

**Report on Status of Stranded Cost Recoveries
by Virginia Incumbent Electric Utilities
2001-2003**

for

**The Commission on Electric Utility Restructuring
of the Virginia General Assembly**

by

**Division of Consumer Counsel
Virginia Office of the Attorney General**

September 1, 2004

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 - Northern Virginia Electric Cooperative
 - Prince George Electric Cooperative
 - Rappahannock Electric Cooperative
 - Shenandoah Valley Electric Cooperative
 - Southside Electric Cooperative

I. EXECUTIVE SUMMARY

The Commission on Electric Utility Restructuring's ("CEUR") January 15, 2004 resolution directed the Division of Consumer Counsel of the Office of Attorney General ("Consumer Counsel") to prepare a report on the status of stranded cost recoveries by Virginia incumbent electric utilities. (See Attachment 1.) The CEUR directed Consumer Counsel to provide this initial status report by September 1, 2004, with annual status reports to follow thereafter for the remainder of the capped rate period. This initial report covers stranded cost recoveries for the period from the commencement of capped rates on January 1, 2001 through December 31, 2003.

Table 1 provides the 2003 Virginia jurisdictional kilowatt hour ("kWh") sales for the 16 electric utilities that were evaluated in this study. As can be seen, Dominion Virginia Power ("Dominion") and Appalachian Power Company ("Appalachian") together represent over 86% of total sales in Virginia.

Table 1

2003 Virginia Jurisdictional Sales for Electric Utilities

	Total Va. Juris. kWh Sales	Percent of Total Va.
<u>Investor-Owned Utilities:</u>		
Allegheny Power	2,697,121,000	3.2%
Appalachian Power Company	14,837,834,686	17.4%
Delmarva Power and Light	413,074,650	0.5%
Dominion Virginia Power	<u>58,772,625,000</u>	<u>68.9%</u>
Total IOUs:	76,720,655,336	90.0%
<u>Electric Cooperatives:</u>		
A&N	218,172,860	0.3%
BARC	163,100,673	0.2%
Central Virginia	574,686,252	0.7%
Community	167,389,946	0.2%
Craig-Botetourt	77,321,032	0.1%
Mecklenburg	518,059,039	0.6%
Northern Virginia	2,603,079,786	3.1%
Northern Neck	221,417,191	0.3%
Prince George	261,187,581	0.3%
Rappahannock	2,247,192,699	2.6%
Shenandoah Valley	735,086,687	0.9%
Southside	<u>758,513,728</u>	<u>0.9%</u>
Total Electric Cooperatives	8,545,207,474	10.0%
Total Va. Jurisdictional:	85,265,862,810	100%

Consumer Counsel used the "Accounting Approach" developed by the State Corporation Commission ("SCC") Staff to evaluate the stranded cost recoveries and potential stranded cost exposure of each utility. Under this method, stranded cost recoveries are defined as the amount by which actual earnings from bundled electricity sales exceed the regulated revenue requirement of each utility if it were regulated under traditional methods used prior to the passage of the Restructuring Act. These bundled earnings calculations were based on the Annual Information Filings ("AIF") and earnings tests analyses conducted by the SCC Staff. In addition, Consumer Counsel evaluated the "potential stranded cost exposure" of each utility for 2003, as measured by the difference between the utility's generation revenue requirement, as calculated above, and the market price of generation during this period. Table 2 presents the cumulative stranded cost recoveries for the 2001-2003 period, along with the potential stranded cost exposure of each utility during 2003, based on the original forward market prices as existed in late 2002 used for the Commission-approved wires charges, as well as adjusted market prices that reflect actual market conditions during 2003. For purposes of this table, a 10% return on equity ("ROE") for investor-owned utilities, and a 2.0 times interest earned ratio ("TIER") for cooperatives is used.

Table 2

**Va. Jurisdictional Stranded Cost Recoveries and Exposure
10% ROE/2.0 TIER**

(\$Thousands)

	<u>2003 Generation Rev. Req.</u>	<u>2001-2003 Stranded Cost Recovery</u>	<u>Annual Stranded Cost Exposure at 2003 Original Mkt. Prices</u>	<u>Annual Stranded Cost Exposure at 2003 Updated Mkt. Prices</u>
Market Price, cents/kWh:			3.65	4.53
<u>Investor-Owned Utilities:</u>				
Allegheny Power	\$100,259	\$10,592	\$1,814	-\$21,896
Appalachian Power Company	\$638,535	\$42,521	\$96,954	-\$33,484
Delmarva Power & Light Company	\$21,293	\$0	\$6,216	\$2,585
Dominion Virginia Power	<u>\$2,855,305</u>	<u>\$862,351</u>	<u>\$710,104</u>	<u>\$193,438</u>
Total IOUs:	\$3,615,392	\$915,463	\$815,088	\$140,642
<u>Electric Cooperatives:</u>				
A&N Electric	\$11,679	\$1,787	\$3,716	\$1,798
BARC Electric	\$6,873	\$1,537	\$920	-\$514
Central Virginia Electric	\$25,019	\$0	\$4,043	-\$1,009
Community Electric	\$8,340	\$2,407	\$2,231	\$759
Craig-Botetourt Electric	\$3,106	\$0	\$284	-\$396
Mecklenburg Electric	\$24,082	\$3,195	\$5,172	\$618
Northern Neck Electric	\$12,253	\$2,613	\$4,171	\$2,225
Northern Virginia Electric	\$76,771	\$99,327	\$17,937	\$3,767
Prince George Electric	\$11,978	\$0	\$2,444	\$148
Rappahannock Electric	\$106,857	\$15,605	\$24,835	\$5,080
Shenandoah Valley Electric	\$33,425	\$9,386	\$6,595	\$133
Southside Electric	<u>\$38,496</u>	<u>\$0</u>	<u>\$10,810</u>	<u>\$4,142</u>
Total Electric Cooperatives:	\$358,879	\$135,858	\$83,157	\$16,750
Total Va. Jurisdictional:	\$3,974,271	\$1,051,321	\$898,245	\$157,393

The results in Table 2 confirm that the Dominion system faces the vast majority of stranded cost exposure within the Virginia market, and that Dominion's stranded cost recoveries thus far during the capped rate period have been very significant. In comparison to Dominion, the stranded costs recoveries of other utilities evaluated generally have been modest during the 2001-2003 period, and the potential stranded cost exposure of such utilities during 2003 was also relatively small.

As has been pointed out in previous reports by the SCC, until capped rates and wires charges expire, and until retail competition develops in Virginia, there will be minimal, if any, exposure to actual stranded costs by any Virginia incumbent electric utility. Nevertheless, as indicated by the results in Column 3 of Table 2, the *potential* stranded cost exposure for the post-transition period, when wires charges and capped rates will no longer exist, remains significant should market prices drop below 4 cents/kWh.

II. BACKGROUND

This report presents the status of stranded cost recoveries by Virginia incumbent electric utilities from the commencement of capped rates (January 1, 2001) through December 31, 2003. The report was prepared by Consumer Counsel, in response to the January 15, 2004 resolution of the CEUR, (Attachment 1), with assistance from the SCC Staff and the affected electric utilities. Consumer Counsel engaged Norwood Energy Consulting, L.L.C. of Austin, Texas for assistance in compiling the data for the report.

The report is intended to satisfy the requirement for annual monitoring of stranded cost recovery under Section 30-205 3. of the Code of Virginia, which provides that the CEUR shall:

Monitor, after the commencement of customer choice and with the assistance of the State Corporation Commission and the Office of Attorney General, the incumbent electric utilities, suppliers, and retail customers, whether the recovery of stranded costs, as provided in § 56-584, has resulted or is likely to result in the overrecovery or underrecovery of just and reasonable net stranded costs[.]

A January 27, 2003 stranded cost resolution of the CEUR had directed the SCC to convene a work group for the purpose of developing consensus recommendations on definitions of stranded costs and a methodology for calculating such costs for each utility. As stated in the SCC's July 1, 2003 Stranded Cost Report ("SCC 2003 Stranded Cost Report"), the work group was unable to reach consensus. Consumer Counsel had recommended the following definition for "just and reasonable net stranded costs," which is compatible with the Accounting Approach methodology endorsed by the CEUR in its January 15, 2004 resolution:

Just and Reasonable Net Stranded Costs are a utility's lost revenues arising from prudently incurred, verifiable and non-mitigable electric generation-

related costs that become unrecoverable due to restructuring and retail competition.

The CEUR's January 15, 2004 resolution defined the scope of the analysis of stranded cost recoveries to be performed by Consumer Counsel, as follows:

1. *On or before September 1, 2004, and annually thereafter, to report to the Commission on Electric Utility Restructuring (i) the cost of service of each incumbent electric utility's generation; and (ii) the market prices for generation as calculated for wires charge purposes immediately prior to said report date; provided, however, that the first such report is requested to cover the period beginning July 1, 1999 and ending December 31, 2003.*
2. *In determining generation cost of service, to take into account factors such as the incumbent electric utility's applicable Annual Informational Filing to the SCC, any adjustments to such Filing made by the SCC, example ranges of returns on common equity, and such other factors as the Division deems relevant.*
3. *In determining market prices for generation, to take into account market prices as determined by the SCC and such other factors as the Division may deem relevant.*
4. *To continue to make such reports for each incumbent electric utility until the capped rates for such utility expire or are terminated pursuant to the provisions of § 56-582.*

The method and results of Consumer Counsel's analysis of the status of stranded cost recoveries are described in the remainder of this report.

III. STUDY METHOD

Consumer Counsel's assessment of the stranded cost recovery of utilities presented in this report is based on the SCC Staff's alternative "Accounting Approach" presented in the SCC's 2003 Stranded Cost Report. Under this approach the "recovery of stranded costs" during the study period is measured in terms of the amount by which actual bundled earnings exceeded those earnings of the utility which would have been permitted under traditional regulatory principals and over a range of return levels. The cumulative recovery of stranded costs over the study period is then compared to the "potential stranded cost exposure" of the utility for the most recent year (2003) in order to assess the extent to which capped rates are providing for stranded cost recovery, as well as the potential exposure to "actual stranded costs" after the capped rate period expires.

A. UTILITIES EVALUATED

Table 1 lists the 16 utilities evaluated, along with their Virginia jurisdictional sales during 2003. Attachment 2 provides the 2003 jurisdictional kWh sales by rate class for each utility which serves as the basis for the information presented in Table 1.

B. STUDY PERIOD

The study period addressed by this report is January 1, 2001 (the effective date of the capped rate period) through December 31, 2003.

C. CALCULATION OF STRANDED COST RECOVERIES

The calculation of stranded cost recoveries was based on the Accounting Approach described in the SCC's 2003 Stranded Cost Report to the CEUR, as follows:

- **Recovery of stranded costs:** *Recovery of stranded costs occurs throughout the capped rate period to the extent actual earnings exceed costs plus a fair return. These recoveries can be calculated and monitored using the earnings test mechanism.*

Earnings test¹ information is already required to be filed by investor-owned utilities under the Commission's existing rate case rules and Annual Informational Filing requirements. Earnings tests only recognize limited accounting or regulatory adjustments to per book amounts, and do not encompass going forward adjustments. Generally, earnings test adjustments restate per book results in order to reflect differences between generally accepted accounting principles and how costs are recognized for ratemaking purposes. It would be necessary to agree upon an appropriate fair rate of return to use as a benchmark return on equity from which to measure earnings available for stranded cost recovery.

A bundled earnings test should be used until such time as bundled, capped rates are terminated. It is proper to use a bundled earnings test since all earnings produced under bundled, capped rates that are in excess of actual costs plus a fair return can be used to mitigate stranded cost exposure.

Consumer Counsel relied upon annual earnings calculations prepared by the SCC Staff in conjunction with their annual earnings test analyses. These earnings calculations were developed over a range of return on equity ("ROE") for investor-owned utilities, and for a range of times interest earned ratios ("TIER") for electric cooperatives. Attachment 4 describes the general approach used by the SCC Staff in making these calculations and provides backup calculations for each utility.

¹ An earnings test measures a utility's earnings on a regulatory basis by making limited adjustments to its financial records.

D. 2003 MARKET PRICES

Market prices are an important input to the calculation of potential stranded cost exposure. Two different market prices were used for the analysis. To calculate one range of potential stranded cost exposure, Consumer Counsel used the SCC determined forward market prices from late 2002 underlying the Commission-approved wires charges for 2003. A second calculation of potential stranded cost exposure was made using adjusted market prices based on actual forward market experience during 2003. These adjusted market prices were based on published 2003 on-peak and off-peak monthly market prices for the PJM West and Cinergy hubs, as reported during the prior month. An annual sales weighted average adjustment factor was developed by comparing the original to adjusted monthly market prices, as determined by the Commission-approved market price method. The original and adjusted market prices for 2003 are 3.65 cents/kWh and 4.53 cents/kWh, respectively. See Attachment 3 of the report for the backup for these market price calculations.

E. 2003 GENERATION REVENUE REQUIREMENT

The second key input to the calculation of potential stranded cost exposure for 2003 is the unbundled regulated generation revenue requirement for each utility as it would have been calculated under traditional regulatory methods predating the Restructuring Act. Consumer Counsel relied upon Virginia jurisdictional generation revenue requirement calculations that were conducted by the SCC Staff in conjunction with annual earnings test analyses. These generation revenue requirement analyses were developed over a range of ROE for investor-owned utilities, and for a range of TIER for electric cooperatives. Attachment 4 describes the general approach used by the SCC Staff in making these calculations and provides backup calculations for each utility.

F. CALCULATION OF POTENTIAL STRANDED COST EXPOSURE

The calculation of potential stranded cost exposure for 2003 was based on the Accounting Approach, as described in the SCC's July 1, 2003 Stranded Cost Report:

- **Potential stranded costs:** *Defined as the annual stranded cost exposure during the capped rate period, assuming all customers are paying market rates for generation service. This amount is represented by the difference between the recalculated, cost-based unbundled generation rates (at a fair return) and the actual market rate for the applicable year, times total annual sales.*

The determination of potential stranded costs will require a functionalized cost of service study that separates out the generation business. The cost of service study would incorporate the earnings test

adjustments applicable to the test period. Actual generation costs for the test year including a fair return would then be used to calculate current, cost-based, unbundled generation rates by customer class. These generation rates would be compared to market-based rates applicable to the test year to calculate the potential stranded cost exposure for that year.

Throughout the transition period, comparisons can be made between stranded cost recoveries and potential stranded cost exposure. This will provide insight into the success of mitigation efforts, and the likelihood of whether an over or underrecovery of stranded costs will occur.

The 2003 potential stranded cost exposure for each utility was calculated using the original and adjusted 2003 market prices. Details for these calculations for each utility are presented in Attachment 4.

IV. STUDY RESULTS

Details supporting Consumer Counsel's calculations of stranded cost recoveries and potential stranded cost exposure for each of the 16 utilities evaluated are presented in Attachment 4.

A. BEST CASE AND WORST CASE SCENARIOS

Table 3 provides a "best case" stranded cost recovery scenario, with high stranded cost recoveries and low stranded cost exposure resulting from the combination of low regulated returns and high market prices. Under this scenario, Dominion's annual average stranded cost recoveries over the 2001-2003 period would be approximately double its 2003 stranded cost exposure.

Table 3

Va. Jurisdictional Stranded Cost Recoveries and Exposure
9% ROE/1.5 TIER, Updated Market Prices

(\$Thousands)

	2003 Generation Rev. Req.	2001-2003 Stranded Cost Recovery	Pct. of 2003 Generation Rev. Req.	Annual Stranded Cost Exposure at 2003 Updated Mkt. Prices	Pct. of 2003 Generation Rev. Req.
Market Price, cents/kWh:				4.53	
<u>Investor-Owned Utilities</u>					
Allegheny Power	\$100,259	\$14,242	14%	-\$21,896	-22%
Appalachian Power Company	\$635,750	\$64,522	10%	-\$36,269	-6%
Delmarva Power & Light Company	\$21,279	\$0	0%	\$2,571	12%
Dominion Virginia Power	<u>\$2,822,029</u>	<u>\$1,026,365</u>	<u>36%</u>	<u>\$160,163</u>	<u>6%</u>
Total IOUs:	\$3,579,318	\$1,105,129	31%	\$104,569	3%
<u>Electric Cooperatives:</u>					
A&N	\$11,638	\$3,098	27%	\$1,757	15%
BARC	\$6,851	\$3,073	45%	-\$535	-8%
Central Virginia	\$25,016	\$1,725	7%	-\$1,012	-4%
Community	\$8,338	\$3,200	38%	\$757	9%
Craig-Botetourt	\$3,104	\$185	6%	-\$398	-13%
Mecklenburg	\$24,081	\$6,289	26%	\$618	3%
Northern Neck	\$12,250	\$3,938	32%	\$2,222	18%
Northern Virginia	\$76,759	\$111,221	145%	\$3,754	5%
Prince George	\$11,975	\$309	3%	\$146	1%
Rappahannock	\$106,780	\$26,632	25%	\$5,003	5%
Shenandoah Valley	\$33,416	\$13,004	39%	\$124	0%
Southside Electric	<u>\$38,455</u>	<u>\$7,116</u>	<u>19%</u>	<u>\$4,101</u>	<u>11%</u>
Total Electric Cooperatives:	\$358,665	\$179,793	50%	\$16,537	5%
Total Va. Jurisdictional:	\$3,937,983	\$1,284,921	33%	\$121,105	3%

Table 4 provides a “worst case” stranded cost recovery scenario, with low stranded cost recoveries and high stranded cost exposure, resulting from the combination of high regulated returns and low market prices. Under this scenario, Dominion’s stranded cost exposure for 2003 would be more than three times its annual average stranded cost recoveries over the 2001-2003 period.

Table 4

**Va. Jurisdictional Stranded Cost Recoveries and Exposure
12% ROE/3.0 TIER, Original Market Prices**

(\$Thousands)

	2003 Generation Rev. Req't.	2001-2003 Stranded Cost Recovery	Pct. of 2003 Generation Rev. Req't.	Annual Stranded Cost Exposure at 2003 Orig. Mkt. Prices	Pct. of 2003 Generation Rev. Req't.
Market Price, cents/kWh:				3.65	
Investor-Owned Utilities					
Allegheny Power	\$100,259	\$,5770	6%	\$1,814	2%
Appalachian Power Company	\$644,104	\$7,611	1%	\$102,523	16%
Delmarva Power & Light Company	\$21,321	\$0	0%	\$6,244	29%
Dominion Virginia Power	<u>\$2,921,855</u>	<u>\$632,140</u>	<u>22%</u>	<u>\$776,654</u>	<u>27%</u>
Total IOUs:	\$3,687,539	\$645,520	18%	\$887,236	24%
Electric Cooperatives:					
A&N	\$11,761	\$252	2%	\$3,798	32%
BARC	\$6,916	\$0	0%	\$963	14%
Central Virginia	\$25,025	\$0	0%	\$4,049	16%
Community	\$8,345	\$820	10%	\$2,235	27%
Craig-Botetourt	\$3,109	\$0	0%	\$287	9%
Mecklenburg	\$24,082	\$0	0%	\$5,173	21%
Northern Neck	\$12,258	\$388	3%	\$4,177	34%
Northern Virginia	\$76,795	\$75,538	98%	\$17,961	23%
Prince George	\$11,983	\$0	0%	\$2,449	20%
Rappahannock	\$107,011	\$2,689	3%	\$24,989	23%
Shenandoah Valley	\$33,443	\$2,149	6%	\$6,613	20%
Southside	<u>\$38,578</u>	<u>\$0</u>	<u>0%</u>	<u>\$10,892</u>	<u>28%</u>
Total Electric Cooperatives:	\$359,306	\$81,837	23%	\$83,585	23%
Total Va. Jurisdictional:	\$4,046,846	\$727,357	18%	\$970,820	24%

The results in Tables 3 and 4 point out the sensitivity of the stranded cost recoveries to the level of market prices and allowed return used for earnings test purposes. Assuming market prices stay high, as they have been for the last 18 months, significant additional mitigation of potential stranded costs should be achieved through the extension of capped rates beyond 2007. In this case, there would be potential for over-recovery of stranded costs.

B. STRANDED COST MITIGATION

The analysis presented in this report does not explicitly consider future stranded cost mitigation measures which may be implemented by utilities during the course of the capped rate period. Such measures could range from the use of excess earnings to accelerate depreciation of assets, to renegotiation of above market fuel or purchased power contracts. Consumer Counsel asked each utility to identify mitigation measures that have been implemented to date and the estimated impact of such measures on stranded costs. Dominion and Appalachian were the only utilities which addressed mitigation savings in their response to Consumer Counsel's request. Dominion identified approximately \$160 million per year in mitigation that had been achieved through accelerated depreciation, buyout of NUG contracts and early retirement and restructuring programs. Appalachian generally noted that it had been able to continue the accelerated amortization of regulatory assets under its capped rates, without providing specific impacts of this measure on stranded costs. In future annual reports to the CEUR, Consumer Counsel hopes to further examine the effects of mitigation in increasing stranded cost recoveries and reducing future potential stranded cost exposure. Table 5 presents the information provided by Dominion concerning its mitigation measures.

Table 5

Dominion's Jurisdictional Expenditures to Mitigate Stranded Generation Costs 1998-2003

(\$Thousands)

<u>Description</u>	<u>Jurisdictional Amount</u>
<u>Non-Utility Generators</u>	
Buyout of Contracts	257,000
Purchase of NUG Assets	<u>55,000</u>
Total NUG Expenditures	312,000
<u>Accelerated Recovery of Regulatory Assets</u>	
1998 Rate Stipulation in Case No. PUE-1996-0296	106,000
1999 Write-off Due to Restructuring Legislation	<u>432,000</u>
Total Regulatory Assets	538,000
<u>Early Retirement/Restructuring Programs</u>	
2000 Early Retirement/Involuntary Separation	25,000
2001 Restructuring Plan	15,000
2002/2003 Ongoing Involuntary Separation	<u>2,000</u>
Total Restructuring Programs	42,000
Total Mitigation Expenditures	<u>892,000</u>
Annual Savings Produced from Mitigation Expenditures	\$ 160,00

This Schedule provides information concerning Company expenditures for the period 1998 through 2003 for purposes of mitigating stranded cost exposure. The stated expenditures include only the generation portion, therefore both the accelerated recovery of regulatory assets related to the 1998 Rate Stipulation and the early retirement/restructuring programs have been reduced accordingly. In addition, the annual savings resulting directly from these mitigation efforts through the year 2003 are presented for informational purposes.

**Resolution of the Commission on Electric Utility Restructuring
Adopted January 15, 2004**

COMMISSION ON ELECTRIC UTILITY RESTRUCTURING

RESOLUTION

WHEREAS, section 56-584 of the Virginia Electric Utility Restructuring Act (the "Act") provides:

Just and reasonable net stranded costs, to the extent that they exceed zero value in total for the incumbent electric utility, shall be recoverable by each incumbent electric utility provided each incumbent electric utility shall only recover its just and reasonable net stranded costs through either capped rates as provided in § 56-582 or wires charges as provided in § 56-583; and

WHEREAS, subdivision (3) of § 30-205 of the Code of Virginia provides that the members of the Commission on Electric Utility Restructuring shall:

Monitor, after the commencement of customer choice and with the assistance of the State Corporation Commission and the Office of the Attorney General, the incumbent electric utilities, suppliers, and retail customers, whether the recovery of stranded costs, as provided in § 56-584, has resulted or is likely to result in the overrecovery or underrecovery of just and reasonable net stranded costs; and

WHEREAS, this Commission adopted a resolution on January 27, 2003, ("the Stranded Costs Resolution") requesting the State Corporation Commission ("SCC") to convene a work group of stakeholders to develop consensus recommendations for a definition of "stranded costs" and "just and reasonable net stranded costs," and for a methodology to monitor the recovery of a utility's just and reasonable net stranded costs; and

WHEREAS, the Stranded Costs Resolution also requested that, in the absence of consensus among work group members, the State Corporation Commission include in its reports any recommendations of the SCC and other work group members and an analysis by SCC staff of those recommendations; and

WHEREAS, the SCC convened four meetings of the work group for discussion of the issues presented in the Stranded Costs Resolution; and

WHEREAS, during the course of the work group discussions, the SCC, the Virginia Committee for Fair Utility Rates, and the utilities each proposed a methodology for monitoring stranded cost recovery; and

WHEREAS, as the work group progressed, SCC staff also proposed an accounting approach as an alternative to the methodology proposed by the stakeholders; and

WHEREAS, the work group was unable to reach consensus on the proposed definitions or methodologies for monitoring stranded cost recovery; and

WHEREAS, the SCC submitted on July 1, 2003, its first report to this Commission on the progress of the work group; and

WHEREAS, in its report, the SCC requested additional direction from this Commission on the appropriate methodology for monitoring stranded cost recovery; and

WHEREAS, this Commission received the report from the SCC at its meeting held November 19, 2003; and

WHEREAS, this Commission received comments from members of the work group on the SCC report and proposed methodologies at its meeting held November 24, 2003; and

WHEREAS, at that November 24 meeting, this Commission requested the Division of Consumer Counsel of the Office of Attorney General to amplify on its recommendations for the monitoring of stranded costs; and

WHEREAS, the Division of Consumer Counsel has recommended that the Division make an annual report to this Commission in the manner specified below as a means of assisting with such monitoring of stranded costs; and

WHEREAS, this recommendation reflects a fair balancing of the concerns of all stakeholders while preserving the spirit of the Restructuring Act; now therefore be it

RESOLVED, that the Commission on Electric Utility Restructuring hereby requests the Division of Consumer Counsel of the Office of Attorney General:

1. On or before September 1, 2004, and annually thereafter, to report to the Commission on Electric Utility Restructuring (i) the cost of service of each incumbent electric utility's generation; and (ii) the market prices for generation as calculated for wires charge purposes immediately prior to said reporting date; provided, however, that the first such report is requested to cover the period beginning July 1, 1999 and ending December 31, 2003.
2. In determining generation cost of service, to take into account factors such as the incumbent electric utility's applicable Annual Informational Filing to the SCC, any adjustments to such Filing made by the SCC, example ranges of returns on common equity, and such other factors as the Division deems relevant.

3. In determining market prices for generation, to take into account market prices as determined by the SCC and such other factors as the Division may deem relevant.
4. To continue to make such reports for each incumbent electric utility until the capped rates for such utility expire or are terminated pursuant to the provisions of § 56-582.

Adopted by the Commission on Electric Utility Restructuring on January 15, 2004.

**Virginia Jurisdictional kWh Sales
for Utilities Evaluated**

Virginia Jurisdictional Sales for 2003

	<u>Total Va Juris kWh Sales</u>	<u>Percent of Total Va</u>	<u>Residential kWh Sales</u>	<u>Percent of Total Sales</u>
<u>Investor-Owned Utilities:</u>				
Dominion Virginia Power	58,772,625,000	68.9%	25,793,871,000	43.9%
Appalachian Power Company	14,837,834,686	17.4%	6,135,105,230	41.3%
Delmarva Power and Light Company	413,074,650	0.5%	171,919,928	41.6%
Potomac Edison	<u>2,697,121,000</u>	<u>3.2%</u>	<u>1,151,406,000</u>	<u>42.7%</u>
Total IOU Sales:	76,720,655,336	90.0%	33,252,302,158	43.3%
<u>Electric Coops:</u>				
A&N	218,172,860	0.3%	117,299,670	53.8%
BARC	163,100,673	0.2%	114,312,552	70.1%
Central Va	574,686,252	0.7%	410,157,370	71.4%
Community	167,389,946	0.2%	138,549,320	82.8%
Craig-Botetourt	77,321,032	0.1%	63,823,966	82.5%
Mecklenburg	518,059,039	0.6%	325,507,122	62.8%
Northern Virginia	2,603,079,786	3.1%	1,611,893,462	61.9%
Northern Neck	221,417,191	0.3%	188,456,675	85.1%
Prince George	261,187,581	0.3%	144,993,740	55.5%
Rappahannock	2,247,192,699	2.6%	1,232,673,121	54.9%
Shenandoah Valley	735,086,687	0.9%	432,857,909	58.9%
Southside	<u>758,513,728</u>	<u>0.9%</u>	<u>607,167,614</u>	<u>80.0%</u>
Total Coop Sales:	8,545,207,474	10.0%	5,387,692,521	63.0%
Total Va Jurisdiction Sales:	85,265,862,810		38,639,994,679	

**Potomac Edison
2003 kWh Sales in VA**

Source: 2003 AIF

Rate Schedule:	<u>KWH</u>	
R	1,151,406,000	42.7%
C	174,605,000	6.5%
G	123,440,000	4.6%
PH	782,577,000	29.0%
PP	<u>465,093,000</u>	17.2%
Total	<u>2,697,121,000</u>	100.0%

**Appalachian Power Company
Virginia Jurisdictional
Schedule of 2003 kWh by Rate Class**

Rate Class	kWh	
Residential - Standard	6,086,768,111	41.0%
Residential - Employee	42,481,061	0.3%
Residential - TOD & LMTOD	5,856,058	0.0%
Residential - Total	<u>6,135,105,230</u>	41.3%
SWS	101,226,741	0.7%
SGS - Standard	525,149,250	3.5%
SGS - Unmetered	714,642	0.0%
SGS - LMTOD	4,965	0.0%
SGS - Total Secondary	<u>525,868,857</u>	3.5%
SGS - Primary	1,328,332	0.0%
MGS - Standard	849,056,240	5.7%
MGS - TOD	71,409,894	0.5%
MGS - Total Secondary	<u>920,466,134</u>	6.2%
MGS - Primary	55,434,155	0.4%
MGS - Subtransmission	3,334,800	0.0%
MGS - Transmission	1,505,000	0.0%
LGS - Secondary	1,504,793,574	10.1%
LGS - Primary	115,443,531	0.8%
LGS - Subtransmission	2,019,000	0.0%
LPS - Secondary	568,443,058	3.8%
LPS - Primary	2,323,653,184	15.7%
LPS - Subtransmission	2,165,028,044	14.6%
LPS - Transmission	342,758,300	2.3%
OL	<u>71,426,746</u>	0.5%
Total	<u><u>14,837,834,686</u></u>	100.0%

**Delmarva Power and Light Company
2003 kWh Sales in VA**

Source: 2003 AIF

Rate Schedule:	<u>KWH</u>	
Residential	110,924,877	26.9%
Residential Space Heating	60,995,051	14.8%
General Service SGS-S	94,997,835	23.0%
ORL	22,494	0.0%
General Service LGS-S	26,519,064	6.4%
General Service Primary Rate	116,406,590	28.2%
Lighting	<u>3,208,739</u>	0.8%
Total	<u>413,074,650</u>	100.0%

**Dominion Virginia Power
2003 kWh Sales in VA**

Source: 2003 AIF Revenue Adjustment

Residential

	kwh	
Schedule 1	25,500,968,000	43.4%
Schedule 1P	56,170,000	0.1%
Schedule 1S	214,600,000	0.4%
Schedule 1T	22,133,000	0.0%
Total Residential	<u>25,793,871,000</u>	43.9%

General Service

	kwh	
GS-1	3,124,341,000	5.3%
GS-2	9,297,734,000	15.8%
GS-3	9,246,599,000	15.7%
GS-4	6,741,873,964	11.5%
GS-2T	1,226,983,000	2.1%
Schedule 5	53,438,000	0.1%
Schedule 6	114,318,000	0.2%
Schedule 6TS	283,539,000	0.5%
Schedule 7	20,127,000	0.0%
Schedule 10	2,084,818,576	3.5%
Schedule RTP	119,796,036	0.2%
Special Contract	<u>399,635,424</u>	0.7%
Total GS	<u>32,713,203,000</u>	55.7%

Church Service

Schedule 5C	163,057,000	0.3%
Schedule 5P	<u>7,486,000</u>	0.0%
Total Church	<u>170,543,000</u>	0.3%

Outdoor Lighting

Schedule 25	278,000	0.0%
Schedule 27	39,483,000	0.1%
Schedule 28	49,892,000	0.1%
Schedule 29	<u>5,355,000</u>	0.0%
Total Outdoor Lighting	<u>95,008,000</u>	0.2%

Total kWh Sales **58,772,625,000**

2003 kWh Sales

	Residential Sales (excluding seasonal)	Residential Sales (seasonal)	Irrigation Sales	Comm. & Ind. 1000 KVA or less	Comm. & Ind. Over 1000 KVA	Public Street & Highway Lighting	Other Sales to Public Authorities	Sales for Resales - RUS Borrowers	Sales for Resales - Other	Total
A&N	117,299,670	-	776,605	26,594,782	71,748,600	307,441	1,445,762	-	-	218,172,860
BARC	114,312,552	-	-	27,286,601	21,501,520	-	-	-	-	163,100,673
Central Va	410,157,370	-	-	85,580,416	78,948,466	-	-	-	-	574,686,252
Community	138,549,320	-	160,427	17,308,072	2,815,260	343,746	8,213,121	-	-	167,389,946
Craig-Botetourt	63,823,966	2,056,889	-	3,147,345	7,573,827	-	719,005	-	-	77,321,032
Mecklenburg	325,507,122	-	-	59,003,920	104,918,826	-	28,629,171	-	-	518,059,039
Northern Virginia	1,611,893,462	-	-	655,127,603	332,769,280	3,289,441	-	-	-	2,603,079,786
Northern Neck	188,456,675	-	-	31,419,716	-	8,016	1,532,784	-	-	221,417,191
Prince George	144,993,740	-	-	32,027,869	51,663,926	2,244,413	30,257,633	-	-	261,187,581
Rappahannock	1,232,673,121	-	-	103,306,719	903,647,559	1,837,742	5,727,558	-	-	2,247,192,699
Shenandoah Valley	432,857,909	5,723,800	-	103,975,285	192,529,693	-	-	-	-	735,086,687
Southside	607,167,614	-	-	24,145,301	101,463,463	-	25,737,350	-	-	758,513,728
Total	5,387,692,521	7,780,689	937,032	1,168,923,629	1,869,580,420	8,030,799	102,262,384	-	-	8,545,207,474
	63.0%	0.1%	0.0%	13.7%	21.9%	0.1%	1.2%	0.0%	0.0%	100.0%

