------|--|--------------|
| E(m) = CRR - BRR | | |
| LINE 1 | CRR from ES FORM 3.00 | \$2,688,213 |
| LINE 2 | Brr from ES FORM 2.00 | \$15,785 |
| LINE 3 | E(m) (LINE 1 - LINE 2) | \$2,672,428 |
| LINE 4 | Kentucky Retail Jurisdictional Allocation Factor, from ES FORM 3.30, Schedule of Revenues, LINE 1 | 68.0% |
| LINE 5 | KY Retail E(m) (LINE 3 * LINE 4) | \$1,817,251 |
| LINE 6 | Over/(Under) Recovery Adjustment from ES FORM 3.30 | \$285,836 |
| LINE 7 | Net KY Retail E(m) (LINE 5 + LINE 6) | \$2,103,087 |
| <u>SURCHARGE FACTOR</u> | | |
| LINE 8 | Net KY Retail E(m) (Line 7) | \$2,103,087 |
| LINE 9 | KY Retail R(m) from ES FORM 3.30 | \$21,071,597 |
| LINE 10 | Environmental Surcharge Factor for Expense Month (Line 8 / LINE 9) | 9.9807% |

Effective Date for Billing: December 2003

Submitted By : 

Title : Director Regulatory Services

Date Submitted : November 14, 2003

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
BASE PERIOD REVENUE REQUIREMENT
For the Expense Month of December 1990

CALCULATION OF BASE PERIOD REVENUE REQUIREMENT

| LINE NO. | COMPONENTS | |
|----------|--|--------------|
| 1 | First Component - Associated with Big Sandy ((RB KP(B)) (ROR KP(B))/12) ES FORM 2.10, Line 11 | \$15,625 |
| 2 | Second Component - Associated with Rockport [((RB IM(B)) (ROR IM(B))/12) + OE IM (B)] (.15) ES FORM 2.11, Line 12 | <u>\$160</u> |
| 3 | Total Base Period Revenue Requirement, BRR Record on ES FORM 1.00, Line 2 | \$15,785 |

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 BASE PERIOD REVENUE REQUIREMENT
 COSTS ASSOCIATED WITH BIG SANDY

For the Month of December 1990

| LINE NO. | COST COMPONENT | | |
|----------|--|---------------|-----------|
| | Return on Rate Base (Balances as of December 31, 1990) : | | |
| 1 | Utility Plant at Original Cost | \$3,920,119 | |
| 2 | Less Accumulated Depreciation | (\$2,995,865) | |
| 3 | Less Acum. Def. Income Taxes | (\$475,467) | |
| 4 | Total Rate Base | | \$448,787 |
| 5 | Weighted Average Cost of Capital - ES FORM 2.20 | 12.8200% | |
| 6 | Monthly Weighted Avg. Cost of Capital (5)/12 | | 1.0683% |
| 7 | December 1990 Return on Rate Base (4) * (6) | | \$4,794 |
| | Operating Expenses: | | |
| 8 | December 1990 Depreciation Expense | | \$10,597 |
| 9 | December 1990 Property Tax | | \$234 |
| 10 | Total Operating Expenses (8) + (9) | | \$10,831 |
| 11 | Total Revenue Requirement, Costs Associated with Big Sandy (7) + (10) Record on ES FORM 2.00, Line 1 | | \$15,625 |

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
COSTS ASSOCIATED WITH ROCKPORT

For the Month of December 1990

| LINE NO. | COST COMPONENT | | |
|----------|---|------------|--------------|
| | Return on Rate Base : | | |
| 1 | Utility Plant at Original Cost | \$107,550 | |
| 2 | Less Accumulated Depreciation | (\$22,554) | |
| 3 | Less Accum. Def. Income Taxes | (\$13,834) | |
| 4 | Total Rate Base | | \$71,162 |
| 5 | Weighted Average Cost of Capital - ES FORM 2.21 | 12.6216% | |
| 6 | Monthly Weighted Avg. Cost of Capital (LINE 5/12) | | 1.0518% |
| 7 | Monthly Return of Rate Base (4 * 6) | | \$748 |
| | Operating Expenses : | | |
| 8 | Monthly Depreciation Expense | | \$313 |
| 9 | Monthly Indiana Air Emissions Fee | | \$7 |
| 10 | Total Operating Expenses (8 + 9) | | <u>\$320</u> |
| 11 | Total Revenue Requirement, Cost Associated with Rockport (7) + (10) | | \$1,068 |
| 12 | Kentucky Power Portion of Rockport Total Revenue Requirement. Record on ES FORM 2.00, Line 2 (11 * 15%) | | \$160 |

