

# consolidated statement of operations

Year Ended December 31

<i>(in Millions, Except per Share Amounts)</i>	2004	2003	2002
<b>Operating Revenues</b>	<b>\$ 7,114</b>	<b>\$ 7,041</b>	<b>\$ 6,729</b>
<b>Operating Expenses</b>			
Fuel, purchased power and gas	2,007	2,241	2,099
Operation and maintenance	3,420	3,109	2,589
Depreciation, depletion and amortization	744	687	737
Taxes other than income	312	334	352
Asset gains and losses, net	(215)	(77)	(42)
	<b>6,268</b>	<b>6,294</b>	<b>5,735</b>
<b>Operating Income</b>	<b>846</b>	<b>747</b>	<b>994</b>
<b>Other (Income) and Deductions</b>			
Interest expense	518	546	569
Interest income	(55)	(37)	(29)
Other income	(80)	(110)	(45)
Other expenses	67	82	34
	<b>450</b>	<b>481</b>	<b>529</b>
<b>Income Before Income Taxes and Minority Interest</b>	<b>396</b>	<b>266</b>	<b>465</b>
<b>Income Tax Provision (Benefit) (Note 7)</b>	<b>165</b>	<b>(123)</b>	<b>(84)</b>
<b>Minority Interest</b>	<b>(212)</b>	<b>(91)</b>	<b>(37)</b>
<b>Income from Continuing Operations</b>	<b>443</b>	<b>480</b>	<b>586</b>
<b>Income (Loss) from Discontinued Operations, net of tax (Note 3)</b>	<b>(12)</b>	<b>68</b>	<b>46</b>
<b>Cumulative Effect of Accounting Changes, net of tax (Note 2)</b>	<b>–</b>	<b>(27)</b>	<b>–</b>
<b>Net Income</b>	<b>\$ 431</b>	<b>\$ 521</b>	<b>\$ 632</b>
<b>Basic Earnings per Common Share (Note 8)</b>			
Income from continuing operations	\$ 2.56	\$ 2.87	\$ 3.57
Discontinued operations	(.06)	.41	.28
Cumulative effect of accounting changes	–	(.17)	–
<b>Total</b>	<b>\$ 2.50</b>	<b>\$ 3.11</b>	<b>\$ 3.85</b>
<b>Diluted Earnings per Common Share (Note 8)</b>			
Income from continuing operations	\$ 2.55	\$ 2.85	\$ 3.55
Discontinued operations	(.06)	.40	.28
Cumulative effect of accounting changes	–	(.16)	–
<b>Total</b>	<b>\$ 2.49</b>	<b>\$ 3.09</b>	<b>\$ 3.83</b>
<b>Average Common Shares</b>			
Basic	173	168	164
Diluted	173	168	165
<b>Dividends Declared per Common Share</b>	<b>\$ 2.06</b>	<b>\$ 2.06</b>	<b>\$ 2.06</b>

See Notes to Consolidated Financial Statements

# consolidated statement of financial position

December 31

(in Millions)	2004	2003
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 56	\$ 54
Restricted cash (Note 1)	126	131
Accounts receivable		
Customer (less allowance for doubtful accounts of \$129 and \$99, respectively)	880	877
Accrued unbilled revenues	378	316
Other	383	338
Inventories		
Fuel and gas	509	467
Materials and supplies	159	162
Assets from risk management and trading activities	296	186
Other	209	181
	<b>2,996</b>	<b>2,712</b>
<b>Investments</b>		
Nuclear decommissioning trust funds	590	518
Other	558	601
	<b>1,148</b>	<b>1,119</b>
<b>Property</b>		
Property, plant and equipment	18,011	17,679
Less accumulated depreciation and depletion (Note 2)	(7,520)	(7,355)
	<b>10,491</b>	<b>10,324</b>
<b>Other Assets</b>		
Goodwill (Note 3)	2,067	2,067
Regulatory assets (Note 4)	2,119	2,063
Securitized regulatory assets (Note 4)	1,438	1,527
Notes receivable	529	469
Assets from risk management and trading activities	125	88
Prepaid pension assets	184	181
Other	200	203
	<b>6,662</b>	<b>6,598</b>
<b>Total Assets</b>	<b>\$ 21,297</b>	<b>\$ 20,753</b>

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<i>(in Millions, Except Shares)</i>	2004	2003
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 892	\$ 625
Accrued interest	111	110
Dividends payable	90	87
Accrued payroll	33	51
Income taxes	16	185
Short-term borrowings	403	370
Current portion long-term debt, including capital leases	514	477
Liabilities from risk management and trading activities	369	326
Other	581	593
	<b>3,009</b>	<b>2,824</b>
<b>Other Liabilities</b>		
Deferred income taxes	1,124	988
Regulatory liabilities (Notes 2 and 4)	817	817
Asset retirement obligations (Note 2)	916	866
Unamortized investment tax credit	143	156
Liabilities from risk management and trading activities	224	173
Liabilities from transportation and storage contracts	387	495
Accrued pension liability	265	345
Deferred gains from asset sales	414	311
Minority interest	132	156
Nuclear decommissioning (Notes 2 and 5)	77	67
Other	635	599
	<b>5,134</b>	<b>4,973</b>
<b>Long-Term Debt (net of current portion) (Note 9)</b>		
Mortgage bonds, notes and other	5,673	5,624
Securitization bonds	1,400	1,496
Equity-linked securities	178	185
Trust preferred-linked securities	289	289
Capital lease obligations	66	75
	<b>7,606</b>	<b>7,669</b>
<b>Commitments and Contingencies (Notes 4, 5 and 13)</b>		
<b>Shareholders' Equity</b>		
Common stock, without par value, 400,000,000 shares authorized, 174,209,034 and 168,606,522 shares issued and outstanding, respectively	3,323	3,109
Retained earnings	2,383	2,308
Accumulated other comprehensive loss	(158)	(130)
	<b>5,548</b>	<b>5,287</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 21,297</b>	<b>\$ 20,753</b>