ODEC Members Highlighted in Yellow

Market Price Calculations

DVP All Rate Schedules

Market Revenue Per kWh by Month

From Appendix 2 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

I	II	III	IV			
	1999-2001	1999 - 2001	2003	Updated/3	Updated	Updated
<u>Month</u>	Total	Market	Avg Market	Mkt Price	Avg Market	Market
	<u>kWh (1)</u>	<u>Revenue</u>	<u>Price at Retail</u>	<u>Adjustment</u>	<u>Price at Retail</u>	<u>Revenue</u>
			<u>cents/kWh</u>	<u>Factor</u>	<u>cents/kWh</u>	
1	24,175,942	\$751,225	3.34	1.13	3.77	\$911,497
2	22,141,431	\$676,662	3.29	1.13	3.71	\$821,026
3	24,117,527	\$650,149	2.90	1.69	4.90	\$1,181,416
4	22,768,553	\$616,125	2.91	1.69	4.92	\$1,119,588
5	23,946,611	\$711,310	3.19	1.22	3.90	\$934,504
6	25,258,532	\$912,637	3.89	1.14	4.44	\$1,121,380
7	25,340,004	\$948,416	4.02	1.16	4.66	\$1,181,865
8	26,302,695	\$1,024,225	4.19	1.16	4.85	\$1,276,335
9	24,125,859	\$690,716	3.08	1.13	3.49	\$842,706
10	23,798,434	\$633,930	2.86	1.18	3.38	\$804,759
11	22,107,492	\$586,141	2.85	1.18	3.37	\$744,093
12	<u>21,814,916</u>	<u>\$574,489</u>	<u>2.83</u>	<u>1.18</u>	<u>3.34</u>	<u>\$729,301</u>
Annual Averag	285,897,994	\$8,776,023	3.30		4.08	\$11,668,470

Note

- 1) Based On Load Profile Information: Per Customer At Production Level
- 2) Assumed System Losses: 7%

**Dominion Virginia Power
2003 kWh Sales in VA**

Source: 2003 AIF Revenue Adjustment

Residential

	<u>kwh</u>	<u>cents/kWh</u>	<u>Mkt Revenue</u>
Schedule 1	25,500,968,000	0.04	\$907,834,461
Schedule 1P	56,170,000		
Schedule 1S	214,600,000		
Schedule 1T	<u>22,133,000</u>		
Total Residential	<u>25,793,871,000</u>		

General Service

	<u>kwh</u>		
GS-1	3,124,341,000	0.03	\$108,195,929
GS-2	9,297,734,000	0.03	\$315,472,115
GS-3	9,246,599,000	0.03	\$300,422,002
GS-4	6,741,873,964	0.03	\$202,728,150
GS-2T	1,226,983,000		
Schedule 5	53,438,000		
Schedule 6	114,318,000	0.03	\$3,525,567
Schedule 6TS	283,539,000	0.03	\$8,979,680
Schedule 7	20,127,000		
Schedule 10	2,084,818,576	0.03	\$68,152,719
Schedule RTP	119,796,036		
Special Contract	<u>399,635,424</u>		
Total GS	<u>32,713,203,000</u>		

Church Service

Schedule 5C	163,057,000	0.04	\$5,711,887
Schedule 5P	<u>7,486,000</u>		

Total Church **170,543,000**

Outdoor Lighting

Schedule 25	278,000		
Schedule 27	39,483,000		
Schedule 28	49,892,000		
Schedule 29	<u>5,355,000</u>		

Total Outdoor Lighting **95,008,000** 0.02 \$2,282,092

Total kWh Sales **58,772,625,000**

56,652,256,540 3.39 \$1,923,304,601

Retail @ 7% 3.65

Adjust Factor 1.24

Actual 2003 4.53

	1	2	3	4	5	6	7	8
	Original/1 PJM West Forward	Original/1 Cinergy Forward	Original/1 Max Forward	Original/1 PJM West Forward	Original/1 Cinergy Forward	Original/1 Max Forward	Original/2 Max Forward	Updated/3 PJM West Forward
<u>Month</u>	<u>On-Peak Price</u>	<u>On-Peak Price</u>	<u>On-Peak Price</u>	Off-Peak Price	Off-Peak Price	Off-Peak Price	Mkt Price	On-Peak Price
1	35.05	28.47	35.05	20.94	17.67	20.94	27.66	40.25
2	35.05	28.47	35.05	20.94	17.67	20.94	27.66	40.25
3	31.73	27.52	31.73	20.94	17.67	20.94	26.08	67.25
4	31.73	27.52	31.73	20.94	17.67	20.94	26.08	67.25
5	36.95	28.26	36.95	20.94	17.67	20.94	28.57	48.00
6	42.64	31.96	42.64	20.94	17.67	20.94	31.27	49.75
7	52.38	38.83	52.38	20.94	17.67	20.94	35.91	62.10
8	52.38	38.83	52.38	20.94	17.67	20.94	35.91	62.10
9	35.66	26.92	35.66	20.94	17.67	20.94	27.95	41.30
10	31.43	26.67	31.43	20.94	17.67	20.94	25.93	39.00
11	31.43	26.67	31.43	20.94	17.67	20.94	25.93	39.00
12	31.43	26.67	31.43	20.94	17.67	20.94	25.93	39.00
Annual Average								

Note

1) Based On Load Profile Information: Per Customer At Production Level

9	10	11	12	13	14	15			
Updated/3 Cinergy Forward On-Peak Price	Updated/3 Max Forward On-Peak Price	Updated/3 PJM West Forward Off-Peak Price	Updated/3 Cinergy Forward Off-Peak Price	Updated/3 Max Forward Off-Peak Price	Updated/3 Max Forward Mkt Price	Updated/3 Mkt Price Adjustment Factor			
28.80	40.25	23.00	17.00	23.00	31.21	1.13	5,752,629,499	6,491,347,856	
28.80	40.25	23.00	17.00	23.00	31.21	1.13	5,035,559,170	5,682,195,634	
58.40	67.25	23.00	17.00	23.00	44.07	1.69	4,740,902,191	8,011,866,280	
58.40	67.25	23.00	17.00	23.00	44.07	1.69	4,169,236,326	7,045,782,129	
39.50	48.00	23.00	17.00	23.00	34.90	1.22	4,151,692,374	5,072,594,586	
36.00	49.75	23.00	17.00	23.00	35.74	1.14	4,759,066,431	5,438,251,510	
46.45	62.10	23.00	17.00	23.00	41.62	1.16	5,788,883,110	6,708,831,205	
46.45	62.10	23.00	17.00	23.00	41.62	1.16	5,855,854,577	6,786,445,532	
34.25	41.30	23.00	17.00	23.00	31.71	1.13	4,288,627,996	4,866,069,732	
29.60	39.00	23.00	17.00	23.00	30.62	1.18	4,296,600,999	5,072,627,860	
29.60	39.00	23.00	17.00	23.00	30.62	1.18	4,353,464,002	5,139,761,125	
29.60	39.00	23.00	17.00	23.00	30.62	1.18	<u>5,332,460,000</u>	6,295,577,636	
						1.24	58,524,976,675	72,611,351,086	

**Schedule 1 - Residential
Market Revenue Per kWh by Month**

From Appendix 2 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

	I	II	III	IV	V	VI	VII	VIII	IX	X
								1999 - 2001	1999 - 2001	1999 - 2001
		1999	1999	2000	2000	2001	2001	Total	Market	Market
		Total	Market	Total	Market	Total	Market	kWh (1)	Revenue	Revenue
<u>Month</u>		<u>kWh (1)</u>	<u>Revenue</u>	<u>kWh (1)</u>	<u>Revenue</u>	<u>kWh (1)</u>	<u>Revenue</u>	<u>II + IV + VI</u>	<u>III + V + VII</u>	<u>IX / VIII</u>
1		1,372.03	\$50.96	1,504.76	\$54.49	1,538.57	\$53.98	4,415.36	\$159.43	\$0.03611
2		1,158.83	\$40.93	1,174.34	\$41.49	1,160.03	\$39.80	3,493.20	\$122.22	\$0.03499
3		1,205.64	\$36.98	963.24	\$28.65	1,185.00	\$34.48	3,353.88	\$100.11	\$0.02985
4		809.87	\$24.67	827.89	\$24.09	858.22	\$24.83	2,495.98	\$73.59	\$0.02948
5		868.92	\$28.19	973.46	\$35.50	857.62	\$27.67	2,700.00	\$91.36	\$0.03384
6		1,130.17	\$56.25	1,255.37	\$51.87	1,234.30	\$50.89	3,619.84	\$159.01	\$0.04393
7		1,626.94	\$77.01	1,269.45	\$52.63	1,300.72	\$56.84	4,197.11	\$186.48	\$0.04443
8		1,427.30	\$66.83	1,263.94	\$56.98	1,457.66	\$68.44	4,148.90	\$192.25	\$0.04634
9		927.99	\$30.64	977.61	\$31.87	965.59	\$29.56	2,871.19	\$92.07	\$0.03207
10		837.85	\$25.02	844.78	\$24.80	872.22	\$24.91	2,554.85	\$74.73	\$0.02925
11		936.75	\$28.68	1,071.01	\$31.21	920.51	\$26.27	2,928.27	\$86.16	\$0.02942
12		1,305.41	\$38.92	1,584.27	\$45.44	1,208.53	\$33.55	4,098.21	\$117.91	\$0.02877
								40,876.79	1,455.32	\$0.03560

Note

1) Based On Load Profile Information: Per Customer At Production Level

Schedule GS-1

Market Revenue Per kWh by Month

From Appendix 3 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

I	II	III	IV	V	VI	VII	VIII	IX	X
Month	1999 Total kWh (I)	1999 Market Revenue	2000 Total kWh (I)	2000 Market Revenue	2001 Total kWh (I)	2001 Market Revenue			
1	1,771.63	\$60.28	1,862.01	\$62.15	1,914.71	\$63.52	5,548.35	\$185.95	\$0.03351
2	1,577.57	\$52.02	1,657.36	\$54.06	1,565.99	\$50.87	4,800.92	\$156.95	\$0.03269
3	1,705.02	\$49.78	1,573.03	\$45.16	1,644.94	\$46.24	4,922.99	\$141.18	\$0.02868
4	1,468.98	\$43.29	1,467.11	\$41.89	1,476.66	\$43.08	4,412.75	\$128.26	\$0.02907
5	1,608.69	\$51.83	1,764.37	\$62.11	1,595.35	\$52.03	4,968.41	\$165.97	\$0.03341
6	1,870.56	\$87.99	2,025.33	\$84.39	1,863.71	\$76.80	5,759.60	\$249.18	\$0.04326
7	2,234.73	\$104.73	2,034.71	\$86.35	1,906.19	\$83.31	6,175.63	\$274.39	\$0.04443
8	2,126.07	\$98.44	2,075.64	\$94.29	2,058.60	\$94.01	6,260.31	\$286.74	\$0.04580
9	1,674.70	\$54.53	1,698.28	\$54.64	1,601.90	\$49.24	4,974.88	\$158.41	\$0.03184
10	1,489.41	\$42.68	1,580.38	\$45.84	1,514.12	\$43.28	4,583.91	\$131.80	\$0.02875
11	1,469.85	\$42.64	1,592.96	\$44.68	1,427.50	\$39.95	4,490.31	\$127.27	\$0.02834
12	1,715.35	\$49.39	1,971.13	\$54.05	1,551.28	\$42.49	5,237.76	\$145.93	\$0.02786
							62,135.82	2,152.03	\$0.03463

Note

1) Based On Load Profile Information: Per Customer At Production Level

Schedule GS-2

Market Revenue Per kWh by Month

From Appendix 4 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

I	II	III	IV	V	VI	VII	VIII	IX	X	1999 - 2001
										Market Revenue Per kWh
Month	1999 Total kWh (1)	1999 Market Revenue	2000 Total kWh (1)	2000 Market Revenue	2001 Total kWh (1)	2001 Market Revenue	1999 - 2001 Total kWh (1) II + IV + VI	1999 - 2001 Market Revenue III + V + VII	IX / VIII	1999 - 2001 Market Revenue Per kWh IX / VIII
	1	30,762.85	\$1,043.52	29,378.54	\$982.73	34,132.15	\$1,134.16	94,273.54	\$3,160.41	\$0.03352
2	27,643.68	\$917.89	26,547.66	\$868.87	28,852.41	\$937.03	83,043.75	\$2,723.79	\$0.03280	
3	30,238.97	\$882.48	26,176.08	\$749.40	31,021.77	\$874.26	87,436.82	\$2,506.14	\$0.02866	
4	27,248.34	\$800.99	25,041.61	\$709.23	28,880.57	\$834.33	81,170.52	\$2,344.55	\$0.02888	
5	30,884.43	\$986.31	30,572.44	\$1,032.77	31,624.44	\$1,017.60	93,081.31	\$3,036.68	\$0.03262	
6	34,622.58	\$1,510.74	33,675.59	\$1,348.36	36,255.68	\$1,435.21	104,553.85	\$4,294.31	\$0.04107	
7	40,743.50	\$1,806.82	34,250.17	\$1,392.13	37,392.31	\$1,571.00	112,385.98	\$4,769.95	\$0.04244	
8	39,128.95	\$1,729.47	35,026.76	\$1,525.10	40,084.81	\$1,758.99	114,240.52	\$5,013.56	\$0.04389	
9	32,123.82	\$1,026.35	30,262.93	\$946.77	31,887.60	\$965.72	94,274.35	\$2,938.84	\$0.03117	
10	28,692.46	\$819.90	27,670.78	\$794.20	29,255.23	\$834.03	85,618.47	\$2,448.13	\$0.02859	
11	27,382.80	\$789.78	26,104.90	\$731.79	27,218.23	\$760.76	80,705.93	\$2,282.33	\$0.02828	
12	30,188.75	\$867.92	30,700.81	\$840.50	29,149.44	\$797.86	90,039.00	\$2,506.28	\$0.02784	
							1,120,824.04	38,024.97	\$0.03393	

Note

I) Based On Load Profile Information: Per Customer At Production Level

Schedule GS-3

Market Revenue Per kWh by Month

From Appendix 5 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

I	II	III	IV	V	VI	VII	VIII	IX	X
Month	1999 Total kWh (1)	1999 Market Revenue	2000 Total kWh (1)	2000 Market Revenue	2001 Total kWh (1)	2001 Market Revenue	II + IV + VI	III + V + VII	IX / VIII
1	498,714.76	\$16,275.03	501,022.02	\$16,264.37	473,969.94	\$15,503.87	1,473,706.72	\$48,043.27	\$0.03260
2	451,564.71	\$14,562.81	464,860.20	\$14,852.19	414,017.51	\$13,119.00	1,330,442.42	\$42,534.00	\$0.03197
3	497,961.01	\$14,075.79	486,110.94	\$13,604.10	444,127.75	\$12,292.98	1,428,199.70	\$39,972.87	\$0.02799
4	467,713.64	\$13,349.38	461,876.81	\$12,837.36	423,231.23	\$11,947.84	1,352,821.68	\$38,134.58	\$0.02819
5	504,893.71	\$15,535.59	525,014.84	\$16,838.73	461,664.58	\$14,422.50	1,491,573.13	\$46,796.82	\$0.03137
6	538,832.00	\$21,863.34	551,000.97	\$21,189.93	490,910.94	\$18,637.19	1,580,743.91	\$61,690.46	\$0.03903
7	586,224.79	\$24,218.34	552,871.74	\$21,656.92	498,770.64	\$20,165.98	1,637,867.17	\$66,041.24	\$0.04032
8	580,635.23	\$24,220.73	571,249.34	\$23,812.50	531,241.54	\$22,207.27	1,683,126.11	\$70,240.50	\$0.04173
9	511,648.81	\$15,663.86	511,882.29	\$15,381.93	455,033.48	\$13,386.89	1,478,564.58	\$44,432.68	\$0.03005
10	486,578.14	\$13,436.73	501,998.39	\$13,956.82	445,758.30	\$12,418.55	1,434,334.83	\$39,812.10	\$0.02776
11	464,598.70	\$12,920.41	469,401.26	\$12,874.19	411,455.18	\$11,284.46	1,345,455.14	\$37,079.06	\$0.02756
12	481,625.38	\$13,474.46	501,139.07	\$13,461.66	411,414.74	\$11,065.10	1,394,179.19	\$38,001.22	\$0.02726
							17,631,014.58	572,778.80	\$0.03249

Note

1) Based On Load Profile Information: Per Customer At Production Level

Schedule GS-4

Market Revenue Per kWh by Month

From Appendix 6 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

	I	II	III	IV	V	VI	VII	VIII	IX	X
		1999 Total	1999 Market Revenue	2000 Total	2000 Market Revenue	2001 Total	2001 Market Revenue	1999 - 2001 Total kWh (1)	1999 - 2001 Market Revenue	1999 - 2001 Market Revenue Per kWh
<u>Month</u>		<u>kWh (1)</u>	<u>Revenue</u>	<u>kWh (1)</u>	<u>Revenue</u>	<u>kWh (1)</u>	<u>Revenue</u>	<u>II + IV + VI</u>	<u>III + V + VII</u>	<u>IX / VIII</u>
1		5,006,639.21	\$151,868.21	4,894,040.58	\$148,623.74	3,906,578.39	\$120,387.53	13,807,258.18	\$420,879.48	\$0.03048
2		4,581,767.97	\$138,014.83	4,762,434.72	\$142,711.32	3,515,757.87	\$105,968.72	12,859,960.56	\$386,694.87	\$0.03007
3		5,079,178.07	\$135,705.51	5,064,402.07	\$134,740.54	3,872,735.55	\$102,908.45	14,016,315.69	\$373,354.50	\$0.02664
4		4,916,575.85	\$132,538.31	4,736,491.59	\$124,304.30	3,732,292.13	\$100,051.01	13,385,359.57	\$356,893.62	\$0.02666
5		5,271,536.70	\$151,119.30	5,027,753.70	\$147,575.56	3,967,294.23	\$116,210.06	14,266,584.63	\$414,904.92	\$0.02908
6		5,266,344.17	\$185,670.73	5,169,715.20	\$181,496.97	4,018,606.14	\$140,556.66	14,454,665.51	\$507,724.36	\$0.03513
7		5,455,166.02	\$197,945.82	5,250,533.56	\$188,680.88	3,950,506.80	\$146,316.06	14,656,206.38	\$532,942.76	\$0.03636
8		5,569,528.71	\$208,964.12	5,372,397.32	\$205,290.27	4,086,360.04	\$155,605.17	15,028,286.07	\$569,859.56	\$0.03792
9		5,133,453.28	\$146,519.37	5,015,982.84	\$140,436.31	3,796,716.64	\$105,646.26	13,946,152.76	\$392,601.94	\$0.02815
10		5,169,531.09	\$134,977.17	5,098,499.79	\$133,411.69	3,712,169.51	\$98,684.99	13,980,200.39	\$367,073.85	\$0.02626
11		4,832,707.45	\$126,791.52	4,596,826.17	\$119,979.55	3,407,932.55	\$89,563.50	12,837,466.17	\$336,334.57	\$0.02620
12		4,847,299.37	\$128,480.09	4,504,201.26	\$115,365.90	3,280,072.58	\$84,599.04	12,631,573.21	\$328,445.03	\$0.02600
								165,870,029.12	4,987,709.46	\$0.03007

Note

1) Based On Load Profile Information: Per Customer At Production Level

Schedule 6

Market Revenue Per kWh by Month

From Appendix 7 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

	I	II	III	IV	V	VI	VII	VIII	IX	X
		1999 Total	1999 Market Revenue	2000 Total	2000 Market Revenue	2001 Total	2001 Market Revenue	1999 - 2001 Total kWh (1)	1999 - 2001 Market Revenue	1999 - 2001 Market Revenue Per kWh
<u>Month</u>		<u>kWh (1)</u>	<u>Revenue</u>	<u>kWh (1)</u>	<u>Revenue</u>	<u>kWh (1)</u>	<u>Revenue</u>	<u>II + IV + VI</u>	<u>III + V + VII</u>	<u>IX / VIII</u>
1		1,600,720.68	\$49,621.45	1,663,194.30	\$51,642.37	1,939,449.54	\$61,233.17	5,203,364.52	\$162,496.99	\$0.03123
2		1,242,541.30	\$38,297.05	1,612,253.18	\$49,065.95	1,766,597.84	\$54,009.61	4,621,392.32	\$141,372.61	\$0.03059
3		1,407,328.94	\$37,933.98	1,739,774.77	\$46,802.82	1,931,167.70	\$52,022.33	5,078,271.41	\$136,759.13	\$0.02693
4		1,268,886.34	\$34,452.04	1,585,654.98	\$42,499.60	1,802,410.89	\$49,344.07	4,656,952.21	\$126,295.71	\$0.02712
5		1,396,396.24	\$40,868.13	1,399,849.03	\$41,912.12	1,672,015.92	\$50,843.25	4,468,261.19	\$133,623.50	\$0.02991
6		1,775,016.79	\$66,243.55	1,821,197.90	\$64,986.08	1,658,037.08	\$59,933.96	5,254,251.77	\$191,163.59	\$0.03638
7		1,504,590.82	\$55,878.68	1,848,768.07	\$68,188.44	1,652,265.17	\$64,869.81	5,005,624.06	\$188,936.93	\$0.03774
8		1,803,959.21	\$69,545.15	1,892,335.08	\$74,072.26	1,727,560.82	\$69,428.58	5,423,855.11	\$213,045.99	\$0.03928
9		1,735,708.18	\$50,182.52	1,734,701.57	\$49,277.18	1,541,502.04	\$44,319.19	5,011,911.79	\$143,778.89	\$0.02869
10		1,670,275.77	\$44,105.12	1,642,249.77	\$43,515.18	1,515,171.51	\$41,291.59	4,827,697.05	\$128,911.89	\$0.02670
11		1,625,355.52	\$43,141.67	1,588,826.31	\$41,735.39	1,358,602.93	\$36,315.58	4,572,784.76	\$121,192.64	\$0.02650
12		1,494,965.39	\$40,491.65	1,492,083.82	\$38,839.83	1,216,122.55	\$32,048.33	4,203,171.76	\$111,379.81	\$0.02650
								58,327,537.95	1,798,957.68	\$0.03084

Note

1) Based On Load Profile Information: Per Customer At Production Level

Schedule 6TS

Market Revenue Per kWh by Month

From Appendix 8 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

	I	II	III	IV	V	VI	VII	VIII	IX	X
		1999	1999	2000	2000	2001	2001	1999 - 2001	1999 - 2001	1999 - 2001
		Total	Market	Total	Market	Total	Market	Total	Market	Market
		kWh (1)	Revenue	kWh (1)	Revenue	kWh (1)	Revenue	kWh (1)	Revenue	Revenue
Month								II + IV + VI	III + V + VII	IX / VIII
1		612,225.53	\$19,876.92	627,199.83	\$20,237.65	844,194.74	\$26,842.51	2,083,620.10	\$66,957.08	\$0.03213
2		546,349.31	\$17,523.48	577,897.11	\$18,333.72	742,440.23	\$23,017.16	1,866,686.65	\$58,874.36	\$0.03154
3		610,390.58	\$17,101.54	597,930.76	\$16,532.41	830,173.43	\$22,473.01	2,038,494.77	\$56,106.96	\$0.02752
4		560,746.80	\$15,842.49	563,342.99	\$15,454.82	819,960.89	\$22,502.41	1,944,050.68	\$53,799.72	\$0.02767
5		607,096.03	\$18,455.82	642,075.32	\$20,267.12	907,445.36	\$27,336.73	2,156,616.71	\$66,059.67	\$0.03063
6		659,238.75	\$26,170.87	688,894.90	\$25,673.30	980,815.87	\$35,415.00	2,328,949.52	\$87,259.17	\$0.03747
7		671,260.86	\$27,086.97	684,814.41	\$26,107.78	1,015,043.64	\$38,834.92	2,371,118.91	\$92,029.67	\$0.03881
8		669,623.90	\$27,211.84	715,048.74	\$28,933.04	1,077,576.36	\$42,436.17	2,462,249.00	\$98,581.05	\$0.04004
9		633,846.54	\$19,123.34	630,437.70	\$18,641.51	893,467.40	\$25,425.89	2,157,751.64	\$63,190.74	\$0.02929
10		590,882.10	\$16,138.24	585,582.44	\$15,994.88	860,115.05	\$23,313.59	2,036,579.59	\$55,446.71	\$0.02723
11		568,798.04	\$15,602.40	566,202.30	\$15,289.48	781,775.91	\$20,827.56	1,916,776.25	\$51,719.44	\$0.02698
12		605,288.28	\$16,664.12	631,030.24	\$16,701.74	810,970.57	\$21,230.95	2,047,289.09	\$54,596.81	\$0.02667
								25,410,182.91	804,621.38	\$0.03167

Note

1) Based On Load Profile Information: Per Customer At Production Level

Schedule 10

Market Revenue Per kWh by Month

From Appendix 9 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

I Month	II	III	IV	V	VI	VII	VIII	IX	X
	1999 Total kWh (1)	1999 Market Revenue	2000 Total kWh (1)	2000 Market Revenue	2001 Total kWh (1)	2001 Market Revenue	1999 - 2001 Total kWh (1) II + IV + VI	1999 - 2001 Market Revenue III + V + VII	1999 - 2001 Market Revenue Per kWh IX / VIII
1	493,406.96	\$16,190.09	482,280.01	\$15,630.77	510,395.98	\$16,920.17	1,486,082.95	\$48,741.03	\$0.03280
2	453,898.45	\$14,721.53	461,276.70	\$14,896.50	441,899.57	\$14,081.30	1,357,074.72	\$43,699.33	\$0.03220
3	491,560.14	\$13,925.05	478,033.91	\$13,535.08	476,963.19	\$13,344.16	1,446,557.24	\$40,804.29	\$0.02821
4	447,632.58	\$12,899.58	434,978.37	\$12,349.37	447,564.50	\$12,889.60	1,330,175.45	\$38,138.55	\$0.02867
5	467,262.27	\$14,660.47	501,620.30	\$16,256.84	480,843.66	\$15,287.37	1,449,726.23	\$46,204.68	\$0.03187
6	512,150.72	\$20,571.94	503,218.01	\$19,659.65	493,943.33	\$19,188.38	1,509,312.06	\$59,419.97	\$0.03937
7	519,091.54	\$21,345.25	496,693.29	\$20,067.57	511,570.59	\$21,009.47	1,527,355.42	\$62,422.29	\$0.04087
8	526,047.60	\$22,327.36	518,018.13	\$22,038.17	516,912.94	\$21,775.83	1,560,978.67	\$66,141.36	\$0.04237
9	477,506.57	\$14,817.18	482,830.56	\$14,597.34	454,557.49	\$13,654.22	1,414,894.62	\$43,068.74	\$0.03044
10	467,882.40	\$13,006.22	481,483.97	\$13,536.56	465,395.68	\$13,140.02	1,414,762.05	\$39,682.80	\$0.02805
11	448,447.83	\$12,491.57	460,176.65	\$12,664.83	425,909.48	\$11,809.84	1,334,533.96	\$36,966.24	\$0.02770
12	473,479.09	\$13,237.69	483,759.66	\$12,996.43	466,154.23	\$12,615.56	1,423,392.98	\$38,849.68	\$0.02729
							17,254,846.35	564,138.96	\$0.03269

Note

1) Based On Load Profile Information: Per Customer At Production Level

Schedule 5C

Market Revenue Per kWh by Month

From Appendix 10 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

I Month	II	III	IV	V	VI	VII	VIII	IX	X
	1999 Total kWh (1)	1999 Market Revenue	2000 Total kWh (1)	2000 Market Revenue	2001 Total kWh (1)	2001 Market Revenue	1999 - 2001 Total kWh (1) II + IV + VI	1999 - 2001 Market Revenue III + V + VII	1999 - 2001 Market Revenue Per kWh IX / VIII
1	4,896.35	\$172.34	5,608.22	\$196.21	5,821.06	\$199.52	16,325.63	\$568.07	\$0.03480
2	4,315.92	\$146.43	4,599.23	\$159.81	4,525.62	\$148.45	13,440.77	\$454.69	\$0.03383
3	4,477.99	\$133.94	3,753.48	\$110.53	4,615.61	\$132.43	12,847.08	\$376.90	\$0.02934
4	3,171.66	\$94.69	3,309.17	\$94.95	3,677.80	\$105.50	10,158.63	\$295.14	\$0.02905
5	3,862.13	\$122.89	4,345.65	\$154.47	4,016.11	\$128.95	12,223.89	\$406.31	\$0.03324
6	4,754.37	\$212.50	5,468.54	\$216.77	5,688.73	\$230.26	15,911.64	\$659.53	\$0.04145
7	6,698.33	\$315.08	5,631.54	\$229.38	5,950.38	\$249.86	18,280.25	\$794.32	\$0.04345
8	6,265.47	\$278.67	5,423.69	\$244.45	6,873.99	\$315.29	18,563.15	\$838.41	\$0.04517
9	4,139.65	\$135.18	4,349.08	\$142.65	4,962.27	\$152.20	13,451.00	\$430.03	\$0.03197
10	3,507.36	\$102.50	3,598.51	\$106.68	3,802.76	\$110.90	10,908.63	\$320.08	\$0.02934
11	3,383.19	\$101.54	3,969.15	\$114.75	3,757.05	\$105.94	11,109.39	\$322.23	\$0.02901
12	4,518.36	\$132.13	5,641.43	\$159.00	4,419.11	\$121.57	14,578.90	\$412.70	\$0.02831
							167,798.96	5,878.41	\$0.03503

Note

1) Based On Load Profile Information: Per Customer At Production Level

**Outdoor Lighting
Market Revenue Per kWh by Month**

From Appendix 11 Schedule 3 of November 1, 2002 Compliance Filing in Case No. PUE-2001-00306

	I	II	III	IV	V	VI	VII	VIII	IX	X
		1999 Total kWh (1)	1999 Market Revenue	2000 Total kWh (1)	2000 Market Revenue	2001 Total kWh (1)	2001 Market Revenue	1999 - 2001 Total kWh (1) II + IV + VI	1999 - 2001 Market Revenue III + V + VII	1999 - 2001 Market Revenue Per kWh IX / VIII
<u>Month</u>										
1		448.91	\$10.23	448.92	\$11.25	448.92	\$11.60	1,346.75	\$33.08	\$0.02456
2		360.83	\$8.47	373.56	\$9.42	360.83	\$10.87	1,095.22	\$28.76	\$0.02626
3		375.69	\$8.67	375.69	\$9.11	375.69	\$9.40	1,127.07	\$27.18	\$0.02412
4		318.38	\$6.72	318.38	\$6.94	318.38	\$7.33	955.14	\$20.99	\$0.02198
5		291.85	\$6.22	291.85	\$6.56	291.85	\$7.31	875.55	\$20.09	\$0.02295
6		254.71	\$4.87	254.71	\$5.89	254.70	\$6.72	764.12	\$17.48	\$0.02288
7		264.25	\$4.58	264.25	\$6.11	264.25	\$6.95	792.75	\$17.64	\$0.02225
8		328.99	\$7.42	329.00	\$8.55	329.00	\$9.71	986.99	\$25.68	\$0.02602
9		337.49	\$7.31	337.48	\$7.67	337.48	\$8.29	1,012.45	\$23.27	\$0.02298
10		397.97	\$8.60	397.97	\$9.16	397.97	\$9.71	1,193.91	\$27.47	\$0.02301
11		413.90	\$10.06	413.90	\$10.56	413.90	\$10.49	1,241.70	\$31.11	\$0.02505
12		452.11	\$10.88	452.10	\$11.38	452.10	\$11.19	1,356.31	\$33.45	\$0.02466
								12,747.96	306.20	\$0.02402

Note

1) Based On Load Profile Information: Per Customer At Production Level

**Calculations of Utility Stranded Cost Recoveries and
Potential Stranded Cost Exposure**

**DESCRIPTION OF SCC STAFF ANALYSIS
OF STRANDED COST RECOVERY
AND GENERATION REVENUE REQUIREMENTS**

2002 and 2001 Investor Owned Utilities:

Staff has filed the following earnings test reports with the Commission for calendar years

2001 and 2002:

<u>Company</u>	<u>Case Number</u>	<u>Test Year</u>
Virginia Power	PUE-2002-00244	2001
Virginia Power	PUE-2003-00181	2002
AEP	PUE-2002-00093	2001
AEP	PUE-2003-00175	2002
Potomac Edison	PUE-2001-00066	2001
Potomac Edison	PUE-2003-00002	2002
Delmarva	PUE-2002-00247	2001

We reviewed these reports to determine if any changes were necessary for determining earnings available for stranded cost recovery. No changes were necessary to reports filed for Appalachian Power Company (“AEP”) or Potomac Edison (“PE”). For Virginia Power (“VAP”), the following changes were made from the report filed in Case No. PUE-2002-00244: (1) deferred state income tax expense was corrected for a cell reference problem; (2) interest expense and preferred dividends were allocated based on the ratio of jurisdictional ratebase to total company rather than performing an interest expense and preferred dividends synchronization; and (3) adjustments for the associated cash working capital and tax effects of the previous two changes.

The following changes were made from the report filed in VAP’s Case No. PUE-2003-00181: (1) the adjustment to remove cost of removal expensed from generation was excluded; (2) transmission and distribution depreciation rates were increased to reflect the rates approved

in Case No. PUE-1992-00041; and (3) adjustments for the associated cash working capital and tax effects of the previous two changes.

Staff is currently working on the report for Delmarva's 2002 earnings test filed in Case No. PUE-2003-00173. The 2002 Delmarva earnings test results provided for the determination of earnings available for stranded cost recovery include the following changes from the earnings test filed by Delmarva: (1) an adjustment to reflect going-forward depreciation expense is excluded; (2) deferred merger costs are excluded from rate base; (3) the amortization of the merger cost is corrected; and (4) the associated cash working capital and tax effects of the previous adjustments. More changes may occur when Staff's report is filed.

2003 Investor Owned Utilities:

Staff has not reviewed the 2003 earnings tests filed by VAP in Case No. PUE-2004-00048, AEP in Case No. PUE-2004-00049, PE in Case No. PUE-2004-00031 or Delmarva Power and Light Company ("Delmarva") in Case No. PUE-2004-00034. While we anticipate that differences between company and Staff adjustments will occur, earnings test results from the utility AIFs were used to calculate earnings available for stranded cost recovery using a 9.00 – 12.00% ROE range.

Similarly, the generation only earnings test provided by each utility in its AIF was the basis for determining generation only earnings available for stranded cost recovery.

Cooperatives:

As requested in a letter from Kent Peterson to the Cooperatives on March 17, 2004, the cooperatives filed a bundled earnings test as well as a generation only earnings test for 2003 with

Public Utility Accounting. The only cooperative that had any regulatory accounting adjustments was Central Virginia Electric Cooperative (“CVEC”). CVEC made adjustments to recognize unbilled revenues and to remove unregulated subsidiary income. The rest of the cooperatives filed unadjusted per books financial information.

As part of its regulatory plan, CVEC filed an earnings test with the Commission for 2001 and 2002. In both 2001 and 2002, CVEC made adjustments to recognize unbilled revenues and to remove unregulated subsidiary income. The rest of the cooperatives did not file an earnings test for 2001 and 2002. Therefore, Staff compiled information from REA Form 7 to develop the earnings tests for 2001 and 2002 and applied the 2003 jurisdictional factors to determine the jurisdictional earnings. No regulatory adjustments were made.

Note: This document was prepared and provided by SCC Staff.