The Base Period Revenue Requirement information will only need to be filed once during the first 2-year period, as part of the first monthly surcharge filing. Attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of December 1990.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 BIG SANDY PLANT COST OF CAPITAL
 For the Expense Month of December 1990

| LINE NO. | Component | Balances | Cap. Structures | Cost Rates | | WACC (NET OF TAX) | GRCF | | WACC (PRE - TAX) | |
|---|---|-------------|-----------------|------------|----|-------------------|--------|--------------|------------------|--|
| 1 | L/T DEBT | 240,670,885 | 53.59% | 8.20% | | 4.39% | | | 4.39% | |
| 2 | S/T DEBT | 17,796,815 | 3.96% | 9.16% | | 0.36% | | | 0.36% | |
| 3 | C EQUITY | 190,611,826 | 42.45% | 11.50% | 1/ | 4.88% | 1.6545 | 2/ | 8.07% | |
| 4 | TOTAL | 449,079,526 | 100.00% | | | 9.63% | | | 12.82% | |
| WACC = Weighted Average Cost of Capital | | | | | | | | | | |
| 1/ | Rate of Return on Common Equity per Case No. 2002 - 00169 | | | | | | | 11.50% | | |
| 2/ | Gross Revenue Conversion Factor (GRCF) Calculation: | | | | | | | | | |
| 1 | OPERATING REVENUE | | | | | | | 100.00 | | |
| 2 | UNCOLLECTIBLE | | | | | | | <u>0.20</u> | | |
| 3 | INCOME BEFORE STATE TAXES | | | | | | | 99.80 | | |
| 4 | LESS : STATE INCOME TAX | | | | | | | | | |
| 5 | (LINE 3 X .0825) | | | | | | | <u>8.23</u> | | |
| 6 | INCOME BEFORE FED INC TAX | | | | | | | 91.57 | | |
| 7 | LESS : FEDERAL INCOME TAX | | | | | | | | | |
| 8 | (LINE 6 X .34) | | | | | | | <u>31.13</u> | | |
| 9 | OPERATING INC PERCENTAGE | | | | | | | <u>60.44</u> | | |
| 10 | GROSS REVENUE CONVERSION | | | | | | | | | |
| 11 | FACTOR (100%/LINE 9) | | | | | | | 1.6545 | | |

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 ROCKPORT UNIT POWER AGREEMENT COST OF CAPITAL
 For the Expense Month of December 1990

| LINE NO. | DESC | CAP. BAL. | WEIGHTED CAP. BAL. | CAP. COST RATES | WAC (NET OF TAX) | GRCF | WAC (PRE - TAX) |
|----------|----------|--------------|--------------------|-----------------|------------------|----------|-----------------|
| 1 | L/T DEBT | 162,770,349 | 70.3618% | 7.7961% | 5.4855% | | |
| 2 | S/T DEBT | 0 | 0.0000% | 0.0000% | 0.0000% | | |
| 3 | S/T INV | (26,356,261) | -11.3932% | 7.7961% | -0.8882% | | |
| 4 | DEBT | | | | | | 4.5973% |
| 5 | C EQUITY | 94,919,467 | 41.0314% | 12.1600% | 4.9894% | 1.608260 | 8.0243% |
| 6 | TOTAL | 231,333,555 | 100.0000% | | | | 12.6216% |

| | | | | | | | |
|--|------------------------------------|--|--|--|--|---------------|--|
| WACC = Weighted Average Cost of Capital 1/ Cost Rates per the Provisions of the Rockport Unit Power Agreement | | | | | | 12.16% | |
| 2/ Gross Revenue Conversion Factor (GRCF) Calculation: | | | | | | | |
| 1 | OPERATING REVENUE | | | | | 100.00 | |
| 2 | LESS: INDIANA AJUSTED GROSS INCOME | | | | | | |
| 3 | (LINE 1 X .0434) | | | | | 4.340 | |
| 4 | INCOME BEFORE FED INC TAX | | | | | 95.660 | |
| 5 | LESS: FEDERAL INCOME TAX | | | | | | |
| 6 | (LINE 4 X .35) | | | | | 33.481 | |
| 7 | OPERATING INCOME PERCENTAGE | | | | | <u>62.179</u> | |
| 8 | GROSS REVENUE CONVERSION | | | | | | |
| 9 | FACTOR (100% / LINE 7) | | | | | 1.608260 | |