See Notes to Consolidated Financial Statements

# consolidated statement of cash flow

Year Ended December 31

(in Millions)	2004	2003	2002
<b>Operating Activities</b>			
Net income	\$ 431	\$ 521	\$ 632
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation, depletion and amortization	744	691	759
Deferred income taxes	129	(220)	(208)
Gain on sale of interests in synfuel projects	(219)	(83)	(40)
Gain on sale of ITC and other assets, net	(17)	(145)	–
Partners' share of synfuel project losses	(223)	(78)	(40)
Contributions from synfuel partners	141	65	22
Cumulative effect of accounting changes	–	27	–
Changes in assets and liabilities, exclusive of changes shown separately (Note 1)	9	172	(129)
Net cash from operating activities	995	950	996
<b>Investing Activities</b>			
Plant and equipment expenditures – utility	(815)	(679)	(794)
Plant and equipment expenditures – non-utility	(89)	(72)	(190)
Investments in joint ventures	(36)	(34)	(21)
Proceeds from sale of interests in synfuel projects	221	89	32
Proceeds from sale of ITC and other assets	104	669	9
Restricted cash for debt redemptions	5	106	(79)
Other investments	(71)	(69)	(72)
Net cash from (used for) investing activities	(681)	10	(1,115)
<b>Financing Activities</b>			
Issuance of long-term debt	736	527	1,138
Redemption of long-term debt	(759)	(1,208)	(793)
Short-term borrowings, net	33	(44)	(267)
Issuance of common stock	41	44	265
Dividends on common stock	(354)	(346)	(338)
Other	(9)	(12)	(21)
Net cash used for financing activities	(312)	(1,039)	(16)
Net Increase (Decrease) in Cash and Cash Equivalents	2	(79)	(135)
Cash and Cash Equivalents at Beginning of Period	54	133	268
Cash and Cash Equivalents at End of Period	\$ 56	\$ 54	\$ 133

See Notes to Consolidated Financial Statements

# consolidated statement of changes in shareholders' equity and comprehensive income

(dollars in Millions, shares in Thousands)	common stock		retained earnings	accumulated other comprehensive loss	total
	shares	amounts			
Balance, December 31, 2001	161,134	\$ 2,811	\$ 1,846	\$ (68)	\$ 4,589
Net income	–	–	632	–	632
Issuance of new shares	6,426	270	–	–	270
Dividends declared on common stock	–	–	(341)	–	(341)
Repurchase and retirement of common stock	(98)	(1)	(2)	–	(3)
Pension obligations (Note 14)	–	–	–	(518)	(518)
Net change in unrealized losses on derivatives, net of tax	–	–	–	(33)	(33)
Unearned stock compensation and other	–	(28)	(3)	–	(31)
Balance, December 31, 2002	167,462	3,052	2,132	(619)	4,565
Net income	–	–	521	–	521
Issuance of new shares	1,225	57	–	–	57
Dividends declared on common stock	–	–	(348)	–	(348)
Repurchase and retirement of common stock	(80)	(1)	–	–	(1)
Pension obligations (Note 14)	–	–	–	420	420
Net change in unrealized losses on derivatives, net of tax	–	–	–	17	17
Net change in unrealized gains on investments, net of tax	–	–	–	52	52
Unearned stock compensation and other	–	1	3	–	4
Balance, December 31, 2003	168,607	3,109	2,308	(130)	5,287
Net income	–	–	431	–	431
Issuance of new shares	5,671	223	–	–	223
Dividends declared on common stock	–	–	(357)	–	(357)
Repurchase and retirement of common stock	(69)	(3)	–	–	(3)
Pension obligations (Note 14)	–	–	–	7	7
Net change in unrealized losses on derivatives, net of tax	–	–	–	(15)	(15)
Net change in unrealized losses on investments, net of tax	–	–	–	(20)	(20)
Unearned stock compensation and other	–	(6)	1	–	(5)
<b>Balance, December 31, 2004</b>	<b>174,209</b>	<b>\$ 3,323</b>	<b>\$ 2,383</b>	<b>\$ (158)</b>	<b>\$ 5,548</b>

The following table displays comprehensive income (loss):

(in Millions)	2004	2003	2002
Net income	\$ 431	\$ 521	\$ 632
Other comprehensive income (loss), net of tax:			
Pension obligations, net of taxes of \$(4), \$(226) and \$280 (Notes 4 and 14)	7	420	(518)
Net unrealized losses on derivatives:			
Gains or (losses) arising during the period, net of taxes of \$26, \$(8) and \$32	(49)	16	(60)
Amounts reclassified to earnings, net of taxes of \$(18), \$- and \$(15)	34	1	27
	(15)	17	(33)
Net unrealized gains (losses) on investments:			
Gains (losses) arising during the period, net of taxes of \$3, \$(28) and \$-	(5)	52	–
Amounts reclassified to earnings, net of taxes of \$8, \$- and \$-	(15)	–	–
	(20)	52	–
<b>Comprehensive Income</b>	<b>\$ 403</b>	<b>\$ 1,010</b>	<b>\$ 81</b>

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