The Potomac Edison Company d/b/a Allegheny Power
 Summary of Earnings Available for Stranded Cost Recovery

\$ THOUSANDS

<u>ROE</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Req't, cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
9.00%	6,193	6,765	1,284	14,242	3.717	3.650	2,697,121,000	\$1,802
10.00%	4,902	5,660	30	10,592	3.717	3.650	2,697,121,000	\$1,802
11.00%	3,612	4,554	N/A	8,166	3.717	3.650	2,697,121,000	\$1,802
12.00%	2,321	3,449	N/A	5,770	3.717	3.650	2,697,121,000	\$1,802

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

The Potomac Edison Company d/b/a Allegheny Power
Calculation of Earnings
Based on 9, 10, 11 AND 12% ROE

9% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	77,954	69,212	75,720
TIMES: RETURN ON EQUITY	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>
INCOME AVAILABLE REQUIREMENT	7,016	6,229	6,815
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>10,756</u>	<u>10,465</u>	<u>7,590</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	(3,740)	(4,236)	(775)
DIVIDED BY: GROSS-UP FACTOR	<u>60.39%</u>	<u>62.61%</u>	<u>60.39%</u>
REGULATORY ASSET WRITE-OFF	<u>6,193</u>	<u>6,765</u>	<u>1,284</u>
10% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	77,954	69,212	75,720
TIMES: RETURN ON EQUITY	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>
INCOME AVAILABLE REQUIREMENT	7,795	6,921	7,572
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>10,756</u>	<u>10,465</u>	<u>7,590</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	(2,961)	(3,544)	(18)
DIVIDED BY: GROSS-UP FACTOR	<u>60.39%</u>	<u>62.61%</u>	<u>60.39%</u>
REGULATORY ASSET WRITE-OFF	<u>4,902</u>	<u>5,660</u>	<u>30</u>
11% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	77,954	69,212	75,720
TIMES: RETURN ON EQUITY	<u>11.00%</u>	<u>11.00%</u>	<u>11.00%</u>
INCOME AVAILABLE REQUIREMENT	8,575	7,613	8,329
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>10,756</u>	<u>10,465</u>	<u>7,590</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	(2,181)	(2,852)	739
DIVIDED BY: GROSS-UP FACTOR	<u>60.39%</u>	<u>62.61%</u>	<u>60.39%</u>
REGULATORY ASSET WRITE-OFF	<u>3,612</u>	<u>4,554</u>	<u>N/A</u>
12% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	77,954	69,212	75,720
TIMES: RETURN ON EQUITY	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>
INCOME AVAILABLE REQUIREMENT	9,354	8,305	9,086
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>10,756</u>	<u>10,465</u>	<u>7,590</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	(1,402)	(2,160)	1,496
DIVIDED BY: GROSS-UP FACTOR	<u>60.39%</u>	<u>62.61%</u>	<u>60.39%</u>
REGULATORY ASSET WRITE-OFF	<u>2,321</u>	<u>3,449</u>	<u>N/A</u>

**The Potomac Edison Company d/b/a Allegheny Power
Generation Revenue Requirement
Based on 9, 10, 11 AND 12% ROE**

9, 10, 11 AND 12 % ROE	<u>2003</u>
COMMON EQUITY CAPITAL	0
TIMES: RETURN ON EQUITY	<u>9.00%</u>
INCOME AVAILABLE REQUIREMENT	0
PLUS: ACTUAL INCOME AVAILABLE	<u>(5,262)</u>
INCOME DEFICIENCY	(5,262)
DIVIDED BY: GROSS-UP FACTOR	<u>61.39%</u>
ADDITIONAL REVENUE REQUIREMENT	8,571
PLUS: ADJUSTED REVENUES	<u>91,688</u>
TOTAL REVENUE REQUIREMENT	<u>100,259</u>

The Potomac Edison Company d/b/a Allegheny Power
Rate of Return Statement - Earnings Test
For the Year Ended December 31, 2003
(\$000's)

	Total Company	Non- Jurisdictional	Virginia Jurisdictional Business	Regulatory Accounting Adjustments	Jurisdictional after all Adjustments
Operating Revenues	905,214	752,022	153,192	0	153,192
Operating Revenue Deductions					
Operation and Maintenance Expense	756,918	633,531	123,387	451	123,838
Depreciation and Amortization	38,319	29,842	8,477	0	8,477
Income Taxes	15,342	11,791	3,551	(100)	3,451
Taxes Other Than Income Taxes	38,214	34,392	3,822	0	3,822
Gain/Loss on Property Disposition	0	0	0	0	0
Total Operating Expenses	848,793	709,556	139,237	351	139,588
Operating Income	56,421	42,466	13,955	(351)	13,604
Plus: AFUDC	790	790	0	0	0
Less: Charitable Contributions (net of tax)	16	13	3	(3)	0
Less: Interest Expense on Customer Deposits	71	55	16	0	16
Adjusted Operating Income	57,124	43,188	13,936	(348)	13,588
Plus: Other Income (Expense)	15,245	15,245	0	0	0
Less: Interest Expense	31,325	24,807	6,518	(665)	5,853
Less: Preferred Dividend	0	0	0	0	0
Less: JDC Capital Expense	0	0	0	145	145
Income Available for Common Equity	41,044	33,626	7,418	172	7,590
Allowance for Working Capital	9,534	6,652	2,882	0	2,882
Plus: Net Utility Plant	898,530	721,103	177,427	(364)	177,063
Less: Other Rate Base Deductions	111,123	87,812	23,311	3,622	26,933
Total Average Rate Base	796,941	639,943	156,998	(3,986)	153,012
Total Average Capital for Ratemaking	822,100		156,998	(3,986)	153,012
Average Common Equity Capital	406,831		77,693	(1,973)	75,720
% Rate of Return Earned on Avg. Rate Base	7.17%		8.88%		8.88%
% Rate of Return Earned on Avg. Common Equity	10.09%		9.55%		10.02%

The Potomac Edison Company d/b/a Allegheny power
Rate of Return statement - Earnings Test for Purchased Power
For the Year Ended Decemeber 31, 2003
(\$000's)

	<u>Virginia Jurisdictional Purchased Power</u>	<u>Regulatory Accounting Adjustments</u>	<u>VA Jurisdictional Purchased Power Adjusted</u>
Operating Revenues	91,688	0	91,688
Operating Revenue Deductions			
Operation and Maintenance Expense	96,471	451	96,922
Depreciation and Amortization	0	0	0
Income Taxes	120	(92)	28
Taxes Other Than Income Taxes	0	0	0
Gain/Loss on Property Disposition	0	0	0
Total Operating Expenses	96,591	359	96,950
Operating Income	(4,903)	(359)	(5,262)
Plus: AFUDC	0	0	0
Less: Charitable Contributions (net of tax)	0	0	0
Less: Interest Expense on Customer Deposits	0	0	0
Adjusted Operating Income	(4,903)	(359)	(5,262)
Plus: Other Income (Expense)	0	0	0
Less: Interest Expense	0	0	0
Less: Preferred Dividend	0	0	0
Less: JDC Capital Expense	0	0	0
Income Available for Common Equity	(4,903)	(359)	(5,262)
Allowance for Working Capital	0	0	0
Plus: Net Utility Plant	0	0	0
Less: Other Rate Base Deductions	0	0	0
Total Average Rate Base	0	0	0
Total Average Captial for Ratemaking	0	0	0
Average Common Equity Capital	0	0	0

The Potomac Edison Company d/b/a Allegheny Power
Rate of Return Statement - Earnings Test
For the Year Ended December 31, 2002
(\$000's)

	(1) Total Company	(2) Non- Jurisdictional	(3) Virginia Jurisdictional Business	(4) Regulatory Accounting Adjustments	(5) Jurisdictional after all Adjustments
Operating Revenues	870,198	722,467	147,731	0	147,731
Operating Revenue Deductions					
Operation and Maintenance Expense	723,298	607,294	116,004	(2,438)	113,566
Depreciation and Amortization	36,170	28,985	7,185	0	7,185
Income Taxes	15,990	10,393	5,597	988	6,585
Taxes Other Than Income Taxes	30,242	26,280	3,962	0	3,962
Gain/Loss on Property Disposition	0	0	0	0	0
Total Operating Expenses	805,700	672,952	132,748	(1,450)	131,298
		0			
Operating Income	64,498	49,515	14,983	1,450	16,433
		0			
Plus: AFUDC (where applicable)	(138)	(138)	0	0	0
Less: Charitable Contributions (net of tax)	113	89	24	(24)	0
Less: Interest Expense on Customer Deposits	164	122	42	0	42
		0			
Adjusted Operating Income	64,083	49,166	14,917	1,474	16,391
Plus: Other Income (Expense)	0	0	0	0	0
Less: Interest Expense	32,995	26,369	6,626	(856)	5,770
Less: Preferred Dividend	0	0	0	0	0
Less: JDC Capital Expense	N/A	N/A	0	156	156
		0			
Income Available for Common Equity	31,088	22,797	8,291	2,174	10,465
Allowance for Working Capital	6,876	4,105	2,771	0	2,771
Plus: Net Utility Plant	892,133	716,294	175,839	(265)	175,574
Less: Other Rate Base Deductions	100,255	75,615	24,640	2,678	27,318
Total Average Rate Base	798,754	644,784	153,970	(2,943)	151,027
Total Average Capital for Ratemaking	840,717	686,747	153,970	(2,943)	151,027
Average Common Equity Capital	385,280	314,719	70,561	(1,349)	69,212
Rate of Return Earned on Avg. Rate Base	8.02%		9.69%		10.85%
Rate of Return Earned on Avg. Common Equity	8.07%		11.75%		15.12%

The Potomac Edison Company d/b/a Allegheny Power
Rate of Return Statement - Earnings Test
For the Year Ended December 31, 2001
(\$000's)

	Total Company Per Books	Non- Jurisdictional	Virginia Jurisdictional Business	Regulatory Accounting Adjustments	Jurisdictional after all Adjustments
Operating Revenues	864,534	723,586	140,948	0	140,948
Operating Expenses					
Operation and Maintenance Expense	688,435	580,828	107,607	(2,437)	105,170
Depreciation and Amortization	33,876	25,995	7,881	0	7,881
Income Taxes	26,683	22,878	3,805	1,673	5,478
Taxes Other Than Income Taxes	30,004	25,011	4,993	0	4,993
Gain/Loss on Property Disposition	0	0	0	0	0
Total Operating Expenses	778,998	654,712	124,286	(764)	123,522
Operating Income	85,536	68,874	16,662	764	17,426
Plus: AFUDC (where applicable)	178	178	0	0	0
Less: Charitable Contributions (net of tax)	511	405	106	(106)	0
Less: Interest Expense on Customer Deposits	149	103	46		46
Adjusted Operating Income	85,054	68,544	16,510	870	17,380
Plus: Other Income (Expense)	0	0	0	0	0
Less: Interest Expense	35,193	28,044	7,149	(718)	6,431
Less: Preferred Dividend	0	0	0	0	0
Less: JDC Capital Expense	0	0	0	193	193
Income Available for Common Equity	49,861	40,500	9,361	1,395	10,756
Allowance for Working Capital	36,131	27,525	8,606	0	8,606
Plus: Net Utility Plant	880,476	707,880	172,596	(283)	172,313
Less: Other Rate Base Deductions	99,525	79,550	19,975	0	19,975
Total Rate Base	817,082	655,855	161,227	(283)	160,944
Total Capital for Ratemaking	831,618		161,227	(283)	160,944
Common Equity Capital	402,799		78,091	(137)	77,954
Rate of Return Earned on Rate Base	10.41%		10.24%		10.80%
Rate of Return on Common Equity	12.38%		11.99%		13.80%

**APPALACHIAN POWER COMPANY
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>ROE</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Reqd, cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
9.00%	4,546	32,641	27,335	64,522	4.285	3.650	14,837,834,686	\$94,101
10.00%	N/A	24,018	18,503	42,521	4.303	3.650	14,837,834,686	\$96,885
11.00%	N/A	15,395	9,671	25,066	4.322	3.650	14,837,834,686	\$99,670
12.00%	N/A	6,772	839	7,611	4.341	3.650	14,837,834,686	\$102,455

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

Appalachian Power Company
Rate of Return Statement - Bundled Earnings Test
For the Test Year Ended December 31, 2003

Line No.	Description	Virginia Jurisdictional Business Col. (1)	Per Books Regulatory Accounting Adjustments Col. (2)	Per Books Adjusted Col. (3)
1	Operating Revenue	\$931,177,798	\$0	\$931,177,798
	Operating Revenue Deductions			
2	Operation and Maintenance Expense	\$618,766,530	(\$1,992)	\$618,764,538
3	Depreciation and Amortization Expense	99,204,850	6,379,139	105,583,989
4	Income Taxes	40,482,080	240,670	40,722,750
5	Taxes Other than Income	39,998,205	0	39,998,205
6	Gain/Loss on Property Disposition	1,340,418	0	1,340,418
7	Total Operating Revenue Deductions	<u>\$799,792,083</u>	<u>\$6,617,817</u>	<u>\$806,409,900</u>
8	Operating Income (Loss)	<u>\$131,385,715</u>	<u>(\$6,617,817)</u>	<u>\$124,767,898</u>
9	Plus: AFUDC	\$0	\$0	\$0
10	Less: Charitable Donations - Net of Tax	262,926	0	262,926
11	Less: Interest on Customer Deposits	(22,973)	0	(22,973)
12	Adjusted Operating Income	<u>\$131,145,762</u>	<u>(\$6,617,817)</u>	<u>\$124,527,945</u>
13	Plus: Other Income	\$0	\$0	\$0
14	Less: Interest Expense	59,024,602	(5,468,929)	53,555,673
15	Less: Preferred Dividend	698,022	(63,091)	634,931
16	Less: JDC Capital Expense	974,413	(73,697)	900,716
17	Income Available for Common Equity	<u>\$70,448,725</u>	<u>(\$1,012,100)</u>	<u>\$69,436,625</u>
	Rate Base			
18	Allowance for Working Capital	\$46,970,495	\$0	\$46,970,495
19	Net Utility Plant	1,810,444,339	(150,966,139)	1,659,478,200
20	Other Rate Base Deductions	229,865,485	0	229,865,485
21	Total Rate Base	<u>\$1,627,549,349</u>	<u>(\$150,966,139)</u>	<u>\$1,476,583,210</u>
22	Common Equity Capital	\$632,791,187	(\$58,695,635)	\$574,095,552
23	Rate of Return Earned on Rate Base	8.06%		8.43%
24	Rate of Return Earned on Common Equity	11.13%		12.10%

Appalachian Power Company
Rate of Return Statement - Generation Earnings Test
For the Test Year Ended December 31, 2003

Line No.	Description	Virginia Jurisdictional Business Col. (1)	Per Books Regulatory Accounting Adjustments Col. (2)	Per Books Adjusted Col. (3)
1	Operating Revenue	\$635,213,194	\$0	\$635,213,194
	Operating Revenue Deductions			
2	Operation and Maintenance Expense	\$526,470,402	\$0	\$526,470,402
3	Depreciation and Amortization Expense	35,633,224	5,982,522	41,615,746
4	Income Taxes	11,226,378	656,296	11,882,674
5	Taxes Other than Income	24,996,041	0	24,996,041
6	Gain/Loss on Property Disposition	(2,051,862)	0	(2,051,862)
7	Total Operating Revenue Deductions	<u>\$596,274,183</u>	<u>\$6,638,818</u>	<u>\$602,913,001</u>
8	Operating Income (Loss)	<u>\$38,939,011</u>	<u>(\$6,638,818)</u>	<u>\$32,300,193</u>
9	Plus: AFUDC	\$0	\$0	\$0
10	Less: Charitable Donations - Net of Tax	(1,134)	0	(1,134)
11	Less: Interest on Customer Deposits	0	0	0
12	Adjusted Operating Income	<u>\$38,940,145</u>	<u>(\$6,638,818)</u>	<u>\$32,301,327</u>
13	Plus: Other Income	\$0	\$0	\$0
14	Less: Interest Expense	21,698,313	(5,309,273)	16,389,040
15	Less: Preferred Dividend	256,603	(62,787)	193,816
16	Less: JDC Capital Expense	289,325	(45,320)	244,005
17	Income Available for Common Equity	<u>\$16,695,904</u>	<u>(\$1,221,438)</u>	<u>\$15,474,466</u>
	Rate Base			
18	Allowance for Working Capital	\$41,402,142	\$0	\$41,402,142
19	Net Utility Plant	616,795,885	(146,398,360)	470,397,525
20	Other Rate Base Deductions	59,886,916	0	59,886,916
21	Total Rate Base	<u>\$598,311,111</u>	<u>(\$146,398,360)</u>	<u>\$451,912,751</u>
22	Common Equity Capital	\$232,632,360	(\$58,695,635)	\$175,703,678
23	Rate of Return Earned on Rate Base	6.51%		7.15%
24	Rate of Return Earned on Common Equity	7.18%		8.81%

**APPALACHIAN POWER COMPANY
GENERATION REVENUE REQUIREMENT
BASED ON 9, 10, 11 AND 12% ROE**

9% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	175,703,678
TIMES: RETURN ON EQUITY	<u>9.00%</u>
INCOME AVAILABLE REQUIREMENT	15,813,331
LESS: ACTUAL INCOME AVAILABLE	<u>15,474,466</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	338,865
DIVIDED BY: GROSS-UP FACTOR	<u>63.10%</u>
ADDITIONAL REVENUE REQUIREMENT	537,067
PLUS: ADJUSTED REVENUES	<u>635,213,194</u>
TOTAL REVENUE REQUIREMENT	<u>635,750,261</u>

10% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	175,703,678
TIMES: RETURN ON EQUITY	<u>10.00%</u>
INCOME AVAILABLE REQUIREMENT	17,570,368
LESS: ACTUAL INCOME AVAILABLE	<u>15,474,466</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	2,095,902
DIVIDED BY: GROSS-UP FACTOR	<u>63.10%</u>
ADDITIONAL REVENUE REQUIREMENT	3,321,793
PLUS: ADJUSTED REVENUES	<u>635,213,194</u>
TOTAL REVENUE REQUIREMENT	<u>638,534,987</u>

11% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	175,703,678
TIMES: RETURN ON EQUITY	<u>11.00%</u>
INCOME AVAILABLE REQUIREMENT	19,327,405
LESS: ACTUAL INCOME AVAILABLE	<u>15,474,466</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	3,852,939
DIVIDED BY: GROSS-UP FACTOR	<u>63.10%</u>
ADDITIONAL REVENUE REQUIREMENT	6,106,519
PLUS: ADJUSTED REVENUES	<u>635,213,194</u>
TOTAL REVENUE REQUIREMENT	<u>641,319,713</u>

12% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	175,703,678
TIMES: RETURN ON EQUITY	<u>12.00%</u>
INCOME AVAILABLE REQUIREMENT	21,084,441
LESS: ACTUAL INCOME AVAILABLE	<u>15,474,466</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	5,609,975
DIVIDED BY: GROSS-UP FACTOR	<u>63.10%</u>
ADDITIONAL REVENUE REQUIREMENT	8,891,245
PLUS: ADJUSTED REVENUES	<u>635,213,194</u>
TOTAL REVENUE REQUIREMENT	<u>644,104,439</u>

Appalachian Power Company
Rate of Return Statement - Bundled Earnings Test
For the Test Year Ended December 31, 2002

Line No.	Description	Virginia Jurisdictional Business Col. (1)	Per Books Regulatory Accounting Adjustments Col. (2)	Per Books Adjusted Col. (3)
1	Operating Revenue	\$860,066,162	\$0	\$860,066,162
	Operating Revenue Deductions			
2	Operation and Maintenance Expense	\$550,289,387	(\$2,172,897)	\$548,116,490
3	Depreciation and Amortization Expense	93,499,021	3,494,012	96,993,033
4	Income Taxes	44,632,295	1,771,318	46,403,613
5	Taxes Other than Income	43,769,519	0	43,769,519
6	Gain/Loss on Property Disposition	1,534,266	(6,026,882)	(4,492,616)
7	Total Operating Revenue Deductions	\$733,724,488	(\$2,934,449)	\$730,790,039
8	Operating Income (Loss)	\$126,341,674	\$2,934,449	\$129,276,123
9	Plus: AFUDC	\$0	\$0	\$0
10	Less: Charitable Donations - Net of Tax	180,398	0	180,398
11	Less: Interest on Customer Deposits	249,567	0	249,567
12	Adjusted Operating Income	\$125,911,709	\$2,934,449	\$128,846,158
13	Plus: Other Income	\$0	\$0	\$0
14	Less: Interest Expense	58,806,315	(1,251,801)	57,554,514
15	Less: Preferred Dividend	697,572	(17,154)	680,418
16	Less: JDC Capital Expense	1,067,731	(17,520)	1,050,211
17	Income Available for Common Equity	\$65,340,091	\$4,220,924	\$69,561,015
	Rate Base			
18	Allowance for Working Capital	\$51,182,933	\$0	\$51,182,933
19	Net Utility Plant	1,664,785,605	(28,575,312)	1,636,210,293
20	Other Rate Base Deductions	208,222,992	0	208,222,992
21	Total Rate Base	\$1,507,745,546	(\$28,575,312)	\$1,479,170,234
22	Common Equity Capital	\$556,961,205	(\$12,892,810)	\$544,068,395
23	Rate of Return Earned on Rate Base	8.35%		8.71%
24	Rate of Return Earned on Common Equity	11.73%		12.79%

Appalachian Power Company
Rate of Return Statement - Bundled Earnings Test
For the Test Year Ended December 31, 2001

Line No.	Description	Virginia Jurisdictional Business Col. (1)	Per Books Regulatory Accounting Adjustments Col. (2)	Per Books Adjusted Col. (3)
1	Operating Revenue	\$3,273,368,576	\$0	\$3,273,368,576
	Operating Revenue Deductions			
2	Operation and Maintenance Expense	\$2,980,335,551	(\$4,310,272)	\$2,976,025,279
3	Depreciation and Amortization Expense	90,118,168	3,310,749	93,428,917
4	Income Taxes	42,321,233	2,276,129	44,597,362
5	Taxes Other than Income	54,947,681	248,820	55,196,501
6	Gain/Loss on Property Disposition	(3,528,027)	(5,671,264)	(9,199,291)
7	Total Operating Revenue Deductions	<u>\$3,164,194,606</u>	<u>(\$4,145,838)</u>	<u>\$3,160,048,768</u>
8	Operating Income (Loss)	<u>\$109,173,970</u>	<u>\$4,145,838</u>	<u>\$113,319,808</u>
9	Plus: AFUDC	\$0	\$0	\$0
10	Less: Charitable Donations - Net of Tax	136,676	0	136,676
11	Less: Interest on Customer Deposits	464,666	0	464,666
12	Adjusted Operating Income	<u>\$108,572,628</u>	<u>\$4,145,838</u>	<u>\$112,718,466</u>
13	Plus: Other Income	\$0	\$0	\$0
14	Less: Interest Expense	60,873,093	(1,072,945)	59,800,148
15	Less: Preferred Dividend	717,645	(19,534)	698,111
16	Less: JDC Capital Expense	1,148,698	149,788	1,298,486
17	Income Available for Common Equity	<u>\$45,833,192</u>	<u>\$5,088,529</u>	<u>\$50,921,721</u>
	Rate Base			
18	Allowance for Working Capital	\$48,891,141	\$0	\$48,891,141
19	Net Utility Plant	1,603,789,955	(25,011,365)	1,578,778,590
20	Other Rate Base Deductions	231,448,671	0	231,448,671
21	Total Rate Base	<u>\$1,421,232,425</u>	<u>(\$25,011,365)</u>	<u>\$1,396,221,060</u>
22	Common Equity Capital	\$544,431,505	(\$9,581,104)	\$534,850,401
23	Rate of Return Earned on Rate Base	7.64%		8.07%
24	Rate of Return Earned on Common Equity	8.42%		9.52%

Delmarva Power and Light Company
Summary of Earnings Available for Stranded Cost Recovery

\$ THOUSANDS

<u>ROE</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation</u>	<u>Generation</u>	<u>2003</u>	<u>Annual/1</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total</u>	<u>Revenue</u>	<u>Market</u>	<u>Va Jurisdiction</u>	<u>Stranded Cost</u>
				<u>2001-2003</u>	<u>Req, cents/kWh</u>	<u>Price, cents/kWh</u>	<u>Sales, kWh</u>	<u>Exposure</u>
9.00%	\$0	\$0	\$0	\$0	5.151	3.650	413,074,650	\$6,200
10.00%	\$0	\$0	\$0	\$0	5.155	3.650	413,074,650	\$6,214
11.00%	\$0	\$0	\$0	\$0	5.158	3.650	413,074,650	\$6,228
12.00%	\$0	\$0	\$0	\$0	5.162	3.650	413,074,650	\$6,242

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

Delmarva Power & Light Company
Rate of Return Statement - Bundled Earnings Test
12 Months ending December 31, 2003
(000's)

Line No.	<u>Particulars</u>	<u>Virginia Jurisdiction Per Books</u>	<u>Previously Approved Adjustments</u>	<u>Virginia Adjusted</u>
1	Total Revenues	33,531	0	33,531
2	Operation & Maintenance Expense	26,928	(26)	26,902
3	Depreciation and Amortization	2,319	183	2,502
4	Income Taxes	1,161	51	1,212
5	Taxes other than Income Taxes	931	0	931
6	Gain/Loss on Property Disposition	(2)	<u>0</u>	(2)
7	Total Expenses	31,337	208	31,545
8	Operating Income	2,194	(208)	1,986
9	AFUDC	0	0	0
10	Less: Charitable Contributions & IOCD	<u>14</u>	<u>(5)</u>	<u>9</u>
11	Adjusted Operating Income	2,180	(203)	1,977
12	Plus: Other Income (Expense)	0	0	0
13	Less: Interest Expense	1,343	(218)	1,125
14	Preferred Dividends	<u>45</u>	<u>6</u>	<u>51</u>
15	Income Available for Common Equity	792	9	801
16	Allowance for Working Capital	9,069	45	9,114
17	Net Utility Plant	42,874	0	42,874
18	Other Rate Base Deductions	<u>13,788</u>	<u>0</u>	<u>13,788</u>
19	Total Rate Base	38,155	45	38,200
20	Total Capital	38,155	45	38,200
21	Common Equity Capital	18,525	22	18,547
22	ROR Earned on Rate Base	5.71%		5.17%
23	ROR Earned on Common Equity	4.28%		4.32%

Delmarva Power & Light Company
Rate of Return Statement - Earnings Test
Generation
12 Months ending December 31, 2003
(000's)

(1)	(2)	(3)	(4)	(5)
Line No.	Particulars	Virginia Jurisdiction Per Books	Previously Approved Adjustments	Virginia Adjusted
1	Total Revenues	21,135	0	21,135
2	Operation & Maintenance Expense	21,066	(1)	21,065
3	Depreciation and Amortization	0	0	0
4	Income Taxes	40	(20)	20
5	Taxes other than Income Taxes	7	0	7
6	Gain/Loss on Property Disposition	0	0	0
7	Total Expenses	21,113	(21)	21,092
8	Operating Income	22	21	43
9	AFUDC	0	0	0
10	Less:Charitable Contributions & IOCD	0	0	0
11	Adjusted Operating Income	22	21	43
12	Plus: Other Income (Expense)	0	0	0
13	Less: Interest Expense	72	(20)	52
14	Preferred Dividends	2	0	2
15	Income Available for Common Equity	(52)	41	(11)
16	Allowance for Working Capital	1,615	2	1,617
17	Net Utility Plant	5	0	5
18	Other Rate Base Deductions	(144)	0	(144)
19	Total Rate Base	1,764	2	1,766
20	Total Capital	1,764	2	1,766
21	Common Equity Capital	856	1	857
22	ROR Earned on Rate Base	1.25%		2.43%
23	ROR Earned on Common Equity	-6.07%		-1.28%

Delmarva Power & Light Company
Rate of Return Statement - Earnings Test
12 Months ending December 31, 2002
(000's)

Line No.	<u>Particulars</u>	<u>Virginia Jurisdiction Per Books</u>	<u>Previously Approved Adjustments</u>	<u>Virginia Adjusted</u>
1	Total Revenues	32,884	0	32,884
2	Operation & Maintenance Expense	26,960	57	27,017
3	Depreciation and Amortization	2,349	183	2,532
4	Income Taxes	393	66	459
5	Taxes other than Income Taxes	1,053	0	1,053
6	Gain/Loss on Property Disposition	(9)	<u>0</u>	(9)
7	Total Expenses	30,746	306	31,052
8	Operating Income	2,138	(306)	1,832
9	AFUDC	0		0
10	Less: Charitable Contributions & IOCD	<u>54</u>	<u>0</u>	<u>54</u>
11	Adjusted Operating Income	2,084	(306)	1,778
12	Plus: Other Income (Expense)	0	0	0
13	Less: Interest Expense	1,680	(336)	1,344
14	Preferred Dividends	<u>53</u>	(0)	<u>53</u>
15	Income Available for Common Equity	351	30	381
16	Allowance for Working Capital	8,743	61	8,804
17	Net Utility Plant	43,817	0	43,817
18	Other Rate Base Deductions	<u>13,355</u>	<u>0</u>	<u>13,355</u>
19	Total Rate Base	39,205	61	39,266
20	Total Capital	39,205	61	39,266
21	Common Equity Capital	17,920	28	17,948
22	ROR Earned on Rate Base	5.32%		4.53%
23	ROR Earned on Common Equity	1.96%		2.12%

Delmarva Power & Light Company
Rate of Return Statement - Bundled Earnings Test
12 Months ending December 31, 2001
(000's)

Line No.	<u>Particulars</u>	<u>Virginia Jurisdiction Per Books</u>	<u>Previously Approved Adjustments</u>	<u>Virginia Adjusted</u>
1	Total Revenues	37,661	0	37,661
2	Operation & Maintenance Expense	26,209	50	26,259
3	Depreciation and Amortization	2,572	224	2,796
4	Income Taxes	3,904	274	4,178
5	Taxes other than Income Taxes	1,042	(86)	956
6	Gain/Loss on Property Disposition	<u>(26)</u>	<u>0</u>	<u>(26)</u>
7	Total Expenses	33,701	462	34,163
8	Operating Income	3,960	(462)	3,498
9	AFUDC	0		0
10	Less: Charitable Contributions & IOCD	<u>19</u>	<u>(7)</u>	<u>12</u>
11	Adjusted Operating Income	3,941	(455)	3,486
12	Plus: Other Income (Expense)	0	0	0
13	Less: Interest Expense	2,362	(589)	1,773
14	Preferred Dividends	<u>92</u>	<u>2</u>	<u>94</u>
15	Income Available for Common Equity	1,487	132	1,619
16	Allowance for Working Capital	16,271	944	17,215
17	Net Utility Plant	46,278	(25)	46,253
18	Other Rate Base Deductions	<u>12,863</u>	<u>(9)</u>	<u>12,854</u>
19	Total Rate Base	49,686	928	50,614
20	Total Capital	49,686	928	50,614
21	Common Equity Capital	24,547	458	25,005
22	ROR Earned on Rate Base	7.93%		6.89%
23	ROR Earned on Common Equity	6.06%		6.47%

Delmarva Power & Light Company
GENERATION REVENUE REQUIREMENT
BASED ON 9, 10, 11 AND 12% ROE

9% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	857
TIMES: RETURN ON EQUITY	<u>9.00%</u>
INCOME AVAILABLE REQUIREMENT	77
LESS: ACTUAL INCOME AVAILABLE	<u>(11)</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	88
DIVIDED BY: GROSS-UP FACTOR	<u>61.10%</u>
ADDITIONAL REVENUE REQUIREMENT	144
PLUS: ADJUSTED REVENUES	<u>21,135</u>
TOTAL REVENUE REQUIREMENT	<u>21,279</u>

10% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	857
TIMES: RETURN ON EQUITY	<u>10.00%</u>
INCOME AVAILABLE REQUIREMENT	86
LESS: ACTUAL INCOME AVAILABLE	<u>(11)</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	97
DIVIDED BY: GROSS-UP FACTOR	<u>61.10%</u>
ADDITIONAL REVENUE REQUIREMENT	158
PLUS: ADJUSTED REVENUES	<u>21,135</u>
TOTAL REVENUE REQUIREMENT	<u>21,293</u>

11% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	857
TIMES: RETURN ON EQUITY	<u>11.00%</u>
INCOME AVAILABLE REQUIREMENT	94
LESS: ACTUAL INCOME AVAILABLE	<u>(11)</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	105
DIVIDED BY: GROSS-UP FACTOR	<u>61.10%</u>
ADDITIONAL REVENUE REQUIREMENT	172
PLUS: ADJUSTED REVENUES	<u>21,135</u>
TOTAL REVENUE REQUIREMENT	<u>21,307</u>

12% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	857
TIMES: RETURN ON EQUITY	<u>12.00%</u>
INCOME AVAILABLE REQUIREMENT	103
LESS: ACTUAL INCOME AVAILABLE	<u>(11)</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	114
DIVIDED BY: GROSS-UP FACTOR	<u>61.10%</u>
ADDITIONAL REVENUE REQUIREMENT	186
PLUS: ADJUSTED REVENUES	<u>21,135</u>
TOTAL REVENUE REQUIREMENT	<u>21,321</u>

Delmarva Power & Light Company
CALCULATION OF EARNINGS
BASED ON 9, 10, 11 AND 12% ROE

9% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	25,005	17,948	18,547
TIMES: RETURN ON EQUITY	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>
INCOME AVAILABLE REQUIREMENT	2,250	1,615	1,669
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>1,619</u>	<u>381</u>	<u>801</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	632	1,234	869
DIVIDED BY: GROSS-UP FACTOR	<u>61.10%</u>	<u>61.10%</u>	<u>61.10%</u>
REGULATORY ASSET WRITE-OFF	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
10% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	25,005	17,948	18,547
TIMES: RETURN ON EQUITY	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>
INCOME AVAILABLE REQUIREMENT	2,501	1,795	1,855
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>1,619</u>	<u>381</u>	<u>801</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	882	1,414	1,054
DIVIDED BY: GROSS-UP FACTOR	<u>61.10%</u>	<u>61.10%</u>	<u>61.10%</u>
REGULATORY ASSET WRITE-OFF	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
11% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	25,005	17,948	18,547
TIMES: RETURN ON EQUITY	<u>11.00%</u>	<u>11.00%</u>	<u>11.00%</u>
INCOME AVAILABLE REQUIREMENT	2,751	1,974	2,040
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>1,619</u>	<u>381</u>	<u>801</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	1,132	1,593	1,240
DIVIDED BY: GROSS-UP FACTOR	<u>61.10%</u>	<u>61.10%</u>	<u>61.10%</u>
REGULATORY ASSET WRITE-OFF	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
12% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	25,005	17,948	18,547
TIMES: RETURN ON EQUITY	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>
INCOME AVAILABLE REQUIREMENT	3,001	2,154	2,226
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>1,619</u>	<u>381</u>	<u>801</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	1,382	1,773	1,425
DIVIDED BY: GROSS-UP FACTOR	<u>61.10%</u>	<u>61.10%</u>	<u>61.10%</u>
REGULATORY ASSET WRITE-OFF	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**VIRGINIA ELECTRIC AND POWER COMPANY
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>ROE</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Reqt, cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
9.00%	\$62,024	\$716,273	\$248,068	\$1,026,365	4.802	3.650	58,772,625,000	\$676,557
10.00%	\$8,743	\$663,612	\$189,996	\$862,351	4.858	3.650	58,772,625,000	\$709,832
11.00%	N/A	\$610,950	\$131,924	\$742,873	4.915	3.650	58,772,625,000	\$743,107
12.00%	N/A	\$558,288	\$73,852	\$632,140	4.971	3.650	58,772,625,000	\$776,382