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 For the Expense Month of October 2003

CALCULATION OF CURRENT PERIOD REVENUE REQUIREMENT

| LINE NO. | COMPONENTS | | |
|----------|--|--|-------------|
| 1 | First Component: Associated with Big Sandy Plant ((RB KP(C)) (ROR KP(C)/12)) + OE KP(C) ES FORM 3.10, Line 20 | | \$2,684,449 |
| 2 | Second Component: Associated with Rockport Plant [((RB IM(C)) (ROR IM(C)/12)) + OE IM(C)] ES FORM 3.20, Line 12 | | \$3,764 |
| | Third Component: Net Proceeds from Emission Allowances Sales AS 1) SO ₂ - EPA Auction Proceeds received during Expense Month 2) SO ₂ - Net Gain or (Loss) from Allowance Sales, in compliance with the AEP Interim Allowance Agreement, received during Expense Month Total Net Proceeds from SO ₂ Allowances 1) NO _x - EPA Auction Proceeds received during Expense Month 2) NO _x - EPA Auction Proceeds, received during Expense Month 3) NO _x - Net Gain or Loss from NO _x Allowances Sales, received during Expense Month Total Net Proceeds from NO _x Allowances | \$0 \$0 \$0 \$0 \$0 \$0 | |
| 3 | Total Net Gain or (Loss) from Emission Allowance Sales | ----- | \$0 |
| 4 | Total Current Period Revenue Requirement, CRR Record on ES FORM 1.00. | ----- | \$2,688,213 |

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
COSTS ASSOCIATED WITH BIG SANDY

For the Expense Month of October 2003

| LINE NO. | COST COMPONENT | | |
|-------------|---|----------------|---------------|
| | Return on Rate Base : | | |
| 1 | Utility Plant at Original Cost | \$183,915,212 | |
| 2 | Less Accumulated Depreciation | (\$7,788,129) | |
| 3 | Less Accum. Def. Income Taxes | (\$17,480,125) | |
| 4 | Net Utility Plant | | \$158,646,958 |
| 5 | SO2 Emission Allowance Inventory from ES FORM 3.11 | | \$12,022,014 |
| 6 | ECR & NOx Emission Allowance Inventory from ES FORM 3.12 | | \$0 |
| 7 | Cash Working Capital Allowance from ES FORM 3.13, Line11 | | \$75,621 |
| 8 | Total Rate Base | | \$170,744,593 |
| 9 | Weighted Average Cost of Capital - ES FORM 3.15 | 10.20% | |
| 10 | Monthly Weighted Avg. Cost of Capital (7)/12 | | 0.85% |
| 11 | Monthly Return of Rate Base (6) * (8) | | \$1,451,329 |
| | Operating Expenses : | | |
| 12 | Monthly Depreciation Expense | | \$571,632 |
| 13 | Monthly Catalyst Amortization Expense | | \$46,030 |
| 14 | Monthly Property Taxes | | \$10,490 |
| 15 | Monthly Kentucky Air Emissions Fee | | \$23,504 |
| 16 | Monthly Gavin Scrubber Cost from ES FORM 3.14 | | \$184,592 |
| 17 | Monthly 2003 Plan Non-Fuel O&M Expenses from ES FORM 3.13 | | \$122,768 |
| 18 | Monthly SO2 Emission Allowance Consumption | | \$274,104 |
| 19 | Monthly ERC & NOx Emission Allowance Consumption | | \$0 |
| 20 | Total Operating Expenses [Line 12 thru Line 18] | | \$1,233,120 |
| 21 | Total Revenue Requirement - Big Sandy Record on ES FORM 3.00, Line 1 | | \$2,684,449 |