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

VIRGINIA ELECTRIC AND POWER COMPANY
 RATE OF RETURN STATEMENT - EARNINGS TEST
 12 MONTHS ENDED DECEMBER 31, 2003
 IN THOUSANDS

LINE NO.	(1) Total Company	(2) Non-Jurisdictional	(3) Virginia Jurisdictional Business	(6) Per Books Regulatory Accounting Adjustments	(7) Virginia Jurisdictional Adjusted
1	<u>4,999,917</u>	<u>969,949</u>	<u>4,029,968</u>	<u>0</u>	<u>4,029,968</u>
2	<u>OPERATING REVENUE DEDUCTIONS</u>				
3	3,163,821	703,070	2,460,751	(1,385)	2,459,366
4	498,651	98,166	400,485	(16,516)	383,969
5	338,653	46,786	291,867	(3,741)	288,126
6	188,682	41,251	127,411	0	127,411
7	<u>(3,810)</u>	<u>(843)</u>	<u>(2,967)</u>	<u>10,251</u>	<u>7,284</u>
8	<u>4,165,977</u>	<u>888,430</u>	<u>3,277,547</u>	<u>9,855</u>	<u>3,266,156</u>
9	<u>833,940</u>	<u>81,519</u>	<u>752,421</u>	<u>(9,855)</u>	<u>763,812</u>
10	PLUS: AFUDC	1,781	1,781	0	0
11	LESS: CHARITABLE DONATIONS	529	117	412	0
12	INTEREST EXP. ON CUSTOMER DEPOSITS	1,491	69	1,422	0
13	INTEREST ON TAX DEFICIENCIES	9,001	1,875	7,126	0
14	OTHER INTEREST EXPENSE/(INCOME)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
15	<u>824,700</u>	<u>81,239</u>	<u>743,461</u>	<u>(9,855)</u>	<u>754,852</u>
16	PLUS: OTHER INCOME/(EXPENSE)	33,973	33,973	0	0
17	LESS: INTEREST EXPENSE-BOOKED	291,938	56,837	235,001	(2,354)
18	PREFERRED DIVIDENDS	45,428	9,140	36,288	(364)
19	JDC CAPITAL EXPENSE	N/A	N/A	14,752	(148)
20	<u>521,307</u>	<u>49,135</u>	<u>457,420</u>	<u>(6,989)</u>	<u>471,677</u>
21	ALLOWANCE FOR WORKING CAPITAL	495,394	88,167	407,227	53,974
22	PLUS: NET UTILITY PLANT	10,960,966	2,284,094	8,676,872	(127,121)
23	LESS: OTHER RATE BASE DEDUCTIONS	<u>1,516,732</u>	<u>321,230</u>	<u>1,195,502</u>	<u>5,892</u>
24	<u>9,939,628</u>	<u>2,051,031</u>	<u>7,888,597</u>	<u>(87,046)</u>	<u>7,809,558</u>
25	9,866,731	1,978,133	7,888,597	(87,046)	7,801,551
26	4,494,796	901,140	3,593,656	(39,659)	3,553,897
27	% RATE OF RETURN EARNED ON AVG. RATE BASE			9.42	9.67
28	% RATE OF RETURN EARNED ON AVG. COMMON EQ.			12.73	13.27

VIRGINIA ELECTRIC AND POWER COMPANY
RATE OF RETURN STATEMENT - EARNINGS TEST - GENERATION
12 MONTHS ENDED DECEMBER 31, 2003
IN THOUSANDS

LINE NO.	(1) Virginia Jurisdictional Business	(2) Per Books Regulatory Accounting Adjustments	(3) Virginia Jurisdictional Adjusted
1	<u>2,933,583</u>	0	<u>2,933,583</u>
2	<u>OPERATING REVENUE DEDUCTIONS</u>		
3	2,070,947	(6,095)	2,064,852
4	182,294	(6,838)	175,456
5	182,312	6,752	189,064
6	80,998	0	80,998
7	<u>(3,259)</u>	<u>11,023</u>	<u>7,764</u>
8	<u>2,513,292</u>	<u>4,842</u>	<u>2,518,134</u>
9	<u>420,291</u>	<u>(4,842)</u>	<u>415,449</u>
10	PLUS: AFUDC	0	0
11	LESS: CHARITABLE DONATIONS	347	347
12	INTEREST EXP. ON CUSTOMER DEPOSITS	1,004	1,004
13	INTEREST ON TAX DEFICIENCIES	3,888	3,888
14	OTHER INTEREST EXPENSE/(INCOME)	0	0
15	<u>415,052</u>	<u>(4,842)</u>	<u>410,210</u>
16	PLUS: OTHER INCOME/(EXPENSE)	0	0
17	LESS: INTEREST EXPENSE-BOOKED	133,590	133,590
18	PREFERRED DIVIDENDS	20,628	16,229
19	JDC CAPITAL EXPENSE	<u>8,386</u>	<u>8,047</u>
20	<u>252,448</u>	<u>1,329</u>	<u>252,344</u>
21	ALLOWANCE FOR WORKING CAPITAL	371,096	371,096
22	PLUS: NET UTILITY PLANT	4,734,429	4,733,693
23	LESS: OTHER RATE BASE DEDUCTIONS	<u>621,150</u>	<u>524,913</u>
24	<u>4,484,375</u>	<u>(102,864)</u>	<u>4,579,876</u>
25	4,484,375	(102,864)	4,484,375
26	2,042,860	(46,863)	2,042,860
27	9.26		8.96
28	12.36		12.35

**VIRGINIA ELECTRIC AND POWER COMPANY
GENERATION REVENUE REQUIREMENT
BASED ON 9, 10, 11 AND 12% ROE**

9% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	2,042,860
TIMES: RETURN ON EQUITY	<u>9.00%</u>
INCOME AVAILABLE REQUIREMENT	183,857
LESS: ACTUAL INCOME AVAILABLE	<u>252,344</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	(68,486)
DIVIDED BY: GROSS-UP FACTOR	<u>61.39%</u>
ADDITIONAL REVENUE REQUIREMENT	(111,554)
PLUS: ADJUSTED REVENUES	<u>2,933,583</u>
TOTAL REVENUE REQUIREMENT	<u>2,822,029</u>

10% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	2,042,860
TIMES: RETURN ON EQUITY	<u>10.00%</u>
INCOME AVAILABLE REQUIREMENT	204,286
LESS: ACTUAL INCOME AVAILABLE	<u>252,344</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	(48,058)
DIVIDED BY: GROSS-UP FACTOR	<u>61.39%</u>
ADDITIONAL REVENUE REQUIREMENT	(78,278)
PLUS: ADJUSTED REVENUES	<u>2,933,583</u>
TOTAL REVENUE REQUIREMENT	<u>2,855,305</u>

11% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	2,042,860
TIMES: RETURN ON EQUITY	<u>11.00%</u>
INCOME AVAILABLE REQUIREMENT	224,715
LESS: ACTUAL INCOME AVAILABLE	<u>252,344</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	(27,629)
DIVIDED BY: GROSS-UP FACTOR	<u>61.39%</u>
ADDITIONAL REVENUE REQUIREMENT	(45,003)
PLUS: ADJUSTED REVENUES	<u>2,933,583</u>
TOTAL REVENUE REQUIREMENT	<u>2,888,580</u>

12% ROE	<u>2003</u>
COMMON EQUITY CAPITAL	2,042,860
TIMES: RETURN ON EQUITY	<u>12.00%</u>
INCOME AVAILABLE REQUIREMENT	245,143
LESS: ACTUAL INCOME AVAILABLE	<u>252,344</u>
ADDITIONAL INCOME AVAILABLE REQUIRED	(7,200)
DIVIDED BY: GROSS-UP FACTOR	<u>61.39%</u>
ADDITIONAL REVENUE REQUIREMENT	(11,728)
PLUS: ADJUSTED REVENUES	<u>2,933,583</u>
TOTAL REVENUE REQUIREMENT	<u>2,921,855</u>

VIRGINIA ELECTRIC AND POWER COMPANY
 RATE OF RETURN STATEMENT - EARNINGS TEST
 12 MONTHS ENDED DECEMBER 31, 2002
 IN THOUSANDS

LINE NO.	(1) Total Company	(2) Non- Jurisdictional	(3) Virginia Jurisdictional Business	(6) Per Books Regulatory Accounting Adjustments	(7) Virginia Jurisdictional Adjusted
1	<u>5,005,696</u>	<u>955,552</u>	<u>4,050,144</u>	<u>0</u>	<u>4,050,144</u>
2	OPERATING REVENUE DEDUCTIONS				
3	2,807,840	630,533	2,177,307	(711)	2,176,596
4	501,443	101,466	399,977	(2,964)	397,013
5	451,918	54,203	396,535	(15,796)	380,739
6	147,454	37,948	109,506	0	109,506
7	<u>(3,688)</u>	<u>(815)</u>	<u>(2,873)</u>	<u>(1,021)</u>	<u>(3,894)</u>
8	<u>3,904,967</u>	<u>823,335</u>	<u>3,080,452</u>	<u>(20,492)</u>	<u>3,059,960</u>
9	<u>1,100,729</u>	<u>132,217</u>	<u>969,692</u>	<u>20,492</u>	<u>990,184</u>
10	PLUS: AFUDC	1,331	1,331	0	0
11	LESS: CHARITABLE DONATIONS	2,191	492	1,699	0
12	OTHER INTEREST EXPENSE/(INCOME)	<u>4,778</u>	<u>845</u>	<u>3,933</u>	<u>0</u>
13	<u>1,095,091</u>	<u>132,211</u>	<u>964,060</u>	<u>20,492</u>	<u>984,552</u>
14	PLUS: OTHER INCOME/(EXPENSE)	(32,117)	(32,117)	0	0
15	LESS: INTEREST EXPENSE-BOOKED	290,323	88,447	201,876	20,732
16	PREFERRED DIVIDENDS	29,958	8,619	21,339	1,928
17	JDC CAPITAL EXPENSE	<u>N/A</u>	<u>N/A</u>	<u>16,415</u>	<u>(16,395)</u>
18	<u>742,693</u>	<u>3,028</u>	<u>724,430</u>	<u>14,227</u>	<u>738,657</u>
19	ALLOWANCE FOR WORKING CAPITAL	541,523	117,558	423,965	12,148
20	PLUS: NET UTILITY PLANT	9,429,652	2,030,723	7,398,929	604,497
21	LESS: OTHER RATE BASE DEDUCTIONS	<u>1,352,651</u>	<u>304,116</u>	<u>1,048,535</u>	<u>(3,443)</u>
22	<u>8,618,524</u>	<u>1,844,165</u>	<u>6,774,359</u>	<u>620,088</u>	<u>7,394,447</u>
23	TOTAL AVERAGE CAPITAL	9,520,966	2,746,607	6,774,359	620,088
24	AVERAGE COMMON EQUITY CAPITAL	4,208,115	1,213,956	2,994,159	274,039
25	% RATE OF RETURN EARNED ON AVG. RATE BASE			14.23	13.31
26	% RATE OF RETURN EARNED ON AVG. COMMON EQ.			24.19	22.60

VIRGINIA ELECTRIC AND POWER COMPANY
 RATE OF RETURN STATEMENT - EARNINGS TEST
 12 MONTHS ENDED DECEMBER 31, 2001
 IN THOUSANDS

LINE NO.	(1) Total Company	(2) Non-Jurisdictional	(3) Virginia Jurisdictional Business	(6) Per Books Regulatory Accounting Adjustments	(7) Virginia Jurisdictional Adjusted	
1	<u>4,813,476</u>	<u>948,279</u>	<u>3,865,197</u>	<u>0</u>	<u>3,865,197</u>	
2	<u>OPERATING REVENUE DEDUCTIONS</u>					
3	3,212,553	707,134	2,505,419	(15,366)	2,490,053	
4	517,676	104,898	412,778	34,389	447,167	
5	246,621	20,514	224,612	(13,006)	211,605	
6	158,456	39,658	118,798	0	118,798	
7	<u>(656)</u>	<u>(145)</u>	<u>(511)</u>	<u>1,420</u>	<u>909</u>	
8	<u>4,134,650</u>	<u>872,059</u>	<u>3,261,096</u>	<u>7,437</u>	<u>3,268,532</u>	
9	<u>678,826</u>	<u>76,220</u>	<u>604,101</u>	<u>(7,437)</u>	<u>596,665</u>	
10	PLUS: AFUDC	1,558	0	0	0	
11	LESS: CHARITABLE DONATIONS	878	0	0	878	
12	OTHER INTEREST EXPENSE/(INCOME)	<u>8,054</u>	<u>1,019</u>	<u>7,035</u>	<u>0</u>	<u>7,035</u>
13	<u>671,452</u>	<u>76,759</u>	<u>596,188</u>	<u>(7,437)</u>	<u>588,752</u>	
14	PLUS: OTHER INCOME/(EXPENSE)	55,910	55,910	0	0	
15	LESS: INTEREST EXPENSE-BOOKED	280,955	68,660	212,295	5,037	217,332
16	PREFERRED DIVIDENDS	35,789	10,343	25,446	2,633	28,079
17	JDC CAPITAL EXPENSE	<u>N/A</u>	<u>N/A</u>	<u>11,517</u>	<u>(417)</u>	<u>11,101</u>
18	<u>410,618</u>	<u>53,666</u>	<u>346,930</u>	<u>(14,691)</u>	<u>332,239</u>	
19	ALLOWANCE FOR WORKING CAPITAL	439,590	94,345	345,245	13,116	358,361
20	PLUS: NET UTILITY PLANT	9,201,161	1,948,278	7,252,883	676,833	7,929,716
21	LESS: OTHER RATE BASE DEDUCTIONS	<u>1,291,996</u>	<u>303,295</u>	<u>988,701</u>	<u>(3,631)</u>	<u>985,070</u>
22	<u>8,348,755</u>	<u>1,739,328</u>	<u>6,609,427</u>	<u>693,580</u>	<u>7,303,007</u>	
23	TOTAL AVERAGE CAPITAL	9,308,134	2,698,707	6,609,427	693,580	7,303,007
24	AVERAGE COMMON EQUITY CAPITAL	4,166,228	1,207,914	2,958,314	310,439	3,268,753
25	% RATE OF RETURN EARNED ON AVG. RATE BASE			9.02		8.06
26	% RATE OF RETURN EARNED ON AVG. COMMON EQ.			11.73		10.16

**VIRGINIA ELECTRIC AND POWER COMPANY
CALCULATION OF EARNINGS
BASED ON 9, 10, 11 AND 12% ROE**

9% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	3,268,753	3,268,198	3,553,997
TIMES: RETURN ON EQUITY	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>
INCOME AVAILABLE REQUIREMENT	294,188	294,138	319,860
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>332,239</u>	<u>738,657</u>	<u>471,677</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	(38,052)	(444,519)	(151,817)
DIVIDED BY: GROSS-UP FACTOR	<u>61.35%</u>	<u>62.06%</u>	<u>61.20%</u>
REGULATORY ASSET WRITE-OFF	<u>62,024</u>	<u>716,273</u>	<u>248,068</u>
10% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	3,268,753	3,268,198	3,553,997
TIMES: RETURN ON EQUITY	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>
INCOME AVAILABLE REQUIREMENT	326,875	326,820	355,400
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>332,239</u>	<u>738,657</u>	<u>471,677</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	(5,364)	(411,837)	(116,277)
DIVIDED BY: GROSS-UP FACTOR	<u>61.35%</u>	<u>62.06%</u>	<u>61.20%</u>
REGULATORY ASSET WRITE-OFF	<u>8,743</u>	<u>663,612</u>	<u>189,996</u>
11% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	3,268,753	3,268,198	3,553,997
TIMES: RETURN ON EQUITY	<u>11.00%</u>	<u>11.00%</u>	<u>11.00%</u>
INCOME AVAILABLE REQUIREMENT	359,563	359,502	390,940
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>332,239</u>	<u>738,657</u>	<u>471,677</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	27,323	(379,155)	(80,737)
DIVIDED BY: GROSS-UP FACTOR	<u>61.35%</u>	<u>62.06%</u>	<u>61.20%</u>
REGULATORY ASSET WRITE-OFF	<u>(44,537)</u>	<u>610,950</u>	<u>131,924</u>
12% ROE	<u>2001</u>	<u>2002</u>	<u>2003</u>
COMMON EQUITY CAPITAL	3,268,753	3,268,198	3,553,997
TIMES: RETURN ON EQUITY	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>
INCOME AVAILABLE REQUIREMENT	392,250	392,184	426,480
LESS: INCOME AVAILABLE PER EARNINGS TEST	<u>332,239</u>	<u>738,657</u>	<u>471,677</u>
REDUCTION TO INCOME AVAILABLE FOR EQUITY	60,011	(346,473)	(45,197)
DIVIDED BY: GROSS-UP FACTOR	<u>61.35%</u>	<u>62.06%</u>	<u>61.20%</u>
REGULATORY ASSET WRITE-OFF	<u>(97,817)</u>	<u>558,288</u>	<u>73,852</u>

**A&N ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>ROE</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Req. cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
1.5 TIER	1,067	1,447	584	3,098	5.334	3.650	218,172,860	\$3,674
2.0 TIER	600	1,049	138	1,787	5.353	3.650	218,172,860	\$3,715
2.5 TIER	133	651	0	784	5.372	3.650	218,172,860	\$3,756
3.0 TIER	0	252	0	252	5.391	3.650	218,172,860	\$3,797

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**A&N ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	934,299	796,319	892,292
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,401,449	1,194,479	1,338,438
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>934,299</u>	<u>796,319</u>	<u>892,292</u>
REQUIRED MARGINS	467,150	398,160	446,146
LESS: ADJUSTED MARGINS	<u>1,534,367</u>	<u>1,845,134</u>	<u>1,030,415</u>
AVAILABLE EARNINGS	<u>1,067,218</u>	<u>1,446,975</u>	<u>584,269</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	934,299	796,319	892,292
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,868,598	1,592,638	1,784,584
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>934,299</u>	<u>796,319</u>	<u>892,292</u>
REQUIRED MARGINS	934,299	796,319	892,292
LESS: ADJUSTED MARGINS	<u>1,534,367</u>	<u>1,845,134</u>	<u>1,030,415</u>
AVAILABLE EARNINGS	<u>600,068</u>	<u>1,048,815</u>	<u>138,123</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	934,299	796,319	892,292
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	2,335,748	1,990,798	2,230,730
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>934,299</u>	<u>796,319</u>	<u>892,292</u>
REQUIRED MARGINS	1,401,449	1,194,479	1,338,438
LESS: ADJUSTED MARGINS	<u>1,534,367</u>	<u>1,845,134</u>	<u>1,030,415</u>
AVAILABLE EARNINGS	<u>132,919</u>	<u>650,656</u>	<u>N/A</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	934,299	796,319	892,292
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	2,802,897	2,388,957	2,676,876
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>934,299</u>	<u>796,319</u>	<u>892,292</u>
REQUIRED MARGINS	1,868,598	1,592,638	1,784,584
LESS: ADJUSTED MARGINS	<u>1,534,367</u>	<u>1,845,134</u>	<u>1,030,415</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>252,496</u>	<u>N/A</u>

**A&N ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Rate-making Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	19,058,888	0	19,058,888	630,491	18,428,397	3.31%
2	Fuel - WPCA	0	0	0	0	0	
3	Roll In Riders	0	0	0	0	0	
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>340,809</u>	<u>0</u>	<u>340,809</u>	<u>0</u>	<u>340,809</u>	0.00%
6	Total Operating Revenues	<u>19,399,697</u>	<u>0</u>	<u>19,399,697</u>	<u>630,491</u>	<u>18,769,206</u>	
Operating Expenses							
7	Purchased Power Expense	11,882,243	0	11,882,243	300,904	11,581,339	2.53%
8	Margin Stabilization	(80,326)	0	(80,326)	(2,034)	(78,292)	2.53%
9	Operating and Maintenance Expense	3,971,838	0	3,971,838	88,669	3,883,169	2.23%
13	Depreciation and Amortization	1,263,696	0	1,263,696	29,566	1,234,130	2.34%
14	Tax Expense - Property	206,094	0	206,094	4,574	201,520	2.22%
15	Tax Expense - Other	<u>125</u>	<u>0</u>	<u>125</u>	<u>3</u>	<u>122</u>	2.40%
16	Total Operating Expenses	<u>17,243,670</u>	<u>0</u>	<u>17,243,670</u>	<u>421,682</u>	<u>16,821,988</u>	
17	Operating Margins	2,156,027	0	2,156,027	208,809	1,947,218	
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0	
19	Charitable and Educational Donations	<u>10,400</u>	<u>0</u>	<u>10,400</u>	<u>263</u>	<u>10,137</u>	
20	Operating Margins Adjusted	2,145,627	0	2,145,627	208,546	1,937,081	
21	Plus: Capital Credits Accrued	306,762	0	306,762	9,977	296,785	3.25%
22	Other Income	252,268	0	252,268	8,205	244,063	3.25%
23	Less: Interest on Long-Term Debt	958,574	0	958,574	24,275	934,299	2.53%
24	Other Interest Expense	9,207	0	9,207	233	8,974	2.53%
25	Other Expense	<u>300</u>	<u>0</u>	<u>300</u>	<u>11</u>	<u>289</u>	3.67%
26	Total Margins	<u>1,736,576</u>	<u>0</u>	<u>1,736,576</u>	<u>202,209</u>	<u>1,534,367</u>	
Rate Base							
27	Net Utility Plant	29,984,922	0	29,984,922	752,891	29,232,031	2.51%
28	Allowance for Working Capital	1,342,417	0	1,342,417	32,526	1,309,891	2.42%
29	Other Rate Base Deductions	<u>297,319</u>	<u>0</u>	<u>297,319</u>	<u>9,670</u>	<u>287,649</u>	3.25%
30	Total Rate Base	<u>31,030,020</u>	<u>0</u>	<u>31,030,020</u>	<u>775,747</u>	<u>30,254,273</u>	
31	Actual TIER	2.81		2.81		2.64	
32	DSC	2.34		2.34		2.25	
33	Rate of Return on Rate Base	6.91%		6.91%		6.40%	
34	Return on Margins and Equity	10.08%		10.08%		9.21%	
35	Capital Credits Received	16,163	0	16,163	526	15,637	
	Margins and Equities	17,226,967	0	17,226,967	560,291	16,666,676	3.25%
	Principal Payments	733,101	0	733,101	18,565	714,536	2.53%
	Capital Credits Retired	520,011	0	520,011	16,913	503,098	3.25%

**A&N ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

(1)

Virginia
Jurisdictional
Generation
and Trans.

<u>Line No.</u>	<u>Description</u>	
	Operating Revenues	
1	Base Rate	13,341,739
2	Fuel - WPCA	0
3	Roll In Riders	0
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>13,341,739</u>
	Operating Expenses	
7	Purchased Power Expense	11,581,339
8	Margin Stabilization	(78,292)
9	Operating and Maintenance Expense	214,286
13	Depreciation and Amortization	78,161
14	Tax Expense - Property	68
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>11,795,562</u>
17	Operating Margins	1,546,177
18	Less: Interest Expense on Customer Deposits	0
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	1,546,177
21	Plus: Capital Credits Accrued	280,832
22	Other Income	0
23	Less: Interest on Long-Term Debt	82,495
24	Other Interest Expense	0
25	Other Expense	<u>0</u>
26	Total Margins	<u>1,744,514</u>
	Rate Base	
27	Net Utility Plant	2,411,349
28	Allowance for Working Capital	461,149
29	Other Rate Base Deductions	<u>201,163</u>
30	Total Rate Base	<u>2,671,335</u>
31	Actual TIER	22.15
32	DSC	13.09
33	Rate of Return on Rate Base	57.88%
34	Return on Margins and Equity	21.62%
35	Capital Credits Received	0
	Margins and Equities	8,067,505
	Principal Payments	63,091
	Capital Credits Retired	0

**A&N ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

2003

1.5 TIER:

LONG-TERM INTEREST EXPENSE	82,495
TIMES: TIER RATIO	<u>1.50</u>

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	123,743
LESS: INTEREST EXPENSE	<u>82,495</u>

REQUIRED MARGINS	41,248
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>

REQUIRED MARGINS	41,041
LESS: ADJUSTED MARGINS	<u>1,744,514</u>

NET REVENUE REQUIREMENT	(1,703,473)
PLUS: ADJUSTED OPERATING REVENUES	<u>13,341,739</u>

TOTAL REVENUE REQUIREMENT	<u>11,638,266</u>
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2.0 TIER:

LONG-TERM INTEREST EXPENSE	82,495
TIMES: TIER RATIO	<u>2.00</u>

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	164,990
LESS: INTEREST EXPENSE	<u>82,495</u>

REQUIRED MARGINS	82,495
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>

REQUIRED MARGINS	82,083
LESS: ADJUSTED MARGINS	<u>1,744,514</u>

NET REVENUE REQUIREMENT	(1,662,431)
PLUS: ADJUSTED OPERATING REVENUES	<u>13,341,739</u>

TOTAL REVENUE REQUIREMENT	<u>11,679,308</u>
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2.5 TIER:

LONG-TERM INTEREST EXPENSE	82,495
TIMES: TIER RATIO	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	206,238
LESS: INTEREST EXPENSE	<u>82,495</u>
REQUIRED MARGINS	123,743
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	123,124
LESS: ADJUSTED MARGINS	<u>1,744,514</u>
NET REVENUE REQUIREMENT	(1,621,390)
PLUS: ADJUSTED OPERATING REVENUES	<u>13,341,739</u>
TOTAL REVENUE REQUIREMENT	<u>11,720,349</u>

3.0 TIER:

LONG-TERM INTEREST EXPENSE	82,495
TIMES: TIER RATIO	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	247,485
LESS: INTEREST EXPENSE	<u>82,495</u>
REQUIRED MARGINS	164,990
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	164,165
LESS: ADJUSTED MARGINS	<u>1,744,514</u>
NET REVENUE REQUIREMENT	(1,580,349)
PLUS: ADJUSTED OPERATING REVENUES	<u>13,341,739</u>
TOTAL REVENUE REQUIREMENT	<u>11,761,390</u>

**A&N ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Source: REA Form 7	(1)	(2)	(3)	(4)	(5)
Line No.	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Description					
Operating Revenues					
1 Base Rate	17,943,583	0	17,943,583	593,595	17,349,988
2 Fuel - WPCA	0	0	0	0	0
3 Roll In Riders	0	0	0	0	0
4 Margin Stabilization	0	0	0	0	0
5 Other Electric Revenues	<u>295,190</u>	<u>0</u>	<u>295,190</u>	<u>0</u>	<u>295,190</u>
6 Total Operating Revenues	<u>18,238,773</u>	<u>0</u>	<u>18,238,773</u>	<u>593,595</u>	<u>17,645,178</u>
Operating Expenses					
7 Purchased Power Expense	11,460,318	0	11,460,318	290,219	11,170,099
8 Margin Stabilization	0	0	0	0	0
9 Operating and Maintenance Expense	3,521,511	0	3,521,511	78,616	3,442,895
13 Depreciation and Amortization	1,200,480	0	1,200,480	28,087	1,172,393
14 Tax Expense - Property	0	0	0	0	0
15 Tax Expense - Other	<u>146</u>	<u>0</u>	<u>146</u>	<u>4</u>	<u>142</u>
16 Total Operating Expenses	<u>16,182,455</u>	<u>0</u>	<u>16,182,455</u>	<u>396,925</u>	<u>15,785,530</u>
17 Operating Margins	2,056,318	0	2,056,318	196,670	1,859,648
18 Less: Interest Expense on Customer Deposits	0	0	0	0	0
19 Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20 Operating Margins Adjusted	2,056,318	0	2,056,318	196,670	1,859,648
21 Plus: Capital Credits Accrued	233,138	0	233,138	7,582	225,556
22 Other Income	604,572	0	604,572	19,664	584,908
23 Less: Interest on Long-Term Debt	817,009	0	817,009	20,690	796,319
24 Other Interest Expense	20,666	0	20,666	523	20,143
25 Other Expense	<u>8,840</u>	<u>0</u>	<u>8,840</u>	<u>324</u>	<u>8,516</u>
26 Total Margins	<u>2,047,513</u>	<u>0</u>	<u>2,047,513</u>	<u>202,379</u>	<u>1,845,134</u>
27 Actual TIER	3.51		3.51		3.32

Notes: Property Tax Expense is reflected in O&M. Charitable Donations are included in line 25 other expense. Non-jurisdictional is allocated based on 2003 percentages.

**A&N ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	17,002,234	0	17,002,234	0	17,002,234
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>281,594</u>	<u>0</u>	<u>281,594</u>	<u>0</u>	<u>281,594</u>
6	Total Operating Revenues	<u>17,283,828</u>	<u>0</u>	<u>17,283,828</u>	<u>0</u>	<u>17,283,828</u>
Operating Expenses						
7	Purchased Power Expense	11,113,195	0	11,113,195	0	11,113,195
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	3,293,454	0	3,293,454	0	3,293,454
13	Depreciation and Amortization	1,160,554	0	1,160,554	0	1,160,554
14	Tax Expense - Property and Gross Receipts	5,727	0	5,727	0	5,727
15	Tax Expense - Other	<u>118,837</u>	<u>0</u>	<u>118,837</u>	<u>0</u>	<u>118,837</u>
16	Total Operating Expenses	<u>15,691,767</u>	<u>0</u>	<u>15,691,767</u>	<u>0</u>	<u>15,691,767</u>
17	Operating Margins	1,592,061	0	1,592,061	0	1,592,061
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	1,592,061	0	1,592,061	0	1,592,061
21	Plus: Capital Credits Accrued	217,792	0	217,792	0	217,792
22	Other Income	149,315	0	149,315	0	149,315
23	Less: Interest on Long-Term Debt	892,292	0	892,292	0	892,292
24	Other Interest Expense	28,206	0	28,206	0	28,206
25	Other Expense	<u>8,255</u>	<u>0</u>	<u>8,255</u>	<u>0</u>	<u>8,255</u>
26	Total Margins	<u>1,030,415</u>	<u>0</u>	<u>1,030,415</u>	<u>0</u>	<u>1,030,415</u>
27	Actual TIER	2.15		2.15		2.15

Notes: Property Tax Expense is reflected in O&M. Charitable Donations are included in line 25 other expense.
Non-jurisdictional is allocated based on 2003 percentages.

**BARC ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Reqt. cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
1.5 TIER	1,251	780	1,042	3,073	4.201	3.650	163,100,673	\$898
2.0 TIER	758	245	534	1,537	4.214	3.650	163,100,673	\$919
2.5 TIER	265	0	27	292	4.227	3.650	163,100,673	\$940
3.0 TIER	0	0	0	0	4.240	3.650	163,100,673	\$962

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**BARC ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	986,114	1,069,710	1,015,077
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,479,171	1,604,566	1,522,616
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>986,114</u>	<u>1,069,710</u>	<u>1,015,077</u>
REQUIRED MARGINS	493,057	534,855	507,539
LESS: ADJUSTED MARGINS	<u>1,744,069</u>	<u>1,314,729</u>	<u>1,549,493</u>
AVAILABLE EARNINGS	<u>1,251,012</u>	<u>779,873</u>	<u>1,041,954</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	986,114	1,069,710	1,015,077
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,972,228	2,139,421	2,030,154
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>986,114</u>	<u>1,069,710</u>	<u>1,015,077</u>
REQUIRED MARGINS	986,114	1,069,710	1,015,077
LESS: ADJUSTED MARGINS	<u>1,744,069</u>	<u>1,314,729</u>	<u>1,549,493</u>
AVAILABLE EARNINGS	<u>757,955</u>	<u>245,018</u>	<u>534,416</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	986,114	1,069,710	1,015,077
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	2,465,285	2,674,276	2,537,693
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>986,114</u>	<u>1,069,710</u>	<u>1,015,077</u>
REQUIRED MARGINS	1,479,171	1,604,566	1,522,616
LESS: ADJUSTED MARGINS	<u>1,744,069</u>	<u>1,314,729</u>	<u>1,549,493</u>
AVAILABLE EARNINGS	<u>264,898</u>	<u>N/A</u>	<u>26,877</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	986,114	1,069,710	1,015,077
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	2,958,342	3,209,131	3,045,231
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>986,114</u>	<u>1,069,710</u>	<u>1,015,077</u>
REQUIRED MARGINS	1,972,228	2,139,421	2,030,154
LESS: ADJUSTED MARGINS	<u>1,744,069</u>	<u>1,314,729</u>	<u>1,549,493</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**BARC ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	14,405,175	0	14,405,175	2,327,339	12,077,836	16.16%
2	Fuel - WPCA	1,308,682	0	1,308,682	125,167	1,183,515	9.56%
3	Roll In Riders	0	0	0	0	0	
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>329,092</u>	<u>0</u>	<u>329,092</u>	<u>10,707</u>	<u>318,385</u>	3.25%
6	Total Operating Revenues	<u>16,042,949</u>	<u>0</u>	<u>16,042,949</u>	<u>2,463,213</u>	<u>13,579,736</u>	
Operating Expenses							
7	Purchased Power Expense	8,411,450	0	8,411,450	1,586,379	6,825,071	18.86%
8	Margin Stabilization	0	0	0	0	0	
9	Operating and Maintenance Expense	3,765,153	0	3,765,153	621,700	3,143,453	16.51%
13	Depreciation and Amortization	1,421,629	0	1,421,629	266,045	1,155,584	18.71%
14	Tax Expense - Property	(2,271)	0	(2,271)	0	(2,271)	0.00%
15	Tax Expense - Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
16	Total Operating Expenses	<u>13,595,961</u>	<u>0</u>	<u>13,595,961</u>	<u>2,474,124</u>	<u>11,121,837</u>	
17	Operating Margins	2,446,988	0	2,446,988	(10,911)	2,457,899	
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0	
19	Charitable and Educational Donations	<u>240</u>	<u>0</u>	<u>240</u>	<u>45</u>	<u>195</u>	18.75%
20	Operating Margins Adjusted	2,446,748	0	2,446,748	(10,956)	2,457,704	
21	Plus: Capital Credits Accrued	253,985	0	253,985	39,640	214,345	15.61%
22	Other Income	74,227	0	74,227	11,585	62,642	15.61%
23	Less: Interest on Long-Term Debt	1,215,320	0	1,215,320	229,206	986,114	18.86%
24	Other Interest Expense	3,469	0	3,469	374	3,095	10.78%
25	Other Expense	<u>1,742</u>	<u>0</u>	<u>1,742</u>	<u>329</u>	<u>1,413</u>	18.89%
26	Total Margins	<u>1,554,429</u>	<u>0</u>	<u>1,554,429</u>	<u>(189,640)</u>	<u>1,744,069</u>	
Rate Base							
27	Net Utility Plant	33,729,232	0	33,729,232	6,327,593	27,401,639	
28	Allowance for Working Capital	764,206	0	764,206	133,229	630,977	
29	Other Rate Base Deductions	<u>130,520</u>	<u>0</u>	<u>130,520</u>	<u>20,371</u>	<u>110,149</u>	
30	Total Rate Base	<u>34,362,918</u>	<u>0</u>	<u>34,362,918</u>	<u>6,440,451</u>	<u>27,922,467</u>	
31	Actual TIER	2.28		2.28		2.77	
32	DSC	2.22		2.22		2.54	
33	Rate of Return on Rate Base	7.12%		7.12%		8.80%	
34	Return on Margins and Equity	9.23%		9.23%		12.28%	
35	Capital Credits Received	36,402	0	36,402	5,681	30,721	
Margins and Equities							
	Principal Payments	16,833,922	0	16,833,922	2,627,317	14,206,605	
	Capital Credits Retired	671,658	0	671,658	126,673	544,985	
		376,686	0	376,686	58,790	317,896	

**BARC ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

<u>Line No.</u>	<u>Description</u>	(1) Virginia Jurisdictional Generation and Trans.
	Operating Revenues	
1	Base Rate	6,179,504
2	Fuel - WPCA	1,183,515
3	Roll In Riders	0
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>7,363,019</u>
	Operating Expenses	
7	Purchased Power Expense	6,825,071
8	Margin Stabilization	0
9	Operating and Maintenance Expense	115,087
13	Depreciation and Amortization	30,996
14	Tax Expense - Property	0
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>6,971,154</u>
17	Operating Margins	391,865
18	Less: Interest Expense on Customer Deposits	0
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	391,865
21	Plus: Capital Credits Accrued	184,208
22	Other Income	0
23	Less: Interest on Long-Term Debt	43,100
24	Other Interest Expense	0
25	Other Expense	<u>0</u>
26	Total Margins	<u>532,973</u>
	Rate Base	
27	Net Utility Plant	999,537
28	Allowance for Working Capital	238,912
29	Other Rate Base Deductions	<u>69,161</u>
30	Total Rate Base	<u>1,169,288</u>
31	Actual TIER	13.37
32	DSC	9.07
33	Rate of Return on Rate Base	33.51%
34	Return on Margins and Equity	15.67%
35	Capital Credits Received	0
	Margins and Equities	3,401,049
	Principal Payments	23,819
	Capital Credits Retired	0

**BARC ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

2003

1.5 TIER:

LONG-TERM INTEREST EXPENSE	43,100
TIMES: TIER RATIO	<u>1.50</u>

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	64,650
LESS: INTEREST EXPENSE	<u>43,100</u>

REQUIRED MARGINS	21,550
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>

REQUIRED MARGINS	21,442
LESS: ADJUSTED MARGINS	<u>532,973</u>

NET REVENUE REQUIREMENT	(511,531)
PLUS: ADJUSTED OPERATING REVENUES	<u>7,363,019</u>

TOTAL REVENUE REQUIREMENT	<u>6,851,488</u>
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2.0 TIER:

LONG-TERM INTEREST EXPENSE	43,100
TIMES: TIER RATIO	<u>2.00</u>

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	86,200
LESS: INTEREST EXPENSE	<u>43,100</u>

REQUIRED MARGINS	43,100
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>

REQUIRED MARGINS	42,885
LESS: ADJUSTED MARGINS	<u>532,973</u>

NET REVENUE REQUIREMENT	(490,089)
PLUS: ADJUSTED OPERATING REVENUES	<u>7,363,019</u>

TOTAL REVENUE REQUIREMENT	<u>6,872,931</u>
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2.5 TIER:

LONG-TERM INTEREST EXPENSE	43,100
TIMES: TIER RATIO	<u>2.50</u>

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	107,750
LESS: INTEREST EXPENSE	<u>43,100</u>

REQUIRED MARGINS	64,650
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>

REQUIRED MARGINS	64,327
LESS: ADJUSTED MARGINS	<u>532,973</u>
NET REVENUE REQUIREMENT	(468,646)
PLUS: ADJUSTED OPERATING REVENUES	<u>7,363,019</u>
TOTAL REVENUE REQUIREMENT	<u>6,894,373</u>
3.0 TIER:	
LONG-TERM INTEREST EXPENSE	43,100
TIMES: TIER RATIO	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	129,300
LESS: INTEREST EXPENSE	<u>43,100</u>
REQUIRED MARGINS	86,200
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	85,769
LESS: ADJUSTED MARGINS	<u>532,973</u>
NET REVENUE REQUIREMENT	(447,204)
PLUS: ADJUSTED OPERATING REVENUES	<u>7,363,019</u>
TOTAL REVENUE REQUIREMENT	<u>6,915,815</u>

**BARC ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	15,514,789	0	15,514,789	2,506,611	13,008,178
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>373,534</u>	<u>0</u>	<u>373,534</u>	<u>12,153</u>	<u>361,381</u>
6	Total Operating Revenues	<u>15,888,323</u>	<u>0</u>	<u>15,888,323</u>	<u>2,518,764</u>	<u>13,369,559</u>
Operating Expenses						
7	Purchased Power Expense	8,494,265	0	8,494,265	1,601,998	6,892,267
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	3,695,435	0	3,695,435	610,188	3,085,247
13	Depreciation and Amortization	1,416,153	0	1,416,153	265,020	1,151,133
14	Tax Expense - Property	29,263	0	29,263	0	29,263
15	Tax Expense - Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
16	Total Operating Expenses	<u>13,635,116</u>	<u>0</u>	<u>13,635,116</u>	<u>2,477,206</u>	<u>11,157,910</u>
17	Operating Margins	2,253,207	0	2,253,207	41,558	2,211,649
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	2,253,207	0	2,253,207	41,558	2,211,649
21	Plus: Capital Credits Accrued	168,536	0	168,536	26,304	142,232
22	Other Income	50,359	0	50,359	7,860	42,499
23	Less: Interest on Long-Term Debt	1,318,347	0	1,318,347	248,637	1,069,710
24	Other Interest Expense	759	0	759	82	677
25	Other Expense	<u>13,887</u>	<u>0</u>	<u>13,887</u>	<u>2,623</u>	<u>11,264</u>
26	Total Margins	<u>1,139,109</u>	<u>0</u>	<u>1,139,109</u>	<u>(175,620)</u>	<u>1,314,729</u>
27	Actual TIER	1.86		1.86		2.23

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**BARC ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	15,921,446	0	15,921,446	2,572,312	13,349,134
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>268,878</u>	<u>0</u>	<u>268,878</u>	<u>8,748</u>	<u>260,130</u>
6	Total Operating Revenues	<u>16,190,324</u>	<u>0</u>	<u>16,190,324</u>	<u>2,581,060</u>	<u>13,609,264</u>
Operating Expenses						
7	Purchased Power Expense	8,325,735	0	8,325,735	1,570,213	6,755,522
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	4,070,375	0	4,070,375	672,098	3,398,277
13	Depreciation and Amortization	1,320,128	0	1,320,128	247,050	1,073,078
14	Tax Expense - Property	67,396	0	67,396	0	67,396
15	Tax Expense - Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
16	Total Operating Expenses	<u>13,783,634</u>	<u>0</u>	<u>13,783,634</u>	<u>2,489,361</u>	<u>11,294,273</u>
17	Operating Margins	2,406,690	0	2,406,690	91,698	2,314,992
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	2,406,690	0	2,406,690	91,698	2,314,992
21	Plus: Capital Credits Accrued	205,235	0	205,235	32,031	173,204
22	Other Income	104,450	0	104,450	16,302	88,148
23	Less: Interest on Long-Term Debt	1,251,015	0	1,251,015	235,938	1,015,077
24	Other Interest Expense	3,639	0	3,639	392	3,247
25	Other Expense	<u>10,512</u>	<u>0</u>	<u>10,512</u>	<u>1,985</u>	<u>8,527</u>
26	Total Margins	<u>1,451,209</u>	<u>0</u>	<u>1,451,209</u>	<u>(98,284)</u>	<u>1,549,493</u>
27	Actual TIER	2.16		2.16		2.53

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

CENTRAL VIRGINIA ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Req. cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
1.5 TIER	322	947	456	1,725	4.353	3.650	574,686,252	\$4,037
2.0 TIER	0	0	0	0	4.353	3.650	574,686,252	\$4,040
2.5 TIER	0	0	0	0	4.354	3.650	574,686,252	\$4,043
3.0 TIER	0	0	0	0	4.354	3.650	574,686,252	\$4,046

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**CENTRAL VIRGINIA ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	3,165,226	2,994,276	2,906,831
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	4,747,839	4,491,414	4,360,247
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>3,165,226</u>	<u>2,994,276</u>	<u>2,906,831</u>
REQUIRED MARGINS	1,582,613	1,497,138	1,453,416
LESS: ADJUSTED MARGINS	<u>1,904,381</u>	<u>2,444,630</u>	<u>1,909,592</u>
AVAILABLE EARNINGS	<u>321,768</u>	<u>947,492</u>	<u>456,177</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	3,165,226	2,994,276	2,906,831
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	6,330,452	5,988,552	5,813,662
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>3,165,226</u>	<u>2,994,276</u>	<u>2,906,831</u>
REQUIRED MARGINS	3,165,226	2,994,276	2,906,831
LESS: ADJUSTED MARGINS	<u>1,904,381</u>	<u>2,444,630</u>	<u>1,909,592</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	3,165,226	2,994,276	2,906,831
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	7,913,065	7,485,690	7,267,078
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>3,165,226</u>	<u>2,994,276</u>	<u>2,906,831</u>
REQUIRED MARGINS	4,747,839	4,491,414	4,360,247
LESS: ADJUSTED MARGINS	<u>1,904,381</u>	<u>2,444,630</u>	<u>1,909,592</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	3,165,226	2,994,276	2,906,831
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	9,495,678	8,982,828	8,720,493
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>3,165,226</u>	<u>2,994,276</u>	<u>2,906,831</u>
REQUIRED MARGINS	6,330,452	5,988,552	5,813,662
LESS: ADJUSTED MARGINS	<u>1,904,381</u>	<u>2,444,630</u>	<u>1,909,592</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**CENTRAL VIRGINIA ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	42,973,684	205,938	43,179,622	1,186,005	41,993,617	2.75%
2	PCA Revenues	846,212	3,867	850,079	24,878	825,201	2.93%
3	Load Management Credits	(429,376)	0	(429,376)	0	(429,376)	0.00%
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>564,158</u>	<u>0</u>	<u>564,158</u>	<u>54,668</u>	<u>509,490</u>	9.69%
6	Total Operating Revenues	<u>43,954,678</u>	<u>209,805</u>	<u>44,164,483</u>	<u>1,265,551</u>	<u>42,898,932</u>	
Operating Expenses							
7	Purchased Power Expense	25,194,431	0	25,194,431	911,147	24,283,284	3.62%
8	Margin Stabilization	0	0	0	0	0	
9	Operating and Maintenance Expense	10,522,968	0	10,522,968	198,245	10,324,723	1.88%
13	Depreciation and Amortization	3,494,390	0	3,494,390	84,754	3,409,636	2.43%
14	Tax Expense - Property	(28,702)	0	(28,702)	(927)	(27,775)	3.23%
15	Tax Expense - Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
16	Total Operating Expenses	<u>39,183,087</u>	<u>0</u>	<u>39,183,087</u>	<u>1,193,219</u>	<u>37,989,868</u>	
17	Operating Margins	4,771,591	209,805	4,981,396	72,332	4,909,064	
18	Less: Interest Expense on Customer Deposits	(78)	0	(78)	(3)	(75)	
19	Charitable and Educational Donations	<u>1,800</u>	<u>0</u>	<u>1,800</u>	<u>57</u>	<u>1,743</u>	
20	Operating Margins Adjusted	4,769,869	209,805	4,979,674	72,278	4,907,396	
21	Plus: Capital Credits Accrued	99,101	0	99,101	3,199	95,902	3.23%
22	Other Income	(142,938)	213,181	70,243	(4,613)	74,856	-6.57%
23	Less: Interest on Long-Term Debt	3,243,762	0	3,243,762	78,536	3,165,226	2.42%
24	Other Interest Expense	8,832	0	8,832	285	8,547	3.23%
25	Other Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
26	Total Margins	<u>1,473,438</u>	<u>422,986</u>	<u>1,896,424</u>	<u>(7,957)</u>	<u>1,904,381</u>	
Rate Base							
27	Net Utility Plant	81,808,113	0	81,808,113	2,764,888	79,043,225	3.38%
28	Allowance for Working Capital	3,959,834	0	3,959,834	272,610	3,687,224	6.88%
29	Other Rate Base Deductions	<u>2,354,100</u>	<u>0</u>	<u>2,354,100</u>	<u>44,230</u>	<u>2,309,870</u>	1.88%
30	Total Rate Base	<u>83,413,847</u>	<u>0</u>	<u>83,413,847</u>	<u>2,993,268</u>	<u>80,420,579</u>	
31	Actual TIER	1.45		1.58		1.60	
32	DSC	1.77		2.66		2.68	
33	Rate of Return on Rate Base	5.72%		5.97%		6.10%	
34	Return on Margins and Equity	5.12%		6.59%		6.89%	
35	Capital Credits Received	79,019		79,019	2,551	76,468	

**CENTRAL VIRGINIA ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

(1)

<u>Line No.</u>	<u>Description</u>	<u>Virginia Jurisdictional Generation</u>
	Operating Revenues	
1	Base Rate	24,608,760
2	PCA Revenues	825,201
3	Load Management Credits	(429,376)
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>25,004,585</u>
	Operating Expenses	
7	Purchased Power Expense	24,283,284
8	Margin Stabilization	0
9	Operating and Maintenance Expense	451,290
13	Depreciation and Amortization	272,831
14	Tax Expense - Property	0
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>25,007,405</u>
17	Operating Margins	(2,820)
18	Less: Interest Expense on Customer Deposits	(40)
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	(2,780)
21	Plus: Capital Credits Accrued	176
22	Other Income	0
23	Less: Interest on Long-Term Debt	5,820
24	Other Interest Expense	0
25	Other Expense	<u>0</u>
26	Total Margins	<u>(8,424)</u>
27	Actual TIER	(0.45)

**CENTRAL VIRGINIA ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

2003

1.5 TIER:
LONG-TERM INTEREST EXPENSE 5,820
TIMES: TIER RATIO 1.50

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE 8,730
LESS: INTEREST EXPENSE 5,820

REQUIRED MARGINS 2,910
DIVIDED BY: GROSS-UP FACTOR 99.50%

REQUIRED MARGINS 2,895
LESS: ADJUSTED MARGINS (8,424)

NET REVENUE REQUIREMENT 11,319
PLUS: ADJUSTED OPERATING REVENUES 25,004,585

TOTAL REVENUE REQUIREMENT 25,015,904

2.0 TIER:
LONG-TERM INTEREST EXPENSE 5,820
TIMES: TIER RATIO 2.00

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE 11,640
LESS: INTEREST EXPENSE 5,820

REQUIRED MARGINS 5,820
DIVIDED BY: GROSS-UP FACTOR 99.50%

REQUIRED MARGINS 5,791
LESS: ADJUSTED MARGINS (8,424)

NET REVENUE REQUIREMENT 14,215
PLUS: ADJUSTED OPERATING REVENUES 25,004,585

TOTAL REVENUE REQUIREMENT 25,018,800

2.5 TIER:
LONG-TERM INTEREST EXPENSE 5,820
TIMES: TIER RATIO 2.50

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE 14,550
LESS: INTEREST EXPENSE 5,820

REQUIRED MARGINS 8,730
DIVIDED BY: GROSS-UP FACTOR 99.50%

REQUIRED MARGINS 8,686
LESS: ADJUSTED MARGINS (8,424)

NET REVENUE REQUIREMENT 17,110
PLUS: ADJUSTED OPERATING REVENUES 25,004,585

TOTAL REVENUE REQUIREMENT 25,021,695

3.0 TIER:
LONG-TERM INTEREST EXPENSE 5,820
TIMES: TIER RATIO 3.00

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE 17,460
LESS: INTEREST EXPENSE 5,820

REQUIRED MARGINS 11,640
DIVIDED BY: GROSS-UP FACTOR 99.50%

REQUIRED MARGINS 11,582
LESS: ADJUSTED MARGINS (8,424)

NET REVENUE REQUIREMENT 20,006
PLUS: ADJUSTED OPERATING REVENUES 25,004,585

TOTAL REVENUE REQUIREMENT 25,024,591

**CENTRAL VIRGINIA ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	41,347,742	(280,556)	41,067,186	1,108,716	39,958,470
2	PCA Revenues	773,061	(27,762)	745,299	28,181	717,118
3	Load Management Credits	(579,588)	0	(579,588)	(48)	(579,540)
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>472,606</u>	<u>0</u>	<u>472,606</u>	<u>48,524</u>	<u>424,082</u>
6	Total Operating Revenues	<u>42,013,821</u>	<u>(308,318)</u>	<u>41,705,503</u>	<u>1,185,373</u>	<u>40,520,130</u>
Operating Expenses						
7	Purchased Power Expense	24,041,498	0	24,041,498	867,938	23,173,560
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	9,062,776	0	9,062,776	169,623	8,893,153
13	Depreciation and Amortization	3,280,341	0	3,280,341	79,859	3,200,482
14	Tax Expense - Property	0	0	0	0	0
15	Tax Expense - Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
16	Total Operating Expenses	<u>36,384,615</u>	<u>0</u>	<u>36,384,615</u>	<u>1,117,420</u>	<u>35,267,195</u>
17	Operating Margins	5,629,206	(308,318)	5,320,888	67,953	5,252,935
18	Less: Interest Expense on Customer Deposits	(21)	0	(21)	(1)	(20)
19	Charitable and Educational Donations	<u>1,500</u>	<u>0</u>	<u>1,500</u>	<u>47</u>	<u>1,453</u>
20	Operating Margins Adjusted	5,627,727	(308,318)	5,319,409	67,907	5,251,502
21	Plus: Capital Credits Accrued	141,992	0	141,992	4,584	137,408
22	Other Income	194,681	(134,207)	60,474	1,953	58,521
23	Less: Interest on Long-Term Debt	3,068,570	0	3,068,570	74,294	2,994,276
24	Other Interest Expense	20,841	0	20,841	673	20,168
25	Other Expense	<u>(12,034)</u>	<u>0</u>	<u>(12,034)</u>	<u>(391)</u>	<u>(11,643)</u>
26	Total Margins	<u>2,887,023</u>	<u>(442,525)</u>	<u>2,444,498</u>	<u>(132)</u>	<u>2,444,630</u>
27	Actual TIER	1.94		1.80		1.82

**CENTRAL VIRGINIA ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	39,074,400	(461,847)	38,612,553	1,136,095	37,476,458
2	PCA Revenues	(1,454,652)	48,904	(1,405,748)	(45,538)	(1,360,210)
3	Load Management Credits	(460,393)	0	(460,393)	48	(460,441)
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	464,272	0	464,272	47,558	416,714
6	Total Operating Revenues	37,623,627	(412,943)	37,210,684	1,138,163	36,072,521
Operating Expenses						
7	Purchased Power Expense	20,561,676	0	20,561,676	744,003	19,817,673
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	8,534,004	0	8,534,004	158,431	8,375,573
13	Depreciation and Amortization	3,116,919	0	3,116,919	76,067	3,040,852
14	Tax Expense - Property	0	0	0	0	0
15	Tax Expense - Other	203,475	0	203,475	6,571	196,904
16	Total Operating Expenses	32,416,074	0	32,416,074	985,072	31,431,002
17	Operating Margins	5,207,553	(412,943)	4,794,610	153,091	4,641,519
18	Less: Interest Expense on Customer Deposits	12,244	0	12,244	1,691	10,553
19	Charitable and Educational Donations	1,500	0	1,500	47	1,453
20	Operating Margins Adjusted	5,193,809	(412,943)	4,780,866	151,353	4,629,513
21	Plus: Capital Credits Accrued	120,233	0	120,233	3,881	116,352
22	Other Income	136,903	(24,326)	112,577	3,635	108,942
23	Less: Interest on Long-Term Debt	2,978,955	0	2,978,955	72,124	2,906,831
24	Other Interest Expense	48,163	0	48,163	1,556	46,607
25	Other Expense	(8,499)	0	(8,499)	(276)	(8,223)
26	Total Margins	2,432,326	(437,269)	1,995,057	85,465	1,909,592
27	Actual TIER	1.82		1.67		1.66

COMMUNITY ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Req. cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
1.5 TIER	983	914	1,303	3,200	4.981	3.650	167,389,946	\$2,228
2.0 TIER	742	656	1,009	2,407	4.983	3.650	167,389,946	\$2,230
2.5 TIER	501	398	714	1,614	4.984	3.650	167,389,946	\$2,232
3.0 TIER	260	141	420	820	4.985	3.650	167,389,946	\$2,235

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**COMMUNITY ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	482,545	515,837	588,376
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	723,818	773,756	882,564
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>482,545</u>	<u>515,837</u>	<u>588,376</u>
REQUIRED MARGINS	241,273	257,919	294,188
LESS: ADJUSTED MARGINS	<u>1,224,591</u>	<u>1,172,193</u>	<u>1,596,993</u>
AVAILABLE EARNINGS	<u>983,319</u>	<u>914,274</u>	<u>1,302,805</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	482,545	515,837	588,376
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	965,090	1,031,675	1,176,753
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>482,545</u>	<u>515,837</u>	<u>588,376</u>
REQUIRED MARGINS	482,545	515,837	588,376
LESS: ADJUSTED MARGINS	<u>1,224,591</u>	<u>1,172,193</u>	<u>1,596,993</u>
EXCESS EARNINGS BASED ON 2.0 TIER	<u>742,046</u>	<u>656,356</u>	<u>1,008,616</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	482,545	515,837	588,376
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,206,363	1,289,593	1,470,941
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>482,545</u>	<u>515,837</u>	<u>588,376</u>
REQUIRED MARGINS	723,818	773,756	882,564
LESS: ADJUSTED MARGINS	<u>1,224,591</u>	<u>1,172,193</u>	<u>1,596,993</u>
EXCESS EARNINGS BASED ON 2.5 TIER	<u>500,774</u>	<u>398,437</u>	<u>714,428</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	482,545	515,837	588,376
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,447,635	1,547,512	1,765,129
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>482,545</u>	<u>515,837</u>	<u>588,376</u>
REQUIRED MARGINS	965,090	1,031,675	1,176,753
LESS: ADJUSTED MARGINS	<u>1,224,591</u>	<u>1,172,193</u>	<u>1,596,993</u>
EXCESS EARNINGS BASED ON 3.0 TIER	<u>259,501</u>	<u>140,519</u>	<u>420,240</u>

**COMMUNITY ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

2003

1.5 TIER:

LONG-TERM INTEREST EXPENSE	4,637
TIMES: TIER RATIO	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	6,956
LESS: INTEREST EXPENSE	<u>4,637</u>
REQUIRED MARGINS	2,319
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	2,307
LESS: ADJUSTED MARGINS	<u>726,773</u>
NET REVENUE REQUIREMENT	(724,466)
PLUS: ADJUSTED OPERATING REVENUES	<u>9,062,562</u>
TOTAL REVENUE REQUIREMENT	<u>8,338,096</u>

2.0 TIER:

LONG-TERM INTEREST EXPENSE	4,637
TIMES: TIER RATIO	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	9,274
LESS: INTEREST EXPENSE	<u>4,637</u>
REQUIRED MARGINS	4,637
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	4,614
LESS: ADJUSTED MARGINS	<u>726,773</u>
NET REVENUE REQUIREMENT	(722,159)
PLUS: ADJUSTED OPERATING REVENUES	<u>9,062,562</u>
TOTAL REVENUE REQUIREMENT	<u>8,340,403</u>

2.5 TIER:

LONG-TERM INTEREST EXPENSE	4,637
TIMES: TIER RATIO	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	11,593
LESS: INTEREST EXPENSE	<u>4,637</u>
REQUIRED MARGINS	6,956
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	6,921
LESS: ADJUSTED MARGINS	<u>726,773</u>
NET REVENUE REQUIREMENT	(719,852)
PLUS: ADJUSTED OPERATING REVENUES	<u>9,062,562</u>
TOTAL REVENUE REQUIREMENT	<u>8,342,710</u>

3.0 TIER:

LONG-TERM INTEREST EXPENSE	4,637
TIMES: TIER RATIO	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	13,911
LESS: INTEREST EXPENSE	<u>4,637</u>
REQUIRED MARGINS	9,274
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	9,228
LESS: ADJUSTED MARGINS	<u>726,773</u>
NET REVENUE REQUIREMENT	(717,545)
PLUS: ADJUSTED OPERATING REVENUES	<u>9,062,562</u>
TOTAL REVENUE REQUIREMENT	<u>8,345,017</u>

**COMMUNITY ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	14,340,854	0	14,340,854	683,117	13,657,737	4.76%
2	Fuel - WPCA	0	0	0	0	0	
3	Roll In Riders	0	0	0	0	0	
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>192,334</u>	<u>0</u>	<u>192,334</u>	<u>586</u>	<u>191,748</u>	0.30%
6	Total Operating Revenues	<u>14,533,188</u>	<u>0</u>	<u>14,533,188</u>	<u>683,703</u>	<u>13,849,485</u>	
Operating Expenses							
7	Purchased Power Expense	9,069,447	0	9,069,447	439,820	8,629,627	4.85%
8	Margin Stabilization	(66,692)	0	(66,692)	(3,234)	(63,458)	4.85%
9	Operating and Maintenance Expense	2,932,005	0	2,932,005	110,467	2,821,538	3.77%
13	Depreciation and Amortization	878,934	0	878,934	41,717	837,217	4.75%
14	Tax Expense - Property	185,009	0	185,009	0	185,009	0.00%
15	Tax Expense - Other	<u>3,052</u>	<u>0</u>	<u>3,052</u>	<u>0</u>	<u>3,052</u>	0.00%
16	Total Operating Expenses	<u>13,001,755</u>	<u>0</u>	<u>13,001,755</u>	<u>588,770</u>	<u>12,412,985</u>	
17	Operating Margins	1,531,433	0	1,531,433	94,933	1,436,500	
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0	
19	Charitable and Educational Donations	<u>1,225</u>	<u>0</u>	<u>1,225</u>	<u>0</u>	<u>1,225</u>	0.00%
20	Operating Margins Adjusted	1,530,208	0	1,530,208	94,933	1,435,275	
21	Plus: Capital Credits Accrued	230,137	0	230,137	10,962	219,175	4.76%
22	Other Income	55,104	0	55,104	2,625	52,479	4.76%
23	Less: Interest on Long-Term Debt	507,138	0	507,138	24,593	482,545	4.85%
24	Other Interest Expense	0	0	0	0	0	
25	Other Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>207</u>	<u>(207)</u>	
26	Total Margins	<u>1,308,311</u>	<u>0</u>	<u>1,308,311</u>	<u>83,720</u>	<u>1,224,591</u>	
Rate Base							
27	Net Utility Plant	19,487,568	0	19,487,568	1,425,028	18,062,540	
28	Allowance for Working Capital	1,050,842	0	1,050,842	53,322	997,520	
29	Other Rate Base Deductions	<u>267,069</u>	<u>0</u>	<u>267,069</u>	<u>12,722</u>	<u>254,347</u>	
30	Total Rate Base	<u>20,271,341</u>	<u>0</u>	<u>20,271,341</u>	<u>1,465,628</u>	<u>18,805,713</u>	
31	Actual TIER	3.58		3.58		3.54	
32	DSC	2.87		2.87		2.85	
33	Rate of Return on Rate Base	7.55%		7.55%		7.63%	
34	Return on Margins and Equity	8.20%		8.20%		8.06%	
35	Capital Credits Received	18,682	0	18,682	890	17,792	
Margins and Equities							
	Margins and Equities	15,958,740	0	15,958,740	760,184	15,198,556	
	Principal Payments	430,302	0	430,302	20,867	409,435	
	Capital Credits Retired	907,695	0	907,695	43,237	864,458	

**COMMUNITY ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

(1)

Virginia
Jurisdictional
Generation
and Trans.

Line No.	<u>Description</u>	
	Operating Revenues	
1	Base Rate	9,062,562
2	Fuel - WPCA	0
3	Roll In Riders	0
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>9,062,562</u>
	Operating Expenses	
7	Purchased Power Expense	8,546,810
8	Margin Stabilization	(63,458)
9	Operating and Maintenance Expense	66,487
13	Depreciation and Amortization	30,537
14	Tax Expense - Property	4,171
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>8,584,547</u>
17	Operating Margins	478,015
18	Less: Interest Expense on Customer Deposits	0
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	478,015
21	Plus: Capital Credits Accrued	203,461
22	Other Income	49,934
23	Less: Interest on Long-Term Debt	4,637
24	Other Interest Expense	0
25	Other Expense	<u>0</u>
26	Total Margins	<u>726,773</u>
	Rate Base	
27	Net Utility Plant	180,477
28	Allowance for Working Capital	291,814
29	Other Rate Base Deductions	<u>188,922</u>
30	Total Rate Base	<u>283,369</u>
31	Actual TIER	157.73
32	DSC	88.89
33	Rate of Return on Rate Base	168.69%
34	Return on Margins and Equity	15.76%
35	Capital Credits Received	0
	Margins and Equities	4,611,613
	Principal Payments	3,935
	Capital Credits Retired	0

**COMMUNITY ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

		(1)	(2)	(3)	(4)	(5)
Source: REA Form 7						
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	14,128,229	0	14,128,229	672,989	13,455,240
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>158,750</u>	<u>0</u>	<u>158,750</u>	<u>484</u>	<u>158,266</u>
6	Total Operating Revenues	<u>14,286,979</u>	<u>0</u>	<u>14,286,979</u>	<u>673,472</u>	<u>13,613,507</u>
Operating Expenses						
7	Purchased Power Expense	9,330,804	0	9,330,804	452,494	8,878,310
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	2,606,821	0	2,606,821	98,215	2,508,606
13	Depreciation and Amortization	820,641	0	820,641	38,950	781,691
14	Tax Expense - Property	0	0	0	0	0
15	Tax Expense - Other	<u>145</u>	<u>0</u>	<u>145</u>	<u>0</u>	<u>145</u>
16	Total Operating Expenses	<u>12,758,411</u>	<u>0</u>	<u>12,758,411</u>	<u>589,660</u>	<u>12,168,751</u>
17	Operating Margins	1,528,568	0	1,528,568	83,812	1,444,756
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	1,528,568	0	1,528,568	83,812	1,444,756
21	Plus: Capital Credits Accrued	202,116	0	202,116	9,627	192,489
22	Other Income	53,821	0	53,821	2,564	51,257
23	Less: Interest on Long-Term Debt	542,127	0	542,127	26,290	515,837
24	Other Interest Expense	471	0	471	0	471
25	Other Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
26	Total Margins	<u>1,241,907</u>	<u>0</u>	<u>1,241,907</u>	<u>69,714</u>	<u>1,172,193</u>
27	Actual TIER	3.29		3.29		3.27

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**COMMUNITY ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7	(1)	(2)	(3)	(4)	(5)
Line No.	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Description					
Operating Revenues					
1 Base Rate	13,845,941	0	13,845,941	659,542	13,186,399
2 Fuel - WPCA	0	0	0	0	0
3 Roll In Riders	0	0	0	0	0
4 Margin Stabilization	0	0	0	0	0
5 Other Electric Revenues	<u>153,591</u>	<u>0</u>	<u>153,591</u>	<u>468</u>	<u>153,123</u>
6 Total Operating Revenues	<u>13,999,532</u>	<u>0</u>	<u>13,999,532</u>	<u>660,010</u>	<u>13,339,522</u>
Operating Expenses					
7 Purchased Power Expense	8,554,128	0	8,554,128	414,830	8,139,298
8 Margin Stabilization	0	0	0	0	0
9 Operating and Maintenance Expense	2,488,958	0	2,488,958	93,775	2,395,183
13 Depreciation and Amortization	795,352	0	795,352	37,750	757,602
14 Tax Expense - Property	69,024	0	69,024	0	69,024
15 Tax Expense - Other	<u>25</u>	<u>0</u>	<u>25</u>	<u>0</u>	<u>25</u>
16 Total Operating Expenses	<u>11,907,487</u>	<u>0</u>	<u>11,907,487</u>	<u>546,354</u>	<u>11,361,133</u>
17 Operating Margins	2,092,045	0	2,092,045	113,656	1,978,389
18 Less: Interest Expense on Customer Deposits	0	0	0	0	0
19 Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20 Operating Margins Adjusted	2,092,045	0	2,092,045	113,656	1,978,389
21 Plus: Capital Credits Accrued	185,162	0	185,162	8,820	176,342
22 Other Income	41,282	0	41,282	1,967	39,315
23 Less: Interest on Long-Term Debt	618,363	0	618,363	29,987	588,376
24 Other Interest Expense	8,678	0	8,678	0	8,678
25 Other Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
26 Total Margins	<u>1,691,448</u>	<u>0</u>	<u>1,691,448</u>	<u>94,455</u>	<u>1,596,993</u>
27 Actual TIER	3.74		3.74		3.71

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**CRAIG-BOTETOURT ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Req, cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
1.5 TIER	0	0	185	185	4.015	3.650	77,321,032	\$282
2.0 TIER	0	0	0	0	4.017	3.650	77,321,032	\$283
2.5 TIER	0	0	0	0	4.019	3.650	77,321,032	\$285
3.0 TIER	0	0	0	0	4.021	3.650	77,321,032	\$286

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**CRAIG-BOTETOURT ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	674,556	644,252	542,817
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,011,834	966,377	814,226
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>674,556</u>	<u>644,252</u>	<u>542,817</u>
REQUIRED MARGINS	337,278	322,126	271,409
LESS: ADJUSTED MARGINS	<u>52,748</u>	<u>280,476</u>	<u>456,771</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>185,363</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	674,556	644,252	542,817
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,349,112	1,288,503	1,085,635
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>674,556</u>	<u>644,252</u>	<u>542,817</u>
REQUIRED MARGINS	674,556	644,252	542,817
LESS: ADJUSTED MARGINS	<u>52,748</u>	<u>280,476</u>	<u>456,771</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	674,556	644,252	542,817
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,686,390	1,610,629	1,357,044
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>674,556</u>	<u>644,252</u>	<u>542,817</u>
REQUIRED MARGINS	1,011,834	966,377	814,226
LESS: ADJUSTED MARGINS	<u>52,748</u>	<u>280,476</u>	<u>456,771</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	674,556	644,252	542,817
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	2,023,668	1,932,755	1,628,452
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>674,556</u>	<u>644,252</u>	<u>542,817</u>
REQUIRED MARGINS	1,349,112	1,288,503	1,085,635
LESS: ADJUSTED MARGINS	<u>52,748</u>	<u>280,476</u>	<u>456,771</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**CRAIG-BOTETOURT ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	6,621,423	0	6,621,423	329,971	6,291,452	4.98%
2	Fuel - WPCA	0	0	0	0	0	
3	Roll In Riders	(44,724)	0	(44,724)	2,238	(46,962)	-5.00%
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>132,433</u>	<u>0</u>	<u>132,433</u>	<u>10,606</u>	<u>121,827</u>	8.01%
6	Total Operating Revenues	<u>6,709,132</u>	<u>0</u>	<u>6,709,132</u>	<u>342,815</u>	<u>6,366,317</u>	
Operating Expenses							
7	Purchased Power Expense	3,186,180	0	3,186,180	139,798	3,046,382	4.39%
8	Margin Stabilization	0	0	0	0	0	
9	Operating and Maintenance Expense	2,191,476	0	2,191,476	116,848	2,074,628	5.33%
13	Depreciation and Amortization	623,068	0	623,068	27,833	595,235	4.47%
14	Tax Expense - Property	0	0	0	0	0	
15	Tax Expense - Other	<u>12,888</u>	<u>0</u>	<u>12,888</u>	<u>0</u>	<u>12,888</u>	0.00%
16	Total Operating Expenses	<u>6,013,612</u>	<u>0</u>	<u>6,013,612</u>	<u>284,479</u>	<u>5,729,133</u>	
17	Operating Margins	695,520	0	695,520	58,336	637,184	
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0	
19	Charitable and Educational Donations	<u>999</u>	<u>0</u>	<u>999</u>	<u>44</u>	<u>955</u>	4.40%
20	Operating Margins Adjusted	694,521	0	694,521	58,292	636,229	
21	Plus: Capital Credits Accrued	16,519	0	16,519	818	15,701	4.95%
22	Other Income	78,825	0	78,825	3,902	74,923	4.95%
23	Less: Interest on Long-Term Debt	705,511	0	705,511	30,955	674,556	4.39%
24	Other Interest Expense	119	0	119	565	(446)	474.79%
25	Other Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>(5)</u>	
26	Total Margins	<u>84,235</u>	<u>0</u>	<u>84,235</u>	<u>31,487</u>	<u>52,748</u>	
Rate Base							
27	Net Utility Plant	18,535,377	0	18,535,377	822,989	17,712,388	
28	Allowance for Working Capital	611,855	0	611,855	29,397	582,458	
29	Other Rate Base Deductions	<u>125,877</u>	<u>0</u>	<u>125,877</u>	<u>6,231</u>	<u>119,646</u>	
30	Total Rate Base	<u>19,021,355</u>	<u>0</u>	<u>19,021,355</u>	<u>846,155</u>	<u>18,175,200</u>	
31	Actual TIER	1.12		1.12		1.08	
32	DSC	1.27		1.27		1.24	
33	Rate of Return on Rate Base	3.65%		3.65%		3.50%	
34	Return on Margins and Equity	0.95%		0.95%		0.63%	
35	Capital Credits Received	0	0	0	0	0	
	Margins and Equities	8,858,087	0	8,858,087	438,471	8,419,616	
	Principal Payments	408,491	0	408,491	17,923	390,568	
	Capital Credits Retired	0	0	0	0	0	

**CRAIG-BOTETOURT ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

(1)

Virginia
Jurisdictional
Generation
and Trans.