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
SO2 EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of October 2003

| | (1) Allowance Activity in Month | (2) Cumulative Balance | (3) Dollar Value of Activity | (4) Cumulative Dollar Balance | (5) Weighted Average Cost |
|---|--|------------------------------|------------------------------------|-------------------------------------|---------------------------------|
| BEGINNING INVENTORY | | 754,608 | | \$4,685,726 | 6.209 |
| Additions - | | | | | |
| EPA Allowances | 0 | 88,625 | \$0 | \$0 | |
| Gavin Reallocation | 0 | 3,853 | | \$0 | |
| P & E Transfers In | 0 | 312,630 | \$0 | \$3,639,150 | 11.640 |
| Intercompany Purchases | | 12,132 | | \$1,615,719 | 133.178 |
| Other (List) | 0 | 488,551 | \$7 | \$56,333,520 | 115.307 |
| Withdrawals - | | | | | |
| P & E Transfers Out | 0 | 2,415 | \$0 | \$272,099 | 112.670 |
| Intercompany Sales | 0 | 42,264 | \$0 | \$4,200,428 | 99.385 |
| Off - System Sales | 0 | 274,812 | \$0 | \$28,638,456 | 104.211 |
| SO2 Emissions Allowances Consumed By Kentucky Power | 3,423 | 219,494 | \$274,104 | \$21,141,118 | 96.318 |
| ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5 | | 1,121,414 | | \$12,022,014 | 10.720 |
| Expense Month Member Load Ratio for AEP/Kentucky Power | | | | | 0.07217 |

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
ECR and NOx EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of October 2003

| | (1) Allowance Activity in Month | (2) Cumulative Balance | (3) Dollar Value of Activity | (4) Cumulative Dollar Balance | (5) Weighted Average Cost |
|--|--|------------------------------|------------------------------------|-------------------------------------|---------------------------------|
| BEGINNING INVENTORY | | 0 | | \$0 | 0.000 |
| Additions - | | | | | |
| EPA Allowances | 0 | 0 | \$0 | \$0 | |
| P&E Transfers In | 0 | 0 | | \$0 | |
| Intercompany Purchases | 0 | 0 | \$0 | \$0 | 0.000 |
| Other (List) | 0 | 0 | \$0 | \$0 | 0.000 |
| Withdrawals - | | | | | |
| P & E Transfers Out | 0 | 0 | \$0 | \$0 | 0.000 |
| Intercompany Sales | 0 | 0 | \$0 | \$0 | 0.000 |
| Off - System Sales | 0 | 0 | \$0 | \$0 | 0.000 |
| ECR Consumed By Kentucky Power | 0 | 0 | \$0 | \$0 | 0.000 |
| NOx Consumed By Kentucky Power | 0 | 0 | \$0 | \$0 | 0.000 |
| ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5 | | 0 | | \$0 | 0.000 |

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

Note : For any sale or transfer of ERCs or NOx emission allowances, attach to this report documentation showing the currently available market prices for similar ERC or NOx allowances.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 CASH WORKING CAPITAL ALLOWANCE

For the Expense Month of October 2003

| LINE NO. | O&M Expenses | | |
|-------------|--|------------------|------------------|
| | 1997 Plan : | | |
| 1 | Monthly Kentucky Air Emissions Fee | \$23,504 | |
| 2 | Monthly Gavin Scrubber Costs | \$184,592 | |
| 3 | Monthly SO2 Allowance Consumption | <u>\$274,104</u> | |
| 4 | Total 1997 Plan O&M Expenses | | \$482,200 |
| | 2003 Plan : | | |
| 5 | Monthly Variable Cladding at Big Sandy Unit 1 | \$0 | |
| 6 | Monthly Urea Consumption at Big Sandy Unit 2 | \$122,768 | |
| 7 | Monthly Catalyst Replacement at Big Sandy Unit 2 | \$0 | |
| 8 | Monthly ERC & NOx Allowance Consumption | <u>\$0</u> | |
| 9 | Total 2003 Plan O&M Expenses | | <u>\$122,768</u> |
| 10 | Total Monthly O&M Expenses | | <u>\$604,968</u> |
| 11 | Cash Working Capital Allowance (Line 10 X 1/8) | | \$75,621 |

Total Cost at Line 11 is to be recorded on ES FORM 3.10, Line 7.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
GAVIN SCRUBBER COSTS