Line No.	Description	
Operating Revenues		
1	Base Rate	3,163,134
2	Fuel - WPCA	0
3	Roll In Riders	(46,962)
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>3,116,172</u>
Operating Expenses		
7	Purchased Power Expense	3,046,382
8	Margin Stabilization	0
9	Operating and Maintenance Expense	51,703
13	Depreciation and Amortization	1,642
14	Tax Expense - Property	0
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>3,099,727</u>
17	Operating Margins	16,445
18	Less: Interest Expense on Customer Deposits	0
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	16,445
21	Plus: Capital Credits Accrued	0
22	Other Income	0
23	Less: Interest on Long-Term Debt	3,103
24	Other Interest Expense	0
25	Other Expense	<u>0</u>
26	Total Margins	<u>13,342</u>
Rate Base		
27	Net Utility Plant	32,258
28	Allowance for Working Capital	116,081
29	Other Rate Base Deductions	<u>64,734</u>
30	Total Rate Base	<u>83,605</u>
31	Actual TIER	5.30
32	DSC	3.69
33	Rate of Return on Rate Base	19.67%
34	Return on Margins and Equity	N/A
35	Capital Credits Received	0
Margins and Equities		
	Principal Payments	1,797
	Capital Credits Retired	0

**CRAIG-BOTETOURT ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

2003

1.5 TIER:

LONG-TERM INTEREST EXPENSE	3,103
TIMES: TIER RATIO	<u>1.50</u>

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	4,655
LESS: INTEREST EXPENSE	<u>3,103</u>

REQUIRED MARGINS	1,552
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>

REQUIRED MARGINS	1,544
LESS: ADJUSTED MARGINS	<u>13,342</u>

NET REVENUE REQUIREMENT	(11,798)
PLUS: ADJUSTED OPERATING REVENUES	<u>3,116,172</u>

TOTAL REVENUE REQUIREMENT	<u>3,104,374</u>
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2.0 TIER:

LONG-TERM INTEREST EXPENSE	3,103
TIMES: TIER RATIO	<u>2.00</u>

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	6,206
LESS: INTEREST EXPENSE	<u>3,103</u>

REQUIRED MARGINS	3,103
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>

REQUIRED MARGINS	3,087
LESS: ADJUSTED MARGINS	<u>13,342</u>

NET REVENUE REQUIREMENT	(10,255)
PLUS: ADJUSTED OPERATING REVENUES	<u>3,116,172</u>

TOTAL REVENUE REQUIREMENT	<u>3,105,917</u>
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2.5 TIER:

LONG-TERM INTEREST EXPENSE 3,103
TIMES: TIER RATIO 2.50

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE 7,758
LESS: INTEREST EXPENSE 3,103

REQUIRED MARGINS 4,655
DIVIDED BY: GROSS-UP FACTOR 99.50%

REQUIRED MARGINS 4,631
LESS: ADJUSTED MARGINS 13,342

NET REVENUE REQUIREMENT (8,711)
PLUS: ADJUSTED OPERATING REVENUES 3,116,172

TOTAL REVENUE REQUIREMENT 3,107,461

3.0 TIER:

LONG-TERM INTEREST EXPENSE 3,103
TIMES: TIER RATIO 3.00

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE 9,309
LESS: INTEREST EXPENSE 3,103

REQUIRED MARGINS 6,206
DIVIDED BY: GROSS-UP FACTOR 99.50%

REQUIRED MARGINS 6,175
LESS: ADJUSTED MARGINS 13,342

NET REVENUE REQUIREMENT (7,167)
PLUS: ADJUSTED OPERATING REVENUES 3,116,172

TOTAL REVENUE REQUIREMENT 3,109,005

**CRAIG-BOTETOURT ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	6,400,412	0	6,400,412	318,957	6,081,455
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>127,208</u>	<u>0</u>	<u>127,208</u>	<u>10,188</u>	<u>117,020</u>
6	Total Operating Revenues	<u>6,527,620</u>	<u>0</u>	<u>6,527,620</u>	<u>329,145</u>	<u>6,198,475</u>
Operating Expenses						
7	Purchased Power Expense	3,113,459	0	3,113,459	136,607	2,976,852
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	1,948,656	0	1,948,656	103,901	1,844,755
13	Depreciation and Amortization	597,188	0	597,188	26,677	570,511
14	Tax Expense - Property	0	0	0	0	0
15	Tax Expense - Other	<u>6,789</u>	<u>0</u>	<u>6,789</u>	<u>0</u>	<u>6,789</u>
16	Total Operating Expenses	<u>5,666,092</u>	<u>0</u>	<u>5,666,092</u>	<u>267,185</u>	<u>5,398,907</u>
17	Operating Margins	861,528	0	861,528	61,960	799,568
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	861,528	0	861,528	61,960	799,568
21	Plus: Capital Credits Accrued	27,625	0	27,625	1,368	26,257
22	Other Income	102,976	0	102,976	5,098	97,878
23	Less: Interest on Long-Term Debt	673,816	0	673,816	29,564	644,252
24	Other Interest Expense	273	0	273	1,296	(1,023)
25	Other Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
26	Total Margins	<u>318,040</u>	<u>0</u>	<u>318,040</u>	<u>37,564</u>	<u>280,476</u>
27	Actual TIER	1.47		1.47		1.44

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**CRAIG-BOTETOURT ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	6,252,554	0	6,252,554	311,589	5,940,965
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>124,707</u>	<u>0</u>	<u>124,707</u>	<u>9,987</u>	<u>114,720</u>
6	Total Operating Revenues	<u>6,377,261</u>	<u>0</u>	<u>6,377,261</u>	<u>321,576</u>	<u>6,055,685</u>
Operating Expenses						
7	Purchased Power Expense	2,965,423	0	2,965,423	130,112	2,835,311
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	1,930,491	0	1,930,491	102,932	1,827,559
13	Depreciation and Amortization	553,519	0	553,519	24,726	528,793
14	Tax Expense - Property	11,557	0	11,557	0	11,557
15	Tax Expense - Other	<u>23,522</u>	<u>0</u>	<u>23,522</u>	<u>0</u>	<u>23,522</u>
16	Total Operating Expenses	<u>5,484,512</u>	<u>0</u>	<u>5,484,512</u>	<u>257,771</u>	<u>5,226,741</u>
17	Operating Margins	892,749	0	892,749	63,805	828,944
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	892,749	0	892,749	63,805	828,944
21	Plus: Capital Credits Accrued	27,873	0	27,873	1,380	26,493
22	Other Income	120,955	0	120,955	5,988	114,967
23	Less: Interest on Long-Term Debt	567,727	0	567,727	24,910	542,817
24	Other Interest Expense	7,787	0	7,787	36,972	(29,185)
25	Other Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
26	Total Margins	<u>466,063</u>	<u>0</u>	<u>466,063</u>	<u>9,292</u>	<u>456,771</u>
27	Actual TIER	1.82		1.82		1.84

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**MECKLENBERG ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Reqt, cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
1.5 TIER	2,122	1,481	2,686	6,289	4.648	3.650	518,059,039	\$5,170
2.0 TIER	1,132	536	1,527	3,195	4.648	3.650	518,059,039	\$5,170
2.5 TIER	142	0	368	510	4.648	3.650	518,059,039	\$5,170
3.0 TIER	0	0	0	0	4.648	3.650	518,059,039	\$5,170

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**MECKLENBERG ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	1,979,468	1,889,566	2,318,794
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	2,969,202	2,834,349	3,478,191
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>1,979,468</u>	<u>1,889,566</u>	<u>2,318,794</u>
REQUIRED MARGINS	989,734	944,783	1,159,397
LESS: ADJUSTED MARGINS	<u>3,111,296</u>	<u>2,425,703</u>	<u>3,845,800</u>
AVAILABLE EARNINGS	<u>2,121,562</u>	<u>1,480,920</u>	<u>2,686,403</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	1,979,468	1,889,566	2,318,794
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	3,958,936	3,779,131	4,637,588
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>1,979,468</u>	<u>1,889,566</u>	<u>2,318,794</u>
REQUIRED MARGINS	1,979,468	1,889,566	2,318,794
LESS: ADJUSTED MARGINS	<u>3,111,296</u>	<u>2,425,703</u>	<u>3,845,800</u>
AVAILABLE EARNINGS	<u>1,131,828</u>	<u>536,137</u>	<u>1,527,006</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	1,979,468	1,889,566	2,318,794
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	4,948,670	4,723,914	5,796,985
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>1,979,468</u>	<u>1,889,566</u>	<u>2,318,794</u>
REQUIRED MARGINS	2,969,202	2,834,349	3,478,191
LESS: ADJUSTED MARGINS	<u>3,111,296</u>	<u>2,425,703</u>	<u>3,845,800</u>
AVAILABLE EARNINGS	<u>142,094</u>	<u>N/A</u>	<u>367,609</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	1,979,468	1,889,566	2,318,794
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	5,938,404	5,668,697	6,956,381
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>1,979,468</u>	<u>1,889,566</u>	<u>2,318,794</u>
REQUIRED MARGINS	3,958,936	3,779,131	4,637,588
LESS: ADJUSTED MARGINS	<u>3,111,296</u>	<u>2,425,703</u>	<u>3,845,800</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**MECKLENBERG ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	43,088,129	0	43,088,129	2,314,961	40,773,168	5.37%
2	Fuel - WPCA	0	0	0	0	0	
3	Roll In Riders	0	0	0	0	0	
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>342,797</u>	<u>0</u>	<u>342,797</u>	<u>3,410</u>	<u>339,387</u>	0.99%
6	Total Operating Revenues	<u>43,430,926</u>	<u>0</u>	<u>43,430,926</u>	<u>2,318,371</u>	<u>41,112,555</u>	
Operating Expenses							
7	Purchased Power Expense	25,991,652	0	25,991,652	1,501,435	24,490,217	5.78%
8	Margin Stabilization	0	0	0	0	0	
9	Operating and Maintenance Expense	9,552,408	0	9,552,408	454,199	9,098,209	4.75%
13	Depreciation and Amortization	3,022,084	0	3,022,084	170,364	2,851,720	5.64%
14	Tax Expense - Property	317,950	0	317,950	18,161	299,789	5.71%
15	Tax Expense - Other	<u>3,872</u>	<u>0</u>	<u>3,872</u>	<u>0</u>	<u>3,872</u>	0.00%
16	Total Operating Expenses	<u>38,887,966</u>	<u>0</u>	<u>38,887,966</u>	<u>2,144,159</u>	<u>36,743,807</u>	
17	Operating Margins	4,542,960	0	4,542,960	174,212	4,368,748	
18	Less: Interest Expense on Customer Deposits	78	0	78	4	74	
19	Charitable and Educational Donations	<u>13,012</u>	<u>0</u>	<u>13,012</u>	<u>752</u>	<u>12,260</u>	
20	Operating Margins Adjusted	4,529,870	0	4,529,870	173,456	4,356,414	
21	Plus: Capital Credits Accrued	651,036	0	651,036	34,978	616,058	5.37%
22	Other Income	180,086	0	180,086	9,675	170,411	5.37%
23	Less: Interest on Long-Term Debt	2,100,824	0	2,100,824	121,356	1,979,468	5.78%
24	Other Interest Expense	0	0	0	0	0	
25	Other Expense	<u>55,552</u>	<u>0</u>	<u>55,552</u>	<u>3,433</u>	<u>52,119</u>	6.18%
26	Total Margins	<u>3,204,616</u>	<u>0</u>	<u>3,204,616</u>	<u>93,320</u>	<u>3,111,296</u>	
Rate Base							
27	Net Utility Plant	74,998,608	0	74,998,608	4,247,398	70,751,210	5.66%
28	Allowance for Working Capital	3,061,383	0	3,061,383	164,810	2,896,573	5.38%
29	Other Rate Base Deductions	<u>1,316,809</u>	<u>0</u>	<u>1,316,809</u>	<u>70,747</u>	<u>1,246,062</u>	5.37%
30	Total Rate Base	<u>76,743,182</u>	<u>0</u>	<u>76,743,182</u>	<u>4,341,461</u>	<u>72,401,721</u>	
31	Actual TIER	2.53		2.53		2.57	
32	DSC	2.22		2.22		2.25	
33	Rate of Return on Rate Base	5.90%		5.90%		6.02%	
34	Return on Margins and Equity	7.79%		7.79%		7.99%	
35	Capital Credits Received	0	0	0	0	0	
Margins and Equities							
	Margins and Equities	41,155,307	0	41,155,307	2,211,118	38,944,189	5.37%
	Principal Payments	1,643,611	0	1,643,611	94,945	1,548,666	5.78%
	Capital Credits Retired	1,781,665	0	1,781,665	95,722	1,685,943	5.37%

**MECKLENBERG ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

<u>Line No.</u>	<u>Description</u>	(1) Virginia Jurisdictional Generation and Trans.
	Operating Revenues	
1	Base Rate	27,576,293
2	Fuel - WPCA	0
3	Roll In Riders	0
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>27,576,293</u>
	Operating Expenses	
7	Purchased Power Expense	24,490,217
8	Margin Stabilization	0
9	Operating and Maintenance Expense	154,713
13	Depreciation and Amortization	5,364
14	Tax Expense - Property	0
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>24,650,294</u>
17	Operating Margins	2,925,999
18	Less: Interest Expense on Customer Deposits	49
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	2,925,950
21	Plus: Capital Credits Accrued	569,418
22	Other Income	0
23	Less: Interest on Long-Term Debt	345
24	Other Interest Expense	0
25	Other Expense	<u>0</u>
26	Total Margins	<u>3,495,023</u>
	Rate Base	
27	Net Utility Plant	21,173
28	Allowance for Working Capital	827,073
29	Other Rate Base Deductions	<u>835,626</u>
30	Total Rate Base	<u>12,620</u>
31	Actual TIER	10,131.50
32	DSC	5,692.25
33	Rate of Return on Rate Base	23185.02%
34	Return on Margins and Equity	29.62%
35	Capital Credits Received	0
	Margins and Equities	11,797,979
	Principal Payments	270
	Capital Credits Retired	0

**MECKLENBERG ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>2003</u>
1.5 TIER:	
LONG-TERM INTEREST EXPENSE	345
TIMES: TIER RATIO	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	518
LESS: INTEREST EXPENSE	<u>345</u>
REQUIRED MARGINS	173
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	172
LESS: ADJUSTED MARGINS	<u>3,495,023</u>
NET REVENUE REQUIREMENT	(3,494,851)
PLUS: ADJUSTED OPERATING REVENUES	<u>27,576,293</u>
TOTAL REVENUE REQUIREMENT	<u>24,081,442</u>
2.0 TIER:	
LONG-TERM INTEREST EXPENSE	345
TIMES: TIER RATIO	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	690
LESS: INTEREST EXPENSE	<u>345</u>
REQUIRED MARGINS	345
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	343
LESS: ADJUSTED MARGINS	<u>3,495,023</u>
NET REVENUE REQUIREMENT	(3,494,680)
PLUS: ADJUSTED OPERATING REVENUES	<u>27,576,293</u>
TOTAL REVENUE REQUIREMENT	<u>24,081,613</u>
2.5 TIER:	
LONG-TERM INTEREST EXPENSE	345
TIMES: TIER RATIO	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	863
LESS: INTEREST EXPENSE	<u>345</u>
REQUIRED MARGINS	518
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	515
LESS: ADJUSTED MARGINS	<u>3,495,023</u>
NET REVENUE REQUIREMENT	(3,494,508)
PLUS: ADJUSTED OPERATING REVENUES	<u>27,576,293</u>
TOTAL REVENUE REQUIREMENT	<u>24,081,785</u>
3.0 TIER:	
LONG-TERM INTEREST EXPENSE	345
TIMES: TIER RATIO	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,035
LESS: INTEREST EXPENSE	<u>345</u>
REQUIRED MARGINS	690
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	687
LESS: ADJUSTED MARGINS	<u>3,495,023</u>
NET REVENUE REQUIREMENT	(3,494,336)
PLUS: ADJUSTED OPERATING REVENUES	<u>27,576,293</u>
TOTAL REVENUE REQUIREMENT	<u>24,081,957</u>

**MECKLENBERG ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	43,837,043	0	43,837,043	2,355,197	41,481,846
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>332,258</u>	<u>0</u>	<u>332,258</u>	<u>3,305</u>	<u>328,953</u>
6	Total Operating Revenues	<u>44,169,301</u>	<u>0</u>	<u>44,169,301</u>	<u>2,358,502</u>	<u>41,810,799</u>
Operating Expenses						
7	Purchased Power Expense	27,811,767	0	27,811,767	1,606,576	26,205,191
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	9,831,166	0	9,831,166	467,453	9,363,713
13	Depreciation and Amortization	2,892,396	0	2,892,396	163,053	2,729,343
14	Tax Expense - Property	0	0	0	0	0
15	Tax Expense - Other	<u>3,912</u>	<u>0</u>	<u>3,912</u>	<u>0</u>	<u>3,912</u>
16	Total Operating Expenses	<u>40,539,241</u>	<u>0</u>	<u>40,539,241</u>	<u>2,237,082</u>	<u>38,302,159</u>
17	Operating Margins	3,630,060	0	3,630,060	121,420	3,508,640
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	3,630,060	0	3,630,060	121,420	3,508,640
21	Plus: Capital Credits Accrued	555,601	0	555,601	29,851	525,750
22	Other Income	325,521	0	325,521	17,488	308,033
23	Less: Interest on Long-Term Debt	2,005,410	0	2,005,410	115,844	1,889,566
24	Other Interest Expense	3,973	0	3,973	0	3,973
25	Other Expense	<u>24,708</u>	<u>0</u>	<u>24,708</u>	<u>1,527</u>	<u>23,181</u>
26	Total Margins	<u>2,477,091</u>	<u>0</u>	<u>2,477,091</u>	<u>51,388</u>	<u>2,425,703</u>
Rate Base						
27	Net Utility Plant	0	0	0		0
28	Allowance for Working Capital	0	0	0		0
29	Other Rate Base Deductions	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>
30	Actual TIER	2.24		2.24		2.28

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense.
Jurisdictional factors are allocated based on 2003.

**MECKLENBERG ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
	Operating Revenues					
1	Base Rate	43,620,117	0	43,620,117	2,343,543	41,276,574
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>336,533</u>	<u>0</u>	<u>336,533</u>	<u>3,348</u>	<u>333,185</u>
6	Total Operating Revenues	<u>43,956,650</u>	<u>0</u>	<u>43,956,650</u>	<u>2,346,890</u>	<u>41,609,760</u>
	Operating Expenses					
7	Purchased Power Expense	27,139,380	0	27,139,380	1,567,735	25,571,645
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	8,115,722	0	8,115,722	385,887	7,729,835
13	Depreciation and Amortization	2,750,493	0	2,750,493	155,054	2,595,439
14	Tax Expense - Property	21,550	0	21,550	1,231	20,319
15	Tax Expense - Other	<u>183,460</u>	<u>0</u>	<u>183,460</u>	<u>0</u>	<u>183,460</u>
16	Total Operating Expenses	<u>38,210,605</u>	<u>0</u>	<u>38,210,605</u>	<u>2,109,907</u>	<u>36,100,698</u>
17	Operating Margins	5,746,045	0	5,746,045	236,984	5,509,061
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	5,746,045	0	5,746,045	236,984	5,509,061
21	Plus: Capital Credits Accrued	552,357	0	552,357	29,676	522,681
22	Other Income	338,204	0	338,204	18,170	320,034
23	Less: Interest on Long-Term Debt	2,460,953	0	2,460,953	142,159	2,318,794
24	Other Interest Expense	46,877	0	46,877	0	46,877
25	Other Expense	<u>149,547</u>	<u>0</u>	<u>149,547</u>	<u>9,242</u>	<u>140,305</u>
26	Total Margins	<u>3,979,229</u>	<u>0</u>	<u>3,979,229</u>	<u>133,429</u>	<u>3,845,800</u>
27	Actual TIER	2.62		2.62		2.66

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**NORTHERN NECK ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Reqt, cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
1.5 TIER	1,698	1,385	856	3,938	5.533	3.650	221,417,191	\$4,167
2.0 TIER	1,215	969	429	2,613	5.534	3.650	221,417,191	\$4,170
2.5 TIER	733	553	2	1,288	5.535	3.650	221,417,191	\$4,173
3.0 TIER	251	138	0	388	5.536	3.650	221,417,191	\$4,176

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**NORTHERN NECK ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	964,742	831,609	854,145
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,447,113	1,247,413	1,281,218
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>964,742</u>	<u>831,609</u>	<u>854,145</u>
REQUIRED MARGINS	482,371	415,804	427,073
LESS: ADJUSTED MARGINS	<u>2,179,992</u>	<u>1,800,806</u>	<u>1,282,732</u>
AVAILABLE EARNINGS	<u>1,697,621</u>	<u>1,385,001</u>	<u>855,659</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	964,742	831,609	854,145
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,929,484	1,663,217	1,708,290
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>964,742</u>	<u>831,609</u>	<u>854,145</u>
REQUIRED MARGINS	964,742	831,609	854,145
LESS: ADJUSTED MARGINS	<u>2,179,992</u>	<u>1,800,806</u>	<u>1,282,732</u>
AVAILABLE EARNINGS	<u>1,215,250</u>	<u>969,197</u>	<u>428,587</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	964,742	831,609	854,145
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	2,411,855	2,079,022	2,135,363
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>964,742</u>	<u>831,609</u>	<u>854,145</u>
REQUIRED MARGINS	1,447,113	1,247,413	1,281,218
LESS: ADJUSTED MARGINS	<u>2,179,992</u>	<u>1,800,806</u>	<u>1,282,732</u>
AVAILABLE EARNINGS	<u>732,879</u>	<u>553,393</u>	<u>1,514</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	964,742	831,609	854,145
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	2,894,226	2,494,826	2,562,435
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>964,742</u>	<u>831,609</u>	<u>854,145</u>
REQUIRED MARGINS	1,929,484	1,663,217	1,708,290
LESS: ADJUSTED MARGINS	<u>2,179,992</u>	<u>1,800,806</u>	<u>1,282,732</u>
AVAILABLE EARNINGS	<u>250,508</u>	<u>137,589</u>	<u>N/A</u>

**NOTHERN NECK ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	19,310,106	0	19,310,106	171,404	19,138,702	0.89%
2	Fuel - WPCA	2,294,772	0	2,294,772	24,330	2,270,442	1.06%
3	Roll In Riders	0	0	0	0	0	
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>403,011</u>	<u>0</u>	<u>403,011</u>	<u>1,103</u>	<u>401,908</u>	0.27%
6	Total Operating Revenues	<u>22,007,889</u>	<u>0</u>	<u>22,007,889</u>	<u>196,837</u>	<u>21,811,052</u>	
Operating Expenses							
7	Purchased Power Expense	12,755,932	0	12,755,932	135,245	12,620,687	1.06%
8	Margin Stabilization	(166,367)	0	(166,367)	(1,764)	(164,603)	1.06%
9	Operating and Maintenance Expense	4,595,523	0	4,595,523	34,810	4,560,713	0.76%
13	Depreciation and Amortization	1,565,154	0	1,565,154	15,933	1,549,221	1.02%
14	Tax Expense - Property	190,040	0	190,040	1,970	188,070	1.04%
15	Tax Expense - Other	<u>11,217</u>	<u>0</u>	<u>11,217</u>	<u>0</u>	<u>11,217</u>	0.00%
16	Total Operating Expenses	<u>18,951,499</u>	<u>0</u>	<u>18,951,499</u>	<u>186,194</u>	<u>18,765,305</u>	
17	Operating Margins	3,056,390	0	3,056,390	10,643	3,045,747	
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0	
19	Charitable and Educational Donations	<u>1,283</u>	<u>0</u>	<u>1,283</u>	<u>14</u>	<u>1,269</u>	1.09%
20	Operating Margins Adjusted	3,055,107	0	3,055,107	10,629	3,044,478	
21	Plus: Capital Credits Accrued	33,217	0	33,217	3,064	30,153	9.22%
22	Other Income	92,349	0	92,349	837	91,512	0.91%
23	Less: Interest on Long-Term Debt	975,080	0	975,080	10,338	964,742	1.06%
24	Other Interest Expense	18	0	18	0	18	0.00%
25	Other Expense	<u>21,606</u>	<u>0</u>	<u>21,606</u>	<u>215</u>	<u>21,391</u>	1.00%
26	Total Margins	<u>2,183,969</u>	<u>0</u>	<u>2,183,969</u>	<u>3,977</u>	<u>2,179,992</u>	
Rate Base							
27	Net Utility Plant	33,007,060	0	33,007,060	336,398	32,670,662	1.02%
28	Allowance for Working Capital	1,312,992	0	1,312,992	12,206	1,300,786	0.93%
29	Other Rate Base Deductions	<u>449,731</u>	<u>0</u>	<u>449,731</u>	<u>4,074</u>	<u>445,657</u>	0.91%
30	Total Rate Base	<u>33,870,321</u>	<u>0</u>	<u>33,870,321</u>	<u>344,530</u>	<u>33,525,791</u>	
31	Actual TIER	3.24		3.24		3.26	
32	DSC	2.65		2.65		2.66	
33	Rate of Return on Rate Base	9.02%		9.02%		9.08%	
34	Return on Margins and Equity	9.28%		9.28%		9.35%	
35	Capital Credits Received	25,666	0	25,666	233	25,433	
	Margins and Equities	23,540,524	0	23,540,524	213,271	23,327,253	0.91%
	Principal Payments	810,253	0	810,253	8,591	801,662	1.06%
	Capital Credits Retired	515,653	0	515,653	4,672	510,981	0.91%

**NOTHERN NECK ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

<u>Line</u> <u>No.</u>	<u>Description</u>	(1) Virginia Jurisdictional Generation and Trans.
Operating Revenues		
1	Base Rate	11,815,210
2	Fuel - WPCA	2,270,442
3	Roll In Riders	0
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>14,085,652</u>
Operating Expenses		
7	Purchased Power Expense	12,620,687
8	Margin Stabilization	(164,603)
9	Operating and Maintenance Expense	98,334
13	Depreciation and Amortization	2,513
14	Tax Expense - Property	30
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>12,556,961</u>
17	Operating Margins	1,528,691
18	Less: Interest Expense on Customer Deposits	0
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	1,528,691
21	Plus: Capital Credits Accrued	315,299
22	Other Income	0
23	Less: Interest on Long-Term Debt	5,616
24	Other Interest Expense	0
25	Other Expense	<u>0</u>
26	Total Margins	<u>1,838,374</u>
Rate Base		
27	Net Utility Plant	66,958
28	Allowance for Working Capital	429,206
29	Other Rate Base Deductions	<u>301,551</u>
30	Total Rate Base	<u>194,613</u>
31	Actual TIER	328.35
32	DSC	179.59
33	Rate of Return on Rate Base	785.50%
34	Return on Margins and Equity	27.42%
35	Capital Credits Received	0
Margins and Equities		
	Principal Payments	4,666
	Capital Credits Retired	0

**NORTHERN NECK ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>2003</u>
1.5 TIER:	
LONG-TERM INTEREST EXPENSE	5,616
TIMES: TIER RATIO	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	8,424
LESS: INTEREST EXPENSE	<u>5,616</u>
REQUIRED MARGINS	2,808
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	2,794
LESS: ADJUSTED MARGINS	<u>1,838,374</u>
NET REVENUE REQUIREMENT	(1,835,580)
PLUS: ADJUSTED OPERATING REVENUES	<u>14,085,652</u>
TOTAL REVENUE REQUIREMENT	<u>12,250,072</u>
 2.0 TIER:	
LONG-TERM INTEREST EXPENSE	5,616
TIMES: TIER RATIO	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	11,232
LESS: INTEREST EXPENSE	<u>5,616</u>
REQUIRED MARGINS	5,616
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	5,588
LESS: ADJUSTED MARGINS	<u>1,838,374</u>
NET REVENUE REQUIREMENT	(1,832,786)
PLUS: ADJUSTED OPERATING REVENUES	<u>14,085,652</u>
TOTAL REVENUE REQUIREMENT	<u>12,252,866</u>

2.5 TIER:

LONG-TERM INTEREST EXPENSE	5,616
TIMES: TIER RATIO	<u>2.50</u>

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	14,040
LESS: INTEREST EXPENSE	<u>5,616</u>

REQUIRED MARGINS	8,424
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>

REQUIRED MARGINS	8,382
LESS: ADJUSTED MARGINS	<u>1,838,374</u>

NET REVENUE REQUIREMENT	(1,829,992)
PLUS: ADJUSTED OPERATING REVENUES	<u>14,085,652</u>

TOTAL REVENUE REQUIREMENT	<u>12,255,660</u>
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3.0 TIER:

LONG-TERM INTEREST EXPENSE	5,616
TIMES: TIER RATIO	<u>3.00</u>

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	16,848
LESS: INTEREST EXPENSE	<u>5,616</u>

REQUIRED MARGINS	11,232
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>

REQUIRED MARGINS	11,176
LESS: ADJUSTED MARGINS	<u>1,838,374</u>

NET REVENUE REQUIREMENT	(1,827,198)
PLUS: ADJUSTED OPERATING REVENUES	<u>14,085,652</u>

TOTAL REVENUE REQUIREMENT	<u>12,258,454</u>
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**NOTHERN NECK ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	20,780,328	0	20,780,328	184,454	20,595,874
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>377,986</u>	<u>0</u>	<u>377,986</u>	<u>1,035</u>	<u>376,951</u>
6	Total Operating Revenues	<u>21,158,314</u>	<u>0</u>	<u>21,158,314</u>	<u>185,489</u>	<u>20,972,825</u>
Operating Expenses						
7	Purchased Power Expense	12,274,057	0	12,274,057	130,136	12,143,921
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	5,058,463	0	5,058,463	38,317	5,020,146
13	Depreciation and Amortization	1,454,372	0	1,454,372	14,805	1,439,567
14	Tax Expense - Property	0	0	0	0	0
15	Tax Expense - Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
16	Total Operating Expenses	<u>18,786,892</u>	<u>0</u>	<u>18,786,892</u>	<u>183,258</u>	<u>18,603,634</u>
17	Operating Margins	2,371,422	0	2,371,422	2,231	2,369,191
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	2,371,422	0	2,371,422	2,231	2,369,191
21	Plus: Capital Credits Accrued	281,025	0	281,025	25,922	255,103
22	Other Income	40,200	0	40,200	364	39,836
23	Less: Interest on Long-Term Debt	840,520	0	840,520	8,911	831,609
24	Other Interest Expense	3,758	0	3,758	0	3,758
25	Other Expense	<u>28,238</u>	<u>0</u>	<u>28,238</u>	<u>281</u>	<u>27,957</u>
26	Total Margins	<u>1,820,131</u>	<u>0</u>	<u>1,820,131</u>	<u>19,325</u>	<u>1,800,806</u>
27	Actual TIER	3.17		3.17		3.17