For the Expense Month of October 2003

| LINE NO. | COST | AMOUNTS |
|-------------|--|--------------------|
| | Operations : | |
| 1 | Disposal (5010000) | \$367,259 |
| 2 | Lime (5020000) | \$2,853,086 |
| 3 | Lease (5070000) | <u>\$5,272,200</u> |
| 4 | Total Operations (1) + (2) + (3) | \$8,492,545 |
| | Maintenance : | |
| 5 | Scrubbers (5120000) | \$180,827 |
| 6 | 1/2 of Maintenance (5) * 50% | <u>\$90,414</u> |
| 7 | Fixed O&M (4) + (6) | \$8,582,959 |
| | Impact on Weighted Average Capacity Rate : | |
| 8 | Ohio Power Steam Capacity (kw) | 8,472,000 |
| 9 | Gavin Scrubber Rate (\$/kw) (7) / (8) | \$1.01 |
| 10 | Ohio Power Surplus Weighing | 82.00% |
| 11 | Portion of Weighted Average Capacity Rate Attributed to Gavin Scrubber (\$/kw) (9) * (10) | \$0.83 |
| | Gavin Costs to Kentucky Power : | |
| 12 | Gavin Scrubber Portion (\$/kw) (11) | \$0.83 |
| 13 | Kentucky Power Capacity Deficit (kw) | <u>222,400</u> |
| 14 | Scrubber Cost to Kentucky Power (12) * (13) | \$184,592 |

Total Cost at Line 14 is to be recorded on ES FORM 3.10, Line 15.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
BIG SANDY PLANT COST OF CAPITAL

For the Expense Month of October 2003

| LINE NO. | Component | Balances | Cap. Structure | Cost Rates | | WACC (Net of Tax) | GRCF | | WACC (PRE-TAX) |
|--|---------------------------|-----------------------------|----------------|------------|----|-------------------|--------------|----|----------------|
| | | As of 12/31/2002 | | | | | | | |
| 1 | L/T DEBT | \$466,631,680 | 57.24% | 5.752% | | 3.29% | | | 3.29% |
| 2 | S/T DEBT | \$23,386,094 | 2.87% | 2.062% | | 0.06% | | | 0.06% |
| 3 | ACCTS REC | | | | | | | | |
| 3 | FINANCING | \$27,214,021 | 3.34% | 2.804% | | 0.09% | | | 0.09% |
| 4 | C EQUITY | \$298,018,017 | 36.56% | 11.000% | 1/ | 4.02% | 1.6801 | 2/ | 6.76% |
| 5 | TOTAL | \$815,249,812 | 100.00% | | | 7.46% | | | 10.20% |
| <p>WACC = Weighted Average Cost of Capital</p> <p>1/ Rate of Return on Common Equity per Case No. 2002 - 00169</p> <p>2/ Gross Revenue Conversion Factor (GRCF) Calculation:</p> | | | | | | | | | |
| 1 | OPERATING REVENUE | | | | | | 100.00 | | |
| 2 | UNCOLLECTIBLE | | | | | | <u>0.20</u> | | |
| 3 | INCOME BEFORE STATE TAXES | | | | | | 99.80 | | |
| 4 | LESS : STATE INCOME TAX | | | | | | | | |
| 5 | (LINE 3 X .0825) | | | | | | <u>8.23</u> | | |
| 6 | INCOME BEFORE FED INC TAX | | | | | | 91.57 | | |
| 7 | LESS : FEDERAL INC TAX | | | | | | | | |
| 8 | (LINE 6 X .35) | | | | | | <u>32.05</u> | | |
| 9 | OPERATING INC PERCENTAGE | | | | | | <u>59.52</u> | | |
| 10 | GROSS REVENUE CONVERSION | | | | | | | | |
| 11 | FACTOR (100%/LINE 9) | | | | | | 1.6801 | | |

The WACC (PRE - TAX) value on Line 6 is to be recorded on ES FORM 3.10, Line 9.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of October 2003

| LINE NO. | COST COMPONENT | | |
|----------|---|-------------|-----------------|
| | Return on Rate Base : | | |
| 1 | Utility Plant at Original Cost | \$1,380,823 | |
| 2 | Less Accumulated Depreciation | (\$408,606) | |
| 3 | Less Accum. Def. Income Taxes | (\$101,621) | |
| 4 | Total Rate Base | | \$870,596 |
| 5 | Weighted Average Cost of Capital - ES FORM 3.21 | 12.0186% | |
| 6 | Monthly Weighted Avg. Cost of Capital (LINE 5/12) | | 1.0016% |
| 7 | Monthly Return of Rate Base (4 * 6) | | \$8,719 |
| | Operating Expenses : | | |
| 8 | Monthly Depreciation Expense | | \$3,872 |
| 9 | Monthly Indiana Air Emissions Fee | | <u>\$12,500</u> |
| 10 | Total Operating Expenses (8 + 9) | | <u>\$16,372</u> |
| 11 | Total Revenue Requirement, Cost Associated with Rockport (7) + (10) | | \$25,091 |
| 12 | Kentucky Power Portion of Rockport Total Revenue Requirement. Record on ES FORM 3.00, Line 2 (11 * 15%) | | \$3,764 |