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**NOTHERN NECK ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	19,611,606	0	19,611,606	174,080	19,437,526
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>370,486</u>	0	<u>370,486</u>	<u>1,014</u>	<u>369,472</u>
6	Total Operating Revenues	<u>19,982,092</u>	0	<u>19,982,092</u>	<u>175,094</u>	<u>19,806,998</u>
Operating Expenses						
7	Purchased Power Expense	11,907,844	0	11,907,844	126,253	11,781,591
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	4,628,412	0	4,628,412	35,059	4,593,353
13	Depreciation and Amortization	1,486,783	0	1,486,783	15,135	1,471,648
14	Tax Expense - Property	67,019	0	67,019	695	66,324
15	Tax Expense - Other	0	0	0	0	0
16	Total Operating Expenses	<u>18,090,058</u>	0	<u>18,090,058</u>	<u>177,142</u>	<u>17,912,916</u>
17	Operating Margins	1,892,034	0	1,892,034	(2,048)	1,894,082
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	0	0	0	0	0
20	Operating Margins Adjusted	1,892,034	0	1,892,034	(2,048)	1,894,082
21	Plus: Capital Credits Accrued	265,545	0	265,545	24,494	241,051
22	Other Income	57,088	0	57,088	517	56,571
23	Less: Interest on Long-Term Debt	863,298	0	863,298	9,153	854,145
24	Other Interest Expense	18,540	0	18,540	0	18,540
25	Other Expense	<u>36,651</u>	0	<u>36,651</u>	<u>365</u>	<u>36,286</u>
26	Total Margins	<u>1,296,178</u>	0	<u>1,296,178</u>	<u>13,446</u>	<u>1,282,732</u>
27	Actual TIER	2.50		2.50		2.50

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**NORTHERN VIRGINIA ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Req. cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
1.5 TIER	42,724	38,897	29,600	111,221	4.762	3.650	2,603,079,786	\$28,934
2.0 TIER	39,114	35,075	25,138	99,327	4.763	3.650	2,603,079,786	\$28,954
2.5 TIER	35,504	31,253	20,676	87,433	4.764	3.650	2,603,079,786	\$28,974
3.0 TIER	31,893	27,432	16,213	75,538	4.764	3.650	2,603,079,786	\$28,994

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**NORTHERN VIRGINIA ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	7,220,438	7,643,403	8,924,807
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	10,830,657	11,465,105	13,387,211
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>7,220,438</u>	<u>7,643,403</u>	<u>8,924,807</u>
REQUIRED MARGINS	3,610,219	3,821,702	4,462,404
LESS: ADJUSTED MARGINS	<u>46,334,162</u>	<u>42,718,590</u>	<u>34,062,774</u>
AVAILABLE EARNINGS	<u>42,723,943</u>	<u>38,896,888</u>	<u>29,600,370</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	7,220,438	7,643,403	8,924,807
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	14,440,876	15,286,807	17,849,615
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>7,220,438</u>	<u>7,643,403</u>	<u>8,924,807</u>
REQUIRED MARGINS	7,220,438	7,643,403	8,924,807
LESS: ADJUSTED MARGINS	<u>46,334,162</u>	<u>42,718,590</u>	<u>34,062,774</u>
AVAILABLE EARNINGS	<u>39,113,724</u>	<u>35,075,187</u>	<u>25,137,967</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	7,220,438	7,643,403	8,924,807
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	18,051,095	19,108,508	22,312,018
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>7,220,438</u>	<u>7,643,403</u>	<u>8,924,807</u>
REQUIRED MARGINS	10,830,657	11,465,105	13,387,211
LESS: ADJUSTED MARGINS	<u>46,334,162</u>	<u>42,718,590</u>	<u>34,062,774</u>
AVAILABLE EARNINGS	<u>35,503,505</u>	<u>31,253,485</u>	<u>20,675,563</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	7,220,438	7,643,403	8,924,807
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	21,661,314	22,930,210	26,774,422
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>7,220,438</u>	<u>7,643,403</u>	<u>8,924,807</u>
REQUIRED MARGINS	14,440,876	15,286,807	17,849,615
LESS: ADJUSTED MARGINS	<u>46,334,162</u>	<u>42,718,590</u>	<u>34,062,774</u>
AVAILABLE EARNINGS	<u>31,893,286</u>	<u>27,431,783</u>	<u>16,213,159</u>

**NORTHERN VIRGINIA ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	211,760,867	0	211,760,867	19,348,280	192,412,587	9.14%
2	Fuel - WPCA	30,142,318	0	30,142,318	2,831,959	27,310,359	9.40%
3	Roll In Riders	0	0	0	0	0	
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>2,631,512</u>	<u>0</u>	<u>2,631,512</u>	<u>21,648</u>	<u>2,609,864</u>	0.82%
6	Total Operating Revenues	<u>244,534,697</u>	<u>0</u>	<u>244,534,697</u>	<u>22,201,887</u>	<u>222,332,810</u>	
Operating Expenses							
7	Purchased Power Expense	140,735,920	0	140,735,920	14,566,233	126,169,687	10.35%
8	Margin Stabilization	0	0	0	0	0	
9	Operating and Maintenance Expense	34,202,378	0	34,202,378	1,762,603	32,439,775	5.15%
13	Depreciation and Amortization	12,309,724	0	12,309,724	796,305	11,513,419	6.47%
14	Tax Expense - Property	3,826,113	0	3,826,113	250,425	3,575,688	6.55%
15	Tax Expense - Other	<u>3,652</u>	<u>0</u>	<u>3,652</u>	<u>239</u>	<u>3,413</u>	6.54%
16	Total Operating Expenses	<u>191,077,787</u>	<u>0</u>	<u>191,077,787</u>	<u>17,375,805</u>	<u>173,701,982</u>	
17	Operating Margins	53,456,910	0	53,456,910	4,826,082	48,630,828	
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0	
19	Charitable and Educational Donations	<u>149,274</u>	<u>0</u>	<u>149,274</u>	<u>7,463</u>	<u>141,811</u>	5.00%
20	Operating Margins Adjusted	53,307,636	0	53,307,636	4,818,619	48,489,017	
21	Plus: Capital Credits Accrued	3,554,882	0	3,554,882	0	3,554,882	0.00%
22	Other Income	3,035,303	0	3,035,303	0	3,035,303	0.00%
23	Less: Interest on Long-Term Debt	7,729,815	0	7,729,815	509,377	7,220,438	6.59%
24	Other Interest Expense	61,856	0	61,856	4,057	57,799	6.56%
25	Other Expense	<u>1,580,807</u>	<u>0</u>	<u>1,580,807</u>	<u>114,004</u>	<u>1,466,803</u>	7.21%
26	Total Margins	<u>50,525,343</u>	<u>0</u>	<u>50,525,343</u>	<u>4,191,181</u>	<u>46,334,162</u>	
Rate Base							
27	Net Utility Plant	316,112,135	0	316,112,135	20,830,290	295,281,845	
28	Allowance for Working Capital	13,997,501	0	13,997,501	1,350,824	12,646,677	
29	Other Rate Base Deductions	<u>4,186,731</u>	<u>0</u>	<u>4,186,731</u>	<u>57,642</u>	<u>4,129,089</u>	
30	Total Rate Base	<u>325,922,905</u>	<u>0</u>	<u>325,922,905</u>	<u>22,123,472</u>	<u>303,799,433</u>	
31	Actual TIER	7.54		7.54		7.42	
32	DSC	2.62		2.62		2.59	
33	Rate of Return on Rate Base	16.36%		16.36%		15.96%	
34	Return on Margins and Equity	15.97%		15.97%		16.10%	
35	Capital Credits Received	216,455	0	216,455	19,453	197,002	
Margins and Equities							
	Margins and Equities	316,446,983	0	316,446,983	28,730,975	287,716,008	
	Principal Payments	19,183,753	0	19,183,753	1,264,165	17,919,588	
	Capital Credits Retired	21,520,658	0	21,520,658	1,749,885	19,770,773	

**NORTHERN VIRGINIA ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

(1)

Line No.	Description	Virginia Jurisdictional Generation and Trans.
	Operating Revenues	
1	Base Rate	125,204,142
2	Fuel - WPCA	27,310,359
3	Roll In Riders	0
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>152,514,501</u>
	Operating Expenses	
7	Purchased Power Expense	126,169,687
8	Margin Stabilization	0
9	Operating and Maintenance Expense	545,572
13	Depreciation and Amortization	218,223
14	Tax Expense - Property	0
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>126,933,482</u>
17	Operating Margins	25,581,019
18	Less: Interest Expense on Customer Deposits	0
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	25,581,019
21	Plus: Capital Credits Accrued	3,034,504
22	Other Income	0
23	Less: Interest on Long-Term Debt	39,807
24	Other Interest Expense	319
25	Other Expense	<u>0</u>
26	Total Margins	<u>28,575,397</u>
	Rate Base	
27	Net Utility Plant	442,115
28	Allowance for Working Capital	4,249,490
29	Other Rate Base Deductions	<u>3,016,738</u>
30	Total Rate Base	<u>1,674,867</u>
31	Actual TIER	718.85
32	DSC	208.03
33	Rate of Return on Rate Base	1527.35%
34	Return on Margins and Equity	31.37%
35	Capital Credits Received	0
	Margins and Equities	91,103,459
	Principal Payments	98,792
	Capital Credits Retired	0

NORTHERN VIRGINIA ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003

	2003
1.5 TIER:	
LONG-TERM INTEREST EXPENSE	39,807
TIMES: TIER RATIO	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	59,711
LESS: INTEREST EXPENSE	<u>39,807</u>
REQUIRED MARGINS	19,904
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	19,804
LESS: ADJUSTED MARGINS	<u>28,575,397</u>
NET REVENUE REQUIREMENT	(28,555,593)
PLUS: ADJUSTED OPERATING REVENUES	<u>152,514,501</u>
TOTAL REVENUE REQUIREMENT	<u>123,958,908</u>
2.0 TIER:	
LONG-TERM INTEREST EXPENSE	39,807
TIMES: TIER RATIO	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	79,614
LESS: INTEREST EXPENSE	<u>39,807</u>
REQUIRED MARGINS	39,807
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	39,608
LESS: ADJUSTED MARGINS	<u>28,575,397</u>
NET REVENUE REQUIREMENT	(28,535,789)
PLUS: ADJUSTED OPERATING REVENUES	<u>152,514,501</u>
TOTAL REVENUE REQUIREMENT	<u>123,978,712</u>
2.5 TIER:	
LONG-TERM INTEREST EXPENSE	39,807
TIMES: TIER RATIO	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	99,518
LESS: INTEREST EXPENSE	<u>39,807</u>
REQUIRED MARGINS	59,711
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	59,412
LESS: ADJUSTED MARGINS	<u>28,575,397</u>
NET REVENUE REQUIREMENT	(28,515,985)
PLUS: ADJUSTED OPERATING REVENUES	<u>152,514,501</u>
TOTAL REVENUE REQUIREMENT	<u>123,998,516</u>
3.0 TIER:	
LONG-TERM INTEREST EXPENSE	39,807
TIMES: TIER RATIO	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	119,421
LESS: INTEREST EXPENSE	<u>39,807</u>
REQUIRED MARGINS	79,614
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	79,216
LESS: ADJUSTED MARGINS	<u>28,575,397</u>
NET REVENUE REQUIREMENT	(28,496,181)
PLUS: ADJUSTED OPERATING REVENUES	<u>152,514,501</u>
TOTAL REVENUE REQUIREMENT	<u>124,018,320</u>

**NORTHERN VIRGINIA ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	231,548,913	0	231,548,913	21,156,285	210,392,628
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>2,782,926</u>	<u>0</u>	<u>2,782,926</u>	<u>22,894</u>	<u>2,760,032</u>
6	Total Operating Revenues	<u>234,331,839</u>	<u>0</u>	<u>234,331,839</u>	<u>21,179,178</u>	<u>213,152,661</u>
Operating Expenses						
7	Purchased Power Expense	135,588,457	0	135,588,457	14,033,468	121,554,989
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	38,422,718	0	38,422,718	1,980,096	36,442,622
13	Depreciation and Amortization	11,105,820	0	11,105,820	718,426	10,387,394
14	Tax Expense - Property	(278)	0	(278)	(18)	(260)
15	Tax Expense - Other	<u>(1,278)</u>	<u>0</u>	<u>(1,278)</u>	<u>(84)</u>	<u>(1,194)</u>
16	Total Operating Expenses	<u>185,115,439</u>	<u>0</u>	<u>185,115,439</u>	<u>16,731,888</u>	<u>168,383,551</u>
17	Operating Margins	49,216,400	0	49,216,400	4,447,290	44,769,110
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	49,216,400	0	49,216,400	4,447,290	44,769,110
21	Plus: Capital Credits Accrued	3,111,671	0	3,111,671	0	3,111,671
22	Other Income	3,230,480	0	3,230,480	0	3,230,480
23	Less: Interest on Long-Term Debt	8,182,619	0	8,182,619	539,216	7,643,403
24	Other Interest Expense	92,879	0	92,879	6,092	86,787
25	Other Expense	<u>713,970</u>	<u>0</u>	<u>713,970</u>	<u>51,490</u>	<u>662,480</u>
26	Total Margins	<u>46,569,083</u>	<u>0</u>	<u>46,569,083</u>	<u>3,850,493</u>	<u>42,718,590</u>
27	Actual TIER	6.69		6.69		6.59

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**NORTHERN VIRGINIA ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	217,351,050	0	217,351,050	21,156,285	196,194,765
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>2,777,876</u>	0	<u>2,777,876</u>	<u>22,894</u>	<u>2,754,982</u>
6	Total Operating Revenues	<u>220,128,926</u>	0	<u>220,128,926</u>	<u>21,179,178</u>	<u>198,949,748</u>
Operating Expenses						
7	Purchased Power Expense	128,851,282	0	128,851,282	14,033,468	114,817,814
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	38,295,952	0	38,295,952	1,980,096	36,315,856
13	Depreciation and Amortization	10,847,594	0	10,847,594	718,426	10,129,168
14	Tax Expense - Property	511,040	0	511,040	(18)	511,058
15	Tax Expense - Other	<u>(2,279)</u>	0	<u>(2,279)</u>	<u>(84)</u>	<u>(2,195)</u>
16	Total Operating Expenses	<u>178,503,589</u>	0	<u>178,503,589</u>	<u>16,731,888</u>	<u>161,771,701</u>
17	Operating Margins	41,625,337	0	41,625,337	4,447,290	37,178,047
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	0	0	0	0	0
20	Operating Margins Adjusted	41,625,337	0	41,625,337	4,447,290	37,178,047
21	Plus: Capital Credits Accrued	2,851,679	0	2,851,679	0	2,851,679
22	Other Income	3,438,107	0	3,438,107	0	3,438,107
23	Less: Interest on Long-Term Debt	9,464,023	0	9,464,023	539,216	8,924,807
24	Other Interest Expense	117,154	0	117,154	6,092	111,062
25	Other Expense	<u>420,679</u>	0	<u>420,679</u>	<u>51,490</u>	<u>369,189</u>
26	Total Margins	<u>37,913,267</u>	0	<u>37,913,267</u>	<u>3,850,493</u>	<u>34,062,774</u>
27	Actual TIER	5.01		5.01		4.82

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**PRINCE GEORGE ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Req't, cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
1.5 TIER	157	93	60	309	4.585	3.650	261,187,581	\$2,441
2.0 TIER	0	0	0	0	4.586	3.650	261,187,581	\$2,443
2.5 TIER	0	0	0	0	4.587	3.650	261,187,581	\$2,446
3.0 TIER	0	0	0	0	4.588	3.650	261,187,581	\$2,448

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**PRINCE GEORGE ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	581,041	571,565	639,438
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	871,562	857,348	959,156
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>581,041</u>	<u>571,565</u>	<u>639,438</u>
REQUIRED MARGINS	290,521	285,783	319,719
LESS: ADJUSTED MARGINS	<u>447,416</u>	<u>378,467</u>	<u>379,599</u>
AVAILABLE EARNINGS	<u>156,896</u>	<u>92,684</u>	<u>59,880</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	581,041	571,565	639,438
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,162,082	1,143,130	1,278,875
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>581,041</u>	<u>571,565</u>	<u>639,438</u>
REQUIRED MARGINS	581,041	571,565	639,438
LESS: ADJUSTED MARGINS	<u>447,416</u>	<u>378,467</u>	<u>379,599</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	581,041	571,565	639,438
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,452,603	1,428,913	1,598,594
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>581,041</u>	<u>571,565</u>	<u>639,438</u>
REQUIRED MARGINS	871,562	857,348	959,156
LESS: ADJUSTED MARGINS	<u>447,416</u>	<u>378,467</u>	<u>379,599</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	581,041	571,565	639,438
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	1,743,123	1,714,696	1,918,313
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>581,041</u>	<u>571,565</u>	<u>639,438</u>
REQUIRED MARGINS	1,162,082	1,143,130	1,278,875
LESS: ADJUSTED MARGINS	<u>447,416</u>	<u>378,467</u>	<u>379,599</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**PRINCE GEORGE ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	17,455,387	0	17,455,387	2,182,801	15,272,586	12.51%
2	Fuel - WPCA	2,487,370	0	2,487,370	317,696	2,169,674	12.77%
3	Roll In Riders	0	0	0	0	0	
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>185,954</u>	<u>0</u>	<u>185,954</u>	<u>1,850</u>	<u>184,104</u>	0.99%
6	Total Operating Revenues	<u>20,128,711</u>	<u>0</u>	<u>20,128,711</u>	<u>2,502,347</u>	<u>17,626,364</u>	
Operating Expenses							
7	Purchased Power Expense	13,918,722	0	13,918,722	1,652,366	12,266,356	11.87%
8	Margin Stabilization	(180,386)	0	(180,386)	(10,476)	(169,910)	5.81%
9	Operating and Maintenance Expense	3,554,211	0	3,554,211	146,222	3,407,989	4.11%
13	Depreciation and Amortization	1,134,120	0	1,134,120	60,400	1,073,720	5.33%
14	Tax Expense - Property	227,936	0	227,936	12,306	215,630	5.40%
15	Tax Expense - Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
16	Total Operating Expenses	<u>18,654,603</u>	<u>0</u>	<u>18,654,603</u>	<u>1,860,818</u>	<u>16,793,785</u>	
17	Operating Margins	<u>1,474,108</u>	<u>0</u>	<u>1,474,108</u>	<u>641,529</u>	<u>832,579</u>	
18	Less: Interest Expense on Customer Deposits	8,150	0	8,150	475	7,675	5.83%
19	Charitable and Educational Donations	<u>18,637</u>	<u>0</u>	<u>18,637</u>	<u>1,082</u>	<u>17,555</u>	5.81%
20	Operating Margins Adjusted	<u>1,447,321</u>	<u>0</u>	<u>1,447,321</u>	<u>639,972</u>	<u>807,349</u>	
21	Plus: Capital Credits Accrued	352,169	0	352,169	107,513	244,656	30.53%
22	Other Income	34,394	0	34,394	2,005	32,389	5.83%
23	Less: Interest on Long-Term Debt	616,865	0	616,865	35,824	581,041	5.81%
24	Other Interest Expense	56,666	0	56,666	3,291	53,375	5.81%
25	Other Expense	<u>2,720</u>	<u>0</u>	<u>2,720</u>	<u>158</u>	<u>2,562</u>	5.81%
26	Total Margins	<u>1,157,633</u>	<u>0</u>	<u>1,157,633</u>	<u>710,217</u>	<u>447,416</u>	
Rate Base							
27	Net Utility Plant	26,622,881	0	26,622,881	1,488,956	25,133,925	5.59%
28	Allowance for Working Capital	1,416,313	0	1,416,313	102,581	1,313,732	7.24%
29	Other Rate Base Deductions	<u>962,841</u>	<u>0</u>	<u>962,841</u>	<u>56,136</u>	<u>906,705</u>	5.83%
30	Total Rate Base	<u>27,076,353</u>	<u>0</u>	<u>27,076,353</u>	<u>1,535,401</u>	<u>25,540,952</u>	
31	Actual TIER	2.88		2.88		1.77	
32	DSC	2.73		2.73		2.10	
33	Rate of Return on Rate Base	5.35%		5.35%		3.16%	
34	Return on Margins and Equity	7.02%		7.02%		2.88%	
35	Capital Credits Received	18,803	0	18,803	1,096	17,707	
Margins and Equities							
	Margins and Equities	16,496,357	0	16,496,357	961,771	15,534,586	5.83%
	Principal Payments	447,696	0	447,696	26,000	421,696	5.81%
	Capital Credits Retired	46,315	0	46,315	14,139	32,176	30.53%

**PRINCE GEORGE ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

(1)

Line No.	<u>Description</u>	Virginia Jurisdictional Generation and Trans.
	Operating Revenues	
1	Base Rate	12,633,940
2	Fuel - WPCA	2,169,674
3	Roll In Riders	0
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>14,803,614</u>
	Operating Expenses	
7	Purchased Power Expense	12,266,356
8	Margin Stabilization	(169,910)
9	Operating and Maintenance Expense	76,455
13	Depreciation and Amortization	16,906
14	Tax Expense - Property	1,139
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>12,190,946</u>
17	Operating Margins	2,612,668
18	Less: Interest Expense on Customer Deposits	5,649
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	2,607,019
21	Plus: Capital Credits Accrued	228,873
22	Other Income	0
23	Less: Interest on Long-Term Debt	4,819
24	Other Interest Expense	443
25	Other Expense	<u>0</u>
26	Total Margins	<u>2,830,630</u>
	Rate Base	
27	Net Utility Plant	459,465
28	Allowance for Working Capital	419,720
29	Other Rate Base Deductions	<u>667,369</u>
30	Total Rate Base	<u>211,816</u>
31	Actual TIER	588.39
32	DSC	343.00
33	Rate of Return on Rate Base	1230.79%
34	Return on Margins and Equity	48.32%
35	Capital Credits Received	0
	Margins and Equities	5,857,729
	Principal Payments	3,497
	Capital Credits Retired	0

**PRINCE GEORGE ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>2003</u>
1.5 TIER:	
LONG-TERM INTEREST EXPENSE	4,819
TIMES: TIER RATIO	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	7,229
LESS: INTEREST EXPENSE	<u>4,819</u>
REQUIRED MARGINS	2,410
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	2,397
LESS: ADJUSTED MARGINS	<u>2,830,630</u>
NET REVENUE REQUIREMENT	(2,828,233)
PLUS: ADJUSTED OPERATING REVENUES	<u>14,803,614</u>
TOTAL REVENUE REQUIREMENT	<u>11,975,381</u>
2.0 TIER:	
LONG-TERM INTEREST EXPENSE	4,819
TIMES: TIER RATIO	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	9,638
LESS: INTEREST EXPENSE	<u>4,819</u>
REQUIRED MARGINS	4,819
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	4,795
LESS: ADJUSTED MARGINS	<u>2,830,630</u>
NET REVENUE REQUIREMENT	(2,825,835)
PLUS: ADJUSTED OPERATING REVENUES	<u>14,803,614</u>
TOTAL REVENUE REQUIREMENT	<u>11,977,779</u>

2.5 TIER:

LONG-TERM INTEREST EXPENSE	4,819
TIMES: TIER RATIO	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	12,048
LESS: INTEREST EXPENSE	<u>4,819</u>
REQUIRED MARGINS	7,229
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	7,192
LESS: ADJUSTED MARGINS	<u>2,830,630</u>
NET REVENUE REQUIREMENT	(2,823,438)
PLUS: ADJUSTED OPERATING REVENUES	<u>14,803,614</u>
TOTAL REVENUE REQUIREMENT	<u>11,980,176</u>

3.0 TIER:

LONG-TERM INTEREST EXPENSE	4,819
TIMES: TIER RATIO	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	14,457
LESS: INTEREST EXPENSE	<u>4,819</u>
REQUIRED MARGINS	9,638
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	9,590
LESS: ADJUSTED MARGINS	<u>2,830,630</u>
NET REVENUE REQUIREMENT	(2,821,040)
PLUS: ADJUSTED OPERATING REVENUES	<u>14,803,614</u>
TOTAL REVENUE REQUIREMENT	<u>11,982,574</u>

**PRINCE GEORGE ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Source: REA Form 7

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	19,732,741	0	19,732,741	2,467,585	17,265,156
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>184,474</u>	<u>0</u>	<u>184,474</u>	<u>1,835</u>	<u>182,639</u>
6	Total Operating Revenues	<u>19,917,215</u>	<u>0</u>	<u>19,917,215</u>	<u>2,469,420</u>	<u>17,447,795</u>
Operating Expenses						
7	Purchased Power Expense	13,735,043	0	13,735,043	1,630,560	12,104,483
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	3,835,771	0	3,835,771	157,806	3,677,965
13	Depreciation and Amortization	1,042,143	0	1,042,143	55,502	986,641
14	Tax Expense - Property	0	0	0	0	0
15	Tax Expense - Other	<u>(47,595)</u>	<u>0</u>	<u>(47,595)</u>	<u>0</u>	<u>(47,595)</u>
16	Total Operating Expenses	<u>18,565,362</u>	<u>0</u>	<u>18,565,362</u>	<u>1,843,868</u>	<u>16,721,494</u>
17	Operating Margins	1,351,853	0	1,351,853	625,552	726,301
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	1,351,853	0	1,351,853	625,552	726,301
21	Plus: Capital Credits Accrued	291,343	0	291,343	88,944	202,399
22	Other Income	46,246	0	46,246	2,696	43,550
23	Less: Interest on Long-Term Debt	606,805	0	606,805	35,240	571,565
24	Other Interest Expense	4,687	0	4,687	272	4,415
25	Other Expense	<u>18,901</u>	<u>0</u>	<u>18,901</u>	<u>1,098</u>	<u>17,803</u>
26	Total Margins	<u>1,059,049</u>	<u>0</u>	<u>1,059,049</u>	<u>680,582</u>	<u>378,467</u>
27	Actual TIER	2.75		2.75		1.66

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense.
Jurisdictional factors are allocated based on 2003.

**PRINCE GEORGE ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	18,964,077	0	18,964,077	2,371,463	16,592,614
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>170,416</u>	0	<u>170,416</u>	<u>1,695</u>	<u>168,721</u>
6	Total Operating Revenues	<u>19,134,493</u>	<u>0</u>	<u>19,134,493</u>	<u>2,373,159</u>	<u>16,761,334</u>
Operating Expenses						
7	Purchased Power Expense	13,093,159	0	13,093,159	1,554,359	11,538,800
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	3,616,499	0	3,616,499	148,785	3,467,714
13	Depreciation and Amortization	969,112	0	969,112	51,612	917,500
14	Tax Expense - Property	0	0	0	0	0
15	Tax Expense - Other	<u>3,402</u>	<u>0</u>	<u>3,402</u>	<u>0</u>	<u>3,402</u>
16	Total Operating Expenses	<u>17,682,172</u>	<u>0</u>	<u>17,682,172</u>	<u>1,754,756</u>	<u>15,927,416</u>
17	Operating Margins	1,452,321	0	1,452,321	618,403	833,918
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	1,452,321	0	1,452,321	618,403	833,918
21	Plus: Capital Credits Accrued	271,286	0	271,286	82,820	188,466
22	Other Income	63,318	0	63,318	3,691	59,627
23	Less: Interest on Long-Term Debt	678,862	0	678,862	39,424	639,438
24	Other Interest Expense	58,266	0	58,266	3,384	54,882
25	Other Expense	<u>8,591</u>	<u>0</u>	<u>8,591</u>	<u>499</u>	<u>8,092</u>
26	Total Margins	<u>1,041,206</u>	<u>0</u>	<u>1,041,206</u>	<u>661,607</u>	<u>379,599</u>
27	Actual TIER	2.53		2.53		1.59

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**RAPPAHANNOCK ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation</u>	<u>Generation</u>	<u>2003</u>	<u>Annual/1</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total</u> <u>2001-2003</u>	<u>Revenue</u> <u>Reqd, cents/kWh</u>	<u>Market</u> <u>Price, cents/kWh</u>	<u>Va Jurisdiction</u> <u>Sales, kWh</u>	<u>Stranded Cost</u> <u>Exposure</u>
1.5 TIER	13,322	8,731	4,579	26,632	4.752	3.650	2,247,192,699	\$24,747
2.0 TIER	9,778	5,097	730	15,605	4.755	3.650	2,247,192,699	\$24,824
2.5 TIER	6,233	1,464	0	7,697	4.759	3.650	2,247,192,699	\$24,901
3.0 TIER	2,689	0	0	2,689	4.762	3.650	2,247,192,699	\$24,978

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**RAPPAHANNOCK ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	7,088,528	7,266,756	7,698,125
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	10,632,792	10,900,135	11,547,187
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>7,088,528</u>	<u>7,266,756</u>	<u>7,698,125</u>
REQUIRED MARGINS	3,544,264	3,633,378	3,849,062
LESS: ADJUSTED MARGINS	<u>16,866,240</u>	<u>12,363,893</u>	<u>8,428,491</u>
AVAILABLE EARNINGS	<u>13,321,976</u>	<u>8,730,515</u>	<u>4,579,428</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	7,088,528	7,266,756	7,698,125
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	14,177,056	14,533,513	15,396,250
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>7,088,528</u>	<u>7,266,756</u>	<u>7,698,125</u>
REQUIRED MARGINS	7,088,528	7,266,756	7,698,125
LESS: ADJUSTED MARGINS	<u>16,866,240</u>	<u>12,363,893</u>	<u>8,428,491</u>
AVAILABLE EARNINGS	<u>9,777,712</u>	<u>5,097,137</u>	<u>730,366</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	7,088,528	7,266,756	7,698,125
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	17,721,320	18,166,891	19,245,312
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>7,088,528</u>	<u>7,266,756</u>	<u>7,698,125</u>
REQUIRED MARGINS	10,632,792	10,900,135	11,547,187
LESS: ADJUSTED MARGINS	<u>16,866,240</u>	<u>12,363,893</u>	<u>8,428,491</u>
AVAILABLE EARNINGS	<u>6,233,448</u>	<u>1,463,758</u>	<u>N/A</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	7,088,528	7,266,756	7,698,125
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	21,265,584	21,800,269	23,094,375
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>7,088,528</u>	<u>7,266,756</u>	<u>7,698,125</u>
REQUIRED MARGINS	14,177,056	14,533,513	15,396,250
LESS: ADJUSTED MARGINS	<u>16,866,240</u>	<u>12,363,893</u>	<u>8,428,491</u>
AVAILABLE EARNINGS	<u>2,689,184</u>	<u>N/A</u>	<u>N/A</u>

**RAPPAHANNOCK ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	177,444,787	0	177,444,787	6,239,591	171,205,196	3.52%
2	Fuel - WPCA	0	0	0	0	0	
3	Roll In Riders	0	0	0	0	0	
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>2,792,745</u>	<u>0</u>	<u>2,792,745</u>	<u>648,149</u>	<u>2,144,596</u>	23.21%
6	Total Operating Revenues	<u>180,237,532</u>	<u>0</u>	<u>180,237,532</u>	<u>6,887,740</u>	<u>173,349,792</u>	
Operating Expenses							
7	Purchased Power Expense	112,016,804	0	112,016,804	3,699,165	108,317,639	3.30%
8	Margin Stabilization	(532,209)	0	(532,209)	(23,883)	(508,326)	4.49%
9	Operating and Maintenance Expense	35,266,501	0	35,266,501	1,623,746	33,642,755	4.60%
13	Depreciation and Amortization	12,270,813	0	12,270,813	818,338	11,452,475	6.67%
14	Tax Expense - Property	0	0	0	0	0	
15	Tax Expense - Other	<u>2,835</u>	<u>0</u>	<u>2,835</u>	<u>0</u>	<u>2,835</u>	0.00%
16	Total Operating Expenses	<u>159,024,744</u>	<u>0</u>	<u>159,024,744</u>	<u>6,117,366</u>	<u>152,907,378</u>	
17	Operating Margins	21,212,788	0	21,212,788	770,374	20,442,414	
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0	
19	Charitable and Educational Donations	<u>14,613</u>	<u>0</u>	<u>14,613</u>	<u>711</u>	<u>13,902</u>	4.87%
20	Operating Margins Adjusted	21,198,175	0	21,198,175	769,663	20,428,512	
21	Plus: Capital Credits Accrued	2,689,358	0	2,689,358	108,927	2,580,431	4.05%
22	Other Income	1,146,602	0	1,146,602	46,441	1,100,161	4.05%
23	Less: Interest on Long-Term Debt	7,615,810	0	7,615,810	527,282	7,088,528	6.92%
24	Other Interest Expense	0	0	0	0	0	
25	Other Expense	<u>162,224</u>	<u>0</u>	<u>162,224</u>	<u>7,888</u>	<u>154,336</u>	4.86%
26	Total Margins	<u>17,256,101</u>	<u>0</u>	<u>17,256,101</u>	<u>389,861</u>	<u>16,866,240</u>	
Rate Base							
27	Net Utility Plant	269,923,064	0	269,923,064	18,786,557	251,136,507	
28	Allowance for Working Capital	10,047,610	0	10,047,610	419,874	9,627,736	
29	Other Rate Base Deductions	<u>1,833,342</u>	<u>0</u>	<u>1,833,342</u>	<u>74,256</u>	<u>1,759,086</u>	
30	Total Rate Base	<u>278,137,332</u>	<u>0</u>	<u>278,137,332</u>	<u>19,132,175</u>	<u>259,005,157</u>	
31	Actual TIER	3.27		3.27		3.38	
32	DSC	2.88		2.88		2.92	
33	Rate of Return on Rate Base	7.62%		7.62%		7.89%	
34	Return on Margins and Equity	10.38%		10.38%		10.57%	
35	Capital Credits Received	234,171	0	234,171	9,485	224,686	
Margins and Equities							
	Principal Payments	5,291,979	0	5,291,979	257,310	5,034,669	
	Capital Credits Retired	4,683,429	0	4,683,429	189,693	4,493,736	

**RAPPAHANNOCK ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

<u>Line No.</u>	<u>Description</u>	(1) Virginia Jurisdictional Generation and Trans.
Operating Revenues		
1	Base Rate	120,167,802
2	Fuel - WPCA	0
3	Roll In Riders	0
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>120,167,802</u>
Operating Expenses		
7	Purchased Power Expense	108,317,639
8	Margin Stabilization	(508,326)
9	Operating and Maintenance Expense	634,135
13	Depreciation and Amortization	314,380
14	Tax Expense - Property	0
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>108,757,828</u>
17	Operating Margins	11,409,974
18	Less: Interest Expense on Customer Deposits	0
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	11,409,974
21	Plus: Capital Credits Accrued	2,209,225
22	Other Income	0
23	Less: Interest on Long-Term Debt	154,726
24	Other Interest Expense	0
25	Other Expense	<u>0</u>
26	Total Margins	<u>13,464,473</u>
Rate Base		
27	Net Utility Plant	3,149,966
28	Allowance for Working Capital	3,754,688
29	Other Rate Base Deductions	<u>1,251,178</u>
30	Total Rate Base	<u>5,653,476</u>
31	Actual TIER	88.02
32	DSC	52.65
33	Rate of Return on Rate Base	201.82%
34	Return on Margins and Equity	23.67%
35	Capital Credits Received	0
Margins and Equities		56,890,126
Principal Payments		109,895
Capital Credits Retired		0

**RAPPAHANNOCK ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

2003

1.5 TIER:
LONG-TERM INTEREST EXPENSE 154,726
TIMES: TIER RATIO 1.50

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE 232,089
LESS: INTEREST EXPENSE 154,726