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 ROCKPORT UNIT POWER AGREEMENT COST OF CAPITAL

For the Expense Month of October 2003

| LINE NO. | Component | Balances | Cap. Structures | Cost Rates | | WACC (NET OF TAX) | GRCF | | WACC (PRE - TAX) |
|--|-------------------------------------|------------------|-----------------|------------|----|-------------------|----------|----|------------------|
| | | As of 09/30/2003 | | | | | | | |
| 1 | L/T DEBT | 44,808,675 | 44.8672% | 4.6620% | | 2.0917% | | | 2.0917% |
| 2 | S/T DEBT | 6,878,973 | 6.8880% | 0.9126% | | 0.0629% | | | 0.0629% |
| 3 | S/T INV | 0 | 0.0000% | 4.1631% | | 0.0000% | | | 0.0000% |
| 4 | DEBT | | | | | | | | |
| 5 | C EQUITY | 48,181,836 | 48.2448% | 12.1600% | 1/ | 5.8666% | 1.681379 | 2/ | 9.8640% |
| 6 | TOTAL | 99,869,484 | 100.0000% | | | 8.0212% | | | 12.0186% |
| WACC = Weighted Average Cost of Capital 1/ Cost Rates per the Provisions of the Rockport Unit Power Agreement 2/ Gross Revenue Conversion Factor (GRCF) Calculation: | | | | | | | | | |
| 1 | OPERATING REVENUE | | | | | | 100.00 | | |
| 2 | LESS: INDIANA ADJUSTED GROSS INCOME | | | | | | | | |
| 3 | (LINE 1 X .085) | | | | | | 8.500 | | |
| 4 | INCOME BEFORE FED INC TAX | | | | | | 91.500 | | |
| 5 | LESS: FEDERAL INCOME TAX | | | | | | | | |
| 6 | (LINE 4 X .35) | | | | | | 32.025 | | |
| 7 | OPERATING INCOME PERCENTAGE | | | | | | 59.475 | | |
| 8 | GROSS REVENUE CONVERSION | | | | | | | | |
| 9 | FACTOR (100% / LINE 7) | | | | | | 1.681379 | | |

The WACC (PRE - TAX) value on Line 6 is to be recorded on ES FORM 3.20, Line 5.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
MONTHLY REVENUES, JURISDICTIONAL ALLOCATION FACTOR,
and OVER/(UNDER) RECOVERY ADJUSTMENT

For the Expense Month of October 2003

SCHEDULE OF MONTHLY REVENUES

| Line No. | Description | Monthly Revenues | Percentage of Total Revenues |
|----------|--|----------------------|------------------------------|
| 1 | Kentucky Retail Revenues | \$21,071,597 | 68.0% |
| 2 | FERC Wholesale Revenues | \$194,306 | 0.6% |
| 3 | Associated Utilities Revenues | \$2,974,850 | 9.6% |
| 4 | Non-Assoc. Utilities Revenues | \$6,753,352 | 21.8% |
| 5 | Total Revenues for Surcharges Purposes | <u>\$30,994,105</u> | <u>100.0%</u> |
| 6 | Non-Physical Revenues for Month | (<u>\$264,889</u>) | |
| 7 | Total Revenues for Month | \$30,729,216 | |

The Kentucky Retail Monthly Revenues and Percentage of Total Revenues (Line 1) are to be recorded on ES FORM 1.00, Lines 9 and 4. The Percentage of Kentucky Retail Revenues to the Total Revenues for the Expense Month will be the Kentucky Retail Jurisdictional Allocation Factor.

OVER/(UNDER) RECOVERY ADJUSTMENT

| Line No. | Description | Amounts |
|----------|--|--------------------|
| 1 | Kentucky Retail Surcharge Factor for August 2003 | 7.4672% |
| 2 | Kentucky Retail Revenues for Current Expense | \$19,688,384 |
| 3 | Surcharge Collected (1) * (2) | <u>\$1,470,171</u> |
| 4 | Surcharge Amount To Be Collected | \$1,756,007 |
| 6 | Over/(Under) Recovery (3) - (4) - (5) | <u>(\$285,836)</u> |

The Over/(Under) Recovery amount is to be recorded on ES FORM 1.00, LINE 6.

NOTE : The sign on LINE 5 of ES FORM 3.30 will be changed on LINE 6 of ES FORM 1.00 in order to properly adjust the collection of the current month's expense.