REQUIRED MARGINS 77,363
DIVIDED BY: GROSS-UP FACTOR 99.50%

REQUIRED MARGINS 76,976
LESS: ADJUSTED MARGINS 13,464,473

NET REVENUE REQUIREMENT (13,387,497)
PLUS: ADJUSTED OPERATING REVENUES 120,167,802

TOTAL REVENUE REQUIREMENT 106,780,305

2.0 TIER:
LONG-TERM INTEREST EXPENSE 154,726
TIMES: TIER RATIO 2.00

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE 309,452
LESS: INTEREST EXPENSE 154,726

REQUIRED MARGINS 154,726
DIVIDED BY: GROSS-UP FACTOR 99.50%

REQUIRED MARGINS 153,952
LESS: ADJUSTED MARGINS 13,464,473

NET REVENUE REQUIREMENT (13,310,521)
PLUS: ADJUSTED OPERATING REVENUES 120,167,802

TOTAL REVENUE REQUIREMENT 106,857,281

2.5 TIER:
LONG-TERM INTEREST EXPENSE 154,726
TIMES: TIER RATIO 2.50

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE 386,815
LESS: INTEREST EXPENSE 154,726

REQUIRED MARGINS 232,089
DIVIDED BY: GROSS-UP FACTOR 99.50%

REQUIRED MARGINS 230,929
LESS: ADJUSTED MARGINS 13,464,473

NET REVENUE REQUIREMENT (13,233,544)
PLUS: ADJUSTED OPERATING REVENUES 120,167,802

TOTAL REVENUE REQUIREMENT 106,934,258

3.0 TIER:
LONG-TERM INTEREST EXPENSE 154,726
TIMES: TIER RATIO 3.00

REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE 464,178
LESS: INTEREST EXPENSE 154,726

REQUIRED MARGINS 309,452
DIVIDED BY: GROSS-UP FACTOR 99.50%

REQUIRED MARGINS 307,905
LESS: ADJUSTED MARGINS 13,464,473

NET REVENUE REQUIREMENT (13,156,568)
PLUS: ADJUSTED OPERATING REVENUES 120,167,802

TOTAL REVENUE REQUIREMENT 107,011,234

**RAPPAHANNOCK ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	166,628,592	0	166,628,592	5,859,255	160,769,337
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>1,721,099</u>	<u>0</u>	<u>1,721,099</u>	<u>399,438</u>	<u>1,321,661</u>
6	Total Operating Revenues	<u>168,349,691</u>	<u>0</u>	<u>168,349,691</u>	<u>6,258,693</u>	<u>162,090,998</u>
Operating Expenses						
7	Purchased Power Expense	108,469,814	0	108,469,814	3,582,032	104,887,782
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	31,774,674	0	31,774,674	1,462,975	30,311,699
13	Depreciation and Amortization	10,992,525	0	10,992,525	733,089	10,259,436
14	Tax Expense - Property	0	0	0	0	0
15	Tax Expense - Other	<u>3,780</u>	<u>0</u>	<u>3,780</u>	<u>0</u>	<u>3,780</u>
16	Total Operating Expenses	<u>151,240,793</u>	<u>0</u>	<u>151,240,793</u>	<u>5,778,096</u>	<u>145,462,697</u>
17	Operating Margins	17,108,898	0	17,108,898	480,597	16,628,301
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	17,108,898	0	17,108,898	480,597	16,628,301
21	Plus: Capital Credits Accrued	2,313,137	0	2,313,137	<u>93,689</u>	2,219,448
22	Other Income	992,336	0	992,336	<u>40,193</u>	952,143
23	Less: Interest on Long-Term Debt	7,807,296	0	7,807,296	<u>540,540</u>	7,266,756
24	Other Interest Expense	86,153	0	86,153	<u>0</u>	86,153
25	Other Expense	<u>87,336</u>	<u>0</u>	<u>87,336</u>	<u>4,247</u>	<u>83,089</u>
26	Total Margins	<u>12,433,586</u>	<u>0</u>	<u>12,433,586</u>	<u>69,693</u>	<u>12,363,893</u>
27	Actual TIER	2.59		2.59		2.70

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**RAPPAHANNOCK ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	159,650,940	0	159,650,940	5,613,896	154,037,044
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>1,342,989</u>	<u>0</u>	<u>1,342,989</u>	<u>311,685</u>	<u>1,031,304</u>
6	Total Operating Revenues	<u>160,993,929</u>	<u>0</u>	<u>160,993,929</u>	<u>5,925,581</u>	<u>155,068,348</u>
Operating Expenses						
7	Purchased Power Expense	105,416,310	0	105,416,310	3,481,195	101,935,115
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	29,940,383	0	29,940,383	1,378,520	28,561,863
13	Depreciation and Amortization	11,228,638	0	11,228,638	748,836	10,479,802
14	Tax Expense - Property	0	0	0	0	0
15	Tax Expense - Other	<u>2,647</u>	<u>0</u>	<u>2,647</u>	<u>0</u>	<u>2,647</u>
16	Total Operating Expenses	<u>146,587,978</u>	<u>0</u>	<u>146,587,978</u>	<u>5,608,550</u>	<u>140,979,428</u>
17	Operating Margins	14,405,951	0	14,405,951	317,031	14,088,920
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	14,405,951	0	14,405,951	317,031	14,088,920
21	Plus: Capital Credits Accrued	1,978,937	0	1,978,937	<u>80,153</u>	1,898,784
22	Other Income	723,423	0	723,423	<u>29,301</u>	694,122
23	Less: Interest on Long-Term Debt	8,270,752	0	8,270,752	<u>572,627</u>	7,698,125
24	Other Interest Expense	288,411	0	288,411	<u>0</u>	288,411
25	Other Expense	<u>280,436</u>	<u>0</u>	<u>280,436</u>	<u>13,636</u>	<u>266,800</u>
26	Total Margins	<u>8,268,712</u>	<u>0</u>	<u>8,268,712</u>	<u>(159,779)</u>	<u>8,428,491</u>
27	Actual TIER	2.00		2.00		2.09

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense.
Jurisdictional factors are allocated based on 2003.

**SHENANDOAH VALLEY ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation Revenue Req't, cents/kWh</u>	<u>Generation Market Price, cents/kWh</u>	<u>2003 Va Jurisdiction Sales, kWh</u>	<u>Annual/1 Stranded Cost Exposure</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 2001-2003</u>				
1.5 TIER	3,930	4,365	4,710	13,004	4.546	3.650	735,086,687	\$6,582
2.0 TIER	2,794	3,200	3,392	9,386	4.547	3.650	735,086,687	\$6,591
2.5 TIER	1,659	2,034	2,074	5,768	4.548	3.650	735,086,687	\$6,600
3.0 TIER	523	869	757	2,149	4.550	3.650	735,086,687	\$6,609

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**SHENANDOAH VALLEY ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	2,270,999	2,330,328	2,635,574
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	3,406,499	3,495,492	3,953,361
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>2,270,999</u>	<u>2,330,328</u>	<u>2,635,574</u>
REQUIRED MARGINS	1,135,500	1,165,164	1,317,787
LESS: ADJUSTED MARGINS	<u>5,065,303</u>	<u>5,529,880</u>	<u>6,027,711</u>
AVAILABLE EARNINGS	<u>3,929,804</u>	<u>4,364,716</u>	<u>4,709,924</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	2,270,999	2,330,328	2,635,574
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	4,541,998	4,660,656	5,271,148
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>2,270,999</u>	<u>2,330,328</u>	<u>2,635,574</u>
REQUIRED MARGINS	2,270,999	2,330,328	2,635,574
LESS: ADJUSTED MARGINS	<u>5,065,303</u>	<u>5,529,880</u>	<u>6,027,711</u>
AVAILABLE EARNINGS	<u>2,794,304</u>	<u>3,199,552</u>	<u>3,392,137</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	2,270,999	2,330,328	2,635,574
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	5,677,498	5,825,820	6,588,935
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>2,270,999</u>	<u>2,330,328</u>	<u>2,635,574</u>
REQUIRED MARGINS	3,406,499	3,495,492	3,953,361
LESS: ADJUSTED MARGINS	<u>5,065,303</u>	<u>5,529,880</u>	<u>6,027,711</u>
AVAILABLE EARNINGS	<u>1,658,805</u>	<u>2,034,388</u>	<u>2,074,350</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	2,270,999	2,330,328	2,635,574
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	6,812,997	6,990,984	7,906,722
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>2,270,999</u>	<u>2,330,328</u>	<u>2,635,574</u>
REQUIRED MARGINS	4,541,998	4,660,656	5,271,148
LESS: ADJUSTED MARGINS	<u>5,065,303</u>	<u>5,529,880</u>	<u>6,027,711</u>
AVAILABLE EARNINGS	<u>523,305</u>	<u>869,224</u>	<u>756,563</u>

**SHENANDOAH VALLEY ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Virginia Jurisdictional Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	58,124,868	0	58,124,868	5,394,402	52,730,466	9.28%
2	Fuel - WPCA	0	0	0	0	0	
3	Roll In Riders	0	0	0	0	0	
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>742,012</u>	<u>0</u>	<u>742,012</u>	<u>66,987</u>	<u>675,025</u>	9.03%
6	Total Operating Revenues	<u>58,866,880</u>	<u>0</u>	<u>58,866,880</u>	<u>5,461,389</u>	<u>53,405,491</u>	
Operating Expenses							
7	Purchased Power Expense	37,487,005	0	37,487,005	3,487,250	33,999,755	9.30%
8	Margin Stabilization	0	0	0	0	0	
9	Operating and Maintenance Expense	9,565,464	0	9,565,464	882,203	8,683,261	9.22%
13	Depreciation and Amortization	4,741,788	0	4,741,788	440,839	4,300,949	9.30%
14	Tax Expense - Property	64,938	0	64,938	6,041	58,897	9.30%
15	Tax Expense - Other	<u>23,448</u>	<u>0</u>	<u>23,448</u>	<u>0</u>	<u>23,448</u>	0.00%
16	Total Operating Expenses	<u>51,882,643</u>	<u>0</u>	<u>51,882,643</u>	<u>4,816,333</u>	<u>47,066,310</u>	
17	Operating Margins	6,984,237	0	6,984,237	645,056	6,339,181	
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0	
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
20	Operating Margins Adjusted	6,984,237	0	6,984,237	645,056	6,339,181	
21	Plus: Capital Credits Accrued	970,413	0	970,413	90,061	880,352	9.28%
22	Other Income	144,826	0	144,826	13,441	131,385	9.28%
23	Less: Interest on Long-Term Debt	2,503,928	0	2,503,928	232,929	2,270,999	9.30%
24	Other Interest Expense	23,345	0	23,345	2,181	21,164	9.34%
25	Other Expense	<u>(4,825)</u>	<u>0</u>	<u>(4,825)</u>	<u>1,723</u>	<u>(6,548)</u>	-35.71%
26	Total Margins	<u>5,577,028</u>	<u>0</u>	<u>5,577,028</u>	<u>511,725</u>	<u>5,065,303</u>	
Rate Base							
27	Net Utility Plant	82,027,077	0	82,027,077	7,627,268	74,399,809	9.30%
28	Allowance for Working Capital	4,192,903	0	4,192,903	389,107	3,803,796	9.28%
29	Other Rate Base Deductions	<u>945,599</u>	<u>0</u>	<u>945,599</u>	<u>87,758</u>	<u>857,841</u>	9.28%
30	Total Rate Base	<u>85,274,381</u>	<u>0</u>	<u>85,274,381</u>	<u>7,928,617</u>	<u>77,345,764</u>	
31	Actual TIER	3.23		3.23		3.23	
32	DSC	2.86		2.86		2.86	
33	Rate of Return on Rate Base	8.19%		8.19%		8.20%	
34	Return on Margins and Equity	10.41%		10.41%		10.43%	
35	Capital Credits Received	115,632	0	115,632	10,731	104,901	
Margins and Equities							
	Principal Payments	1,986,697	0	1,986,697	184,814	1,801,883	
	Capital Credits Retired	3,372,335	0	3,372,335	312,977	3,059,358	

**SHENANDOAH VALLEY ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

(1)

Virginia
Jurisdictional
Generation
and Trans.

<u>Line No.</u>	<u>Description</u>	
	Operating Revenues	
1	Base Rate	33,729,216
2	Fuel - WPCA	0
3	Roll In Riders	0
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>33,729,216</u>
	Operating Expenses	
7	Purchased Power Expense	33,999,755
8	Margin Stabilization	0
9	Operating and Maintenance Expense	108,947
13	Depreciation and Amortization	26,840
14	Tax Expense - Property	9,792
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>34,145,334</u>
17	Operating Margins	(416,118)
18	Less: Interest Expense on Customer Deposits	0
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	(416,118)
21	Plus: Capital Credits Accrued	755,904
22	Other Income	0
23	Less: Interest on Long-Term Debt	18,046
24	Other Interest Expense	0
25	Other Expense	<u>0</u>
26	Total Margins	<u>321,740</u>
	Rate Base	
27	Net Utility Plant	103,813
28	Allowance for Working Capital	1,133,136
29	Other Rate Base Deductions	<u>622,340</u>
30	Total Rate Base	<u>614,609</u>
31	Actual TIER	18.83
32	DSC	11.33
33	Rate of Return on Rate Base	-67.70%
34	Return on Margins and Equity	2.06%
35	Capital Credits Received	0
	Margins and Equities	15,590,655
	Principal Payments	14,316
	Capital Credits Retired	0

**SHENANDOAH VALLEY ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

2003

1.5 TIER:	
LONG-TERM INTEREST EXPENSE	18,046
TIMES: TIER RATIO	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	27,069
LESS: INTEREST EXPENSE	<u>18,046</u>
REQUIRED MARGINS	9,023
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	8,978
LESS: ADJUSTED MARGINS	<u>321,740</u>
NET REVENUE REQUIREMENT	(312,762)
PLUS: ADJUSTED OPERATING REVENUES	<u>33,729,216</u>
TOTAL REVENUE REQUIREMENT	<u>33,416,454</u>

2.0 TIER:	
LONG-TERM INTEREST EXPENSE	18,046
TIMES: TIER RATIO	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	36,092
LESS: INTEREST EXPENSE	<u>18,046</u>
REQUIRED MARGINS	18,046
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	17,956
LESS: ADJUSTED MARGINS	<u>321,740</u>
NET REVENUE REQUIREMENT	(303,784)
PLUS: ADJUSTED OPERATING REVENUES	<u>33,729,216</u>
TOTAL REVENUE REQUIREMENT	<u>33,425,432</u>

2.5 TIER:	
LONG-TERM INTEREST EXPENSE	18,046
TIMES: TIER RATIO	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	45,115
LESS: INTEREST EXPENSE	<u>18,046</u>
REQUIRED MARGINS	27,069
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	26,934
LESS: ADJUSTED MARGINS	<u>321,740</u>
NET REVENUE REQUIREMENT	(294,806)
PLUS: ADJUSTED OPERATING REVENUES	<u>33,729,216</u>
TOTAL REVENUE REQUIREMENT	<u>33,434,410</u>

3.0 TIER:	
LONG-TERM INTEREST EXPENSE	18,046
TIMES: TIER RATIO	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	54,138
LESS: INTEREST EXPENSE	<u>18,046</u>
REQUIRED MARGINS	36,092
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	35,912
LESS: ADJUSTED MARGINS	<u>321,740</u>
NET REVENUE REQUIREMENT	(285,828)
PLUS: ADJUSTED OPERATING REVENUES	<u>33,729,216</u>
TOTAL REVENUE REQUIREMENT	<u>33,443,388</u>

**SHENANDOAH VALLEY ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	56,675,041	0	56,675,041	5,259,848	51,415,193
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>842,067</u>	<u>0</u>	<u>842,067</u>	<u>76,020</u>	<u>766,047</u>
6	Total Operating Revenues	<u>57,517,108</u>	<u>0</u>	<u>57,517,108</u>	<u>5,335,867</u>	<u>52,181,241</u>
Operating Expenses						
7	Purchased Power Expense	36,530,190	0	36,530,190	3,398,242	33,131,948
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	8,708,756	0	8,708,756	803,191	7,905,565
13	Depreciation and Amortization	4,567,055	0	4,567,055	424,594	4,142,461
14	Tax Expense - Property	61,590	0	61,590	5,730	55,860
15	Tax Expense - Other	<u>26,367</u>	<u>0</u>	<u>26,367</u>	<u>0</u>	<u>26,367</u>
16	Total Operating Expenses	<u>49,893,958</u>	<u>0</u>	<u>49,893,958</u>	<u>4,631,756</u>	<u>45,262,202</u>
17	Operating Margins	7,623,150	0	7,623,150	704,111	6,919,039
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	7,623,150	0	7,623,150	704,111	6,919,039
21	Plus: Capital Credits Accrued	841,711	0	841,711	78,117	763,594
22	Other Income	191,995	0	191,995	17,819	174,176
23	Less: Interest on Long-Term Debt	2,569,342	0	2,569,342	239,014	2,330,328
24	Other Interest Expense	2,301	0	2,301	215	2,086
25	Other Expense	<u>(4,041)</u>	<u>0</u>	<u>(4,041)</u>	<u>1,443</u>	<u>(5,484)</u>
26	Total Margins	<u>6,089,254</u>	<u>0</u>	<u>6,089,254</u>	<u>559,374</u>	<u>5,529,880</u>
27	Actual TIER	3.37		3.37		3.37

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**SHENANDOAH VALLEY ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Virginia Jurisdictional Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	56,614,566	0	56,614,566	5,259,848	51,354,718
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>733,252</u>	<u>0</u>	<u>733,252</u>	<u>76,020</u>	<u>657,232</u>
6	Total Operating Revenues	<u>57,347,818</u>	<u>0</u>	<u>57,347,818</u>	<u>5,335,867</u>	<u>52,011,951</u>
Operating Expenses						
7	Purchased Power Expense	35,440,670	0	35,440,670	3,398,242	32,042,428
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	8,622,375	0	8,622,375	803,191	7,819,184
13	Depreciation and Amortization	4,469,132	0	4,469,132	424,594	4,044,538
14	Tax Expense - Property	242,824	0	242,824	5,730	237,094
15	Tax Expense - Other	<u>31,591</u>	<u>0</u>	<u>31,591</u>	<u>0</u>	<u>31,591</u>
16	Total Operating Expenses	<u>48,806,592</u>	<u>0</u>	<u>48,806,592</u>	<u>4,631,756</u>	<u>44,174,836</u>
17	Operating Margins	8,541,226	0	8,541,226	704,111	7,837,115
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	8,541,226	0	8,541,226	704,111	7,837,115
21	Plus: Capital Credits Accrued	761,234	0	761,234	78,117	683,117
22	Other Income	207,232	0	207,232	17,819	189,413
23	Less: Interest on Long-Term Debt	2,874,588	0	2,874,588	239,014	2,635,574
24	Other Interest Expense	48,839	0	48,839	215	48,624
25	Other Expense	<u>(820)</u>	<u>0</u>	<u>(820)</u>	<u>1,443</u>	<u>(2,263)</u>
26	Total Margins	<u>6,587,085</u>	<u>0</u>	<u>6,587,085</u>	<u>559,374</u>	<u>6,027,711</u>
27	Actual TIER	3.29		3.29		3.29

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**SOUTHSIDE ELECTRIC COOPERATIVE
SUMMARY OF EARNINGS AVAILABLE FOR STRANDED COST RECOVERY**

\$ THOUSANDS

<u>TIER</u>	<u>Bundled Earnings Available for Stranded Cost Recovery</u>				<u>Generation</u>	<u>Generation</u>	<u>2003</u>	<u>Annual/1</u>
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total</u> <u>2001-2003</u>	<u>Revenue</u> <u>Reqd. cents/kWh</u>	<u>Market</u> <u>Price, cents/kWh</u>	<u>Va Jurisdiction</u> <u>Sales, kWh</u>	<u>Stranded Cost</u> <u>Exposure</u>
1.5 TIER	1,921	2,323	2,873	7,116	5.070	3.650	758,513,728	\$10,766
2.0 TIER	0	0	0	0	5.075	3.650	758,513,728	\$10,806
2.5 TIER	0	0	0	0	5.081	3.650	758,513,728	\$10,847
3.0 TIER	0	0	0	0	5.086	3.650	758,513,728	\$10,888

Note: 1/ Annual Stranded Cost Exposure equals the difference between the 2003 generation revenue requirement and the 2003 market price times Virginia jurisdictional sales.

**SOUTHSIDE ELECTRIC COOPERATIVE
EARNINGS AVAILABLE FOR STRANDED COST RECOVERY
FOR THE YEAR ENDED DECEMBER 31, 2001 - 2003**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
1.5 TIER:			
LONG-TERM INTEREST EXPENSE	5,489,724	5,421,785	5,770,474
TIMES: TIER RATIO	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	8,234,586	8,132,677	8,655,711
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>5,489,724</u>	<u>5,421,785</u>	<u>5,770,474</u>
REQUIRED MARGINS	2,744,862	2,710,892	2,885,237
LESS: ADJUSTED MARGINS	<u>4,665,456</u>	<u>5,033,663</u>	<u>5,758,165</u>
AVAILABLE EARNINGS	<u>1,920,594</u>	<u>2,322,771</u>	<u>2,872,928</u>
2.0 TIER:			
LONG-TERM INTEREST EXPENSE	5,489,724	5,421,785	5,770,474
TIMES: 2.0 TIER	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	10,979,448	10,843,569	11,540,948
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>5,489,724</u>	<u>5,421,785</u>	<u>5,770,474</u>
REQUIRED MARGINS	5,489,724	5,421,785	5,770,474
LESS: ADJUSTED MARGINS	<u>4,665,456</u>	<u>5,033,663</u>	<u>5,758,165</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
2.5 TIER:			
LONG-TERM INTEREST EXPENSE	5,489,724	5,421,785	5,770,474
TIMES: 2.5 TIER	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	13,724,310	13,554,462	14,426,185
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>5,489,724</u>	<u>5,421,785</u>	<u>5,770,474</u>
REQUIRED MARGINS	8,234,586	8,132,677	8,655,711
LESS: ADJUSTED MARGINS	<u>4,665,456</u>	<u>5,033,663</u>	<u>5,758,165</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
3.0 TIER:			
LONG-TERM INTEREST EXPENSE	5,489,724	5,421,785	5,770,474
TIMES: 3.0 TIER	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	16,469,172	16,265,354	17,311,422
LESS: PER BOOKS LONG-TERM INTEREST EXPENSE	<u>5,489,724</u>	<u>5,421,785</u>	<u>5,770,474</u>
REQUIRED MARGINS	10,979,448	10,843,569	11,540,948
LESS: ADJUSTED MARGINS	<u>4,665,456</u>	<u>5,033,663</u>	<u>5,758,165</u>
AVAILABLE EARNINGS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**SOUTHSIDE ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

Line No.	Description	(1) Total Cooperative Per Books	(2) Adjustments Due to Ratemaking Requirements	(3) Total Cooperative Per Books	(4) Non-Virginia Jurisdictional Business	(5) Adjusted Virginia Jurisdictional Business	
Operating Revenues							
1	Base Rate	75,480,497	0	75,480,497	2,314,961	73,165,536	3.07%
2	Fuel - WPCA	0	0	0	0	0	
3	Roll In Riders	0	0	0	0	0	
4	Margin Stabilization	0	0	0	0	0	
5	Other Electric Revenues	<u>456,633</u>	<u>0</u>	<u>456,633</u>	<u>4,543</u>	<u>452,090</u>	0.99%
6	Total Operating Revenues	<u>75,937,130</u>	<u>0</u>	<u>75,937,130</u>	<u>2,319,504</u>	<u>73,617,626</u>	
Operating Expenses							
7	Purchased Power Expense	40,334,495	0	40,334,495	1,813,644	38,520,851	4.50%
8	Margin Stabilization	0	0	0	0	0	
9	Operating and Maintenance Expense	19,643,819	0	19,643,819	284,978	19,358,841	1.45%
13	Depreciation and Amortization	6,084,122	0	6,084,122	119,814	5,964,308	1.97%
14	Tax Expense - Property	896,133	0	896,133	18,430	877,703	2.06%
15	Tax Expense - Other	<u>(1,900)</u>	<u>0</u>	<u>(1,900)</u>	<u>0</u>	<u>(1,900)</u>	0.00%
16	Total Operating Expenses	<u>66,956,669</u>	<u>0</u>	<u>66,956,669</u>	<u>2,236,866</u>	<u>64,719,803</u>	
17	Operating Margins	8,980,461	0	8,980,461	82,638	8,897,823	
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0	
19	Charitable and Educational Donations	<u>7,003</u>	<u>0</u>	<u>7,003</u>	<u>144</u>	<u>6,859</u>	2.06%
20	Operating Margins Adjusted	8,973,458	0	8,973,458	82,494	8,890,964	
21	Plus: Capital Credits Accrued	1,236,860	0	1,236,860	50,206	1,186,654	4.06%
22	Other Income	97,113	0	97,113	3,942	93,171	4.06%
23	Less: Interest on Long-Term Debt	5,605,245	0	5,605,245	115,521	5,489,724	2.06%
24	Other Interest Expense	(819)	0	(819)	(17)	(802)	2.08%
25	Other Expense	<u>16,756</u>	<u>0</u>	<u>16,756</u>	<u>345</u>	<u>16,411</u>	2.06%
26	Total Margins	<u>4,686,249</u>	<u>0</u>	<u>4,686,249</u>	<u>20,793</u>	<u>4,665,456</u>	
Rate Base							
27	Net Utility Plant	146,870,447	0	146,870,447	2,951,678	143,918,769	
28	Allowance for Working Capital	4,905,482	0	4,905,482	118,618	4,786,864	
29	Other Rate Base Deductions	<u>606,630</u>	<u>0</u>	<u>606,630</u>	<u>24,624</u>	<u>582,006</u>	
30	Total Rate Base	<u>151,169,299</u>	<u>0</u>	<u>151,169,299</u>	<u>3,045,672</u>	<u>148,123,627</u>	
31	Actual TIER	1.84		1.84		1.85	
32	DSC	1.97		1.97		1.98	
33	Rate of Return on Rate Base	5.94%		5.94%		6.00%	
34	Return on Margins and Equity	7.16%		7.16%		7.43%	
35	Capital Credits Received	140,060	0	140,060	5,685	134,375	
Margins and Equities							
	Principal Payments	2,710,238	0	2,710,238	55,856	2,654,382	
	Capital Credits Retired	1,200,721	0	1,200,721	48,739	1,151,982	

**SOUTHSIDE ELECTRIC COOPERATIVE
EARNINGS TEST - GENERATION AND TRANSMISSION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

(1)

<u>Line No.</u>	<u>Description</u>	<u>Virginia Jurisdictional Generation and Trans.</u>
	Operating Revenues	
1	Base Rate	39,465,780
2	Fuel - WPCA	0
3	Roll In Riders	0
4	Margin Stabilization	0
5	Other Electric Revenues	<u>0</u>
6	Total Operating Revenues	<u>39,465,780</u>
	Operating Expenses	
7	Purchased Power Expense	38,520,851
8	Margin Stabilization	0
9	Operating and Maintenance Expense	249,040
13	Depreciation and Amortization	153,595
14	Tax Expense - Property	0
15	Tax Expense - Other	<u>0</u>
16	Total Operating Expenses	<u>38,923,486</u>
17	Operating Margins	542,294
18	Less: Interest Expense on Customer Deposits	0
19	Charitable and Educational Donations	<u>0</u>
20	Operating Margins Adjusted	542,294
21	Plus: Capital Credits Accrued	591,873
22	Other Income	0
23	Less: Interest on Long-Term Debt	82,265
24	Other Interest Expense	(12)
25	Other Expense	<u>0</u>
26	Total Margins	<u>1,051,914</u>
	Rate Base	
27	Net Utility Plant	1,272,333
28	Allowance for Working Capital	1,297,371
29	Other Rate Base Deductions	<u>350,027</u>
30	Total Rate Base	<u>2,219,677</u>
31	Actual TIER	13.79
32	DSC	10.55
33	Rate of Return on Rate Base	24.43%
34	Return on Margins and Equity	5.51%
35	Capital Credits Received	0
	Margins and Equities	19,083,900
	Principal Payments	39,777
	Capital Credits Retired	0

**SOUTHSIDE ELECTRIC COOPERATIVE
GENERATION REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2003**

2003

1.5 TIER:	
LONG-TERM INTEREST EXPENSE	82,265
TIMES: TIER RATIO	<u>1.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	123,398
LESS: INTEREST EXPENSE	<u>82,265</u>
REQUIRED MARGINS	41,133
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	40,927
LESS: ADJUSTED MARGINS	<u>1,051,914</u>
NET REVENUE REQUIREMENT	(1,010,987)
PLUS: ADJUSTED OPERATING REVENUES	<u>39,465,780</u>
TOTAL REVENUE REQUIREMENT	<u>38,454,793</u>
 2.0 TIER:	
LONG-TERM INTEREST EXPENSE	82,265
TIMES: TIER RATIO	<u>2.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	164,530
LESS: INTEREST EXPENSE	<u>82,265</u>
REQUIRED MARGINS	82,265
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	81,854
LESS: ADJUSTED MARGINS	<u>1,051,914</u>
NET REVENUE REQUIREMENT	(970,060)
PLUS: ADJUSTED OPERATING REVENUES	<u>39,465,780</u>
TOTAL REVENUE REQUIREMENT	<u>38,495,720</u>
 2.5 TIER:	
LONG-TERM INTEREST EXPENSE	82,265
TIMES: TIER RATIO	<u>2.50</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	205,663
LESS: INTEREST EXPENSE	<u>82,265</u>
REQUIRED MARGINS	123,398
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	122,781
LESS: ADJUSTED MARGINS	<u>1,051,914</u>
NET REVENUE REQUIREMENT	(929,133)
PLUS: ADJUSTED OPERATING REVENUES	<u>39,465,780</u>
TOTAL REVENUE REQUIREMENT	<u>38,536,647</u>
 3.0 TIER:	
LONG-TERM INTEREST EXPENSE	82,265
TIMES: TIER RATIO	<u>3.00</u>
REQUIRED MARGINS AND LONG-TERM INTEREST EXPENSE	246,795
LESS: INTEREST EXPENSE	<u>82,265</u>
REQUIRED MARGINS	164,530
DIVIDED BY: GROSS-UP FACTOR	<u>99.50%</u>
REQUIRED MARGINS	163,707
LESS: ADJUSTED MARGINS	<u>1,051,914</u>
NET REVENUE REQUIREMENT	(888,207)
PLUS: ADJUSTED OPERATING REVENUES	<u>39,465,780</u>
TOTAL REVENUE REQUIREMENT	<u>38,577,573</u>

**SOUTHSIDE ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Total Cooperative Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	74,437,132	0	74,437,132	2,282,961	72,154,171
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>469,688</u>	<u>0</u>	<u>469,688</u>	<u>4,673</u>	<u>465,015</u>
6	Total Operating Revenues	<u>74,906,820</u>	<u>0</u>	<u>74,906,820</u>	<u>2,287,634</u>	<u>72,619,186</u>
Operating Expenses						
7	Purchased Power Expense	41,139,041	0	41,139,041	1,849,820	39,289,221
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	16,721,094	0	16,721,094	242,577	16,478,517
13	Depreciation and Amortization	5,881,748	0	5,881,748	115,829	5,765,919
14	Tax Expense - Property	758,892	0	758,892	15,607	743,285
15	Tax Expense - Other	<u>25,000</u>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>25,000</u>
16	Total Operating Expenses	<u>64,525,775</u>	<u>0</u>	<u>64,525,775</u>	<u>2,223,834</u>	<u>62,301,941</u>
17	Operating Margins	10,381,045	0	10,381,045	63,800	10,317,245
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	10,381,045	0	10,381,045	63,800	10,317,245
21	Plus: Capital Credits Accrued	1,049,400	0	1,049,400	42,597	1,006,803
22	Other Income	105,059	0	105,059	4,265	100,794
23	Less: Interest on Long-Term Debt	5,535,876	0	5,535,876	114,091	5,421,785
24	Other Interest Expense	13,319	0	13,319	276	13,043
25	Other Expense	<u>976,457</u>	<u>0</u>	<u>976,457</u>	<u>20,105</u>	<u>956,352</u>
26	Total Margins	<u>5,009,852</u>	<u>0</u>	<u>5,009,852</u>	<u>(23,811)</u>	<u>5,033,663</u>
27	Actual TIER	1.90		1.90		1.93

Note: Interest expense on customer deposits and charitable and educational donations are included in Other Expense. Jurisdictional factors are allocated based on 2003.

**SOUTHSIDE ELECTRIC COOPERATIVE
EARNINGS TEST - BUNDLED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

Source: REA Form 7		(1)	(2)	(3)	(4)	(5)
Line No.	Description	Total Cooperative Per Books	Adjustments Due to Ratemaking Requirements	Total Cooperative Per Books	Non-Virginia Jurisdictional Business	Adjusted Virginia Jurisdictional Business
Operating Revenues						
1	Base Rate	71,182,500	0	71,182,500	2,183,143	68,999,357
2	Fuel - WPCA	0	0	0	0	0
3	Roll In Riders	0	0	0	0	0
4	Margin Stabilization	0	0	0	0	0
5	Other Electric Revenues	<u>558,791</u>	<u>0</u>	<u>558,791</u>	<u>5,559</u>	<u>553,232</u>
6	Total Operating Revenues	<u>71,741,291</u>	<u>0</u>	<u>71,741,291</u>	<u>2,188,702</u>	<u>69,552,589</u>
Operating Expenses						
7	Purchased Power Expense	38,433,391	0	38,433,391	1,728,161	36,705,230
8	Margin Stabilization	0	0	0	0	0
9	Operating and Maintenance Expense	15,992,920	0	15,992,920	232,013	15,760,907
13	Depreciation and Amortization	5,502,567	0	5,502,567	108,361	5,394,206
14	Tax Expense - Property	1,128,105	0	1,128,105	23,201	1,104,904
15	Tax Expense - Other	<u>11,795</u>	<u>0</u>	<u>11,795</u>	<u>0</u>	<u>11,795</u>
16	Total Operating Expenses	<u>61,068,778</u>	<u>0</u>	<u>61,068,778</u>	<u>2,091,736</u>	<u>58,977,042</u>
17	Operating Margins	10,672,513	0	10,672,513	96,966	10,575,547
18	Less: Interest Expense on Customer Deposits	0	0	0	0	0
19	Charitable and Educational Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
20	Operating Margins Adjusted	10,672,513	0	10,672,513	96,966	10,575,547
21	Plus: Capital Credits Accrued	945,962	0	945,962	38,398	907,564
22	Other Income	132,853	0	132,853	5,393	127,460
23	Less: Interest on Long-Term Debt	5,891,903	0	5,891,903	121,429	5,770,474
24	Other Interest Expense	32,858	0	32,858	682	32,176
25	Other Expense	<u>50,802</u>	<u>0</u>	<u>50,802</u>	<u>1,046</u>	<u>49,756</u>
26	Total Margins	<u>5,775,765</u>	<u>0</u>	<u>5,775,765</u>	<u>17,600</u>	<u>5,758,165</u>
27	Actual TIER	1.98		1.98		2.00