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ANITA M. SCHAFER
Paralegal

VIA OVERNIGHT MAIL

November 6, 2003

CINERGY

Mr. Thomas Dorman
Executive Director,
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

NOV 10 2003

Re: Case No. 2003-00252

Dear Mr. Dorman:

Enclosed please find an original and ten (10) copies of ULH&P's Responses to the Data Requests made during the hearing held in the above-captioned case.

Should you have any questions, please contact me at (513) 287-3842.

Sincerely,


Anita M. Schafer

AMS/mak

Enclosures

cc: Elizabeth Blackford

Hearing Data Request
Case No. 2003-00252
Date Received: October 28, 2003
Response Due Date: November 7, 2003

HEARING-DR-01-001

REQUEST:

1. If ULH&P is correct that this is a great deal, and if you are right that an RFP would produce no bids that would rival what has been offered from CG&E, would you object to the Commission requiring that ULH&P perform an RFP to confirm the validity of those beliefs on an objective basis as a prerequisite to approval of this transaction? If so, why?

RESPONSE:

It is ULH&P's position, as stated in the pre-filed Direct Testimony of Robert C. McCarthy, adopted by M. Stephen Harkness, that an RFP process would yield no viable bids, for the many reasons described in the testimony and on cross-examination of Mr. Harkness. As the work involved with an RFP process is quite extensive (nine-months at a minimum as testified to by the AG's witness Mr. King), ULH&P would object to expending the time, effort and costs on such an RFP process that is destined to yield no benefits. Furthermore, there is no guarantee that CG&E would be willing to offer the same generating assets at the same price if an RFP process occurs. There could be future developments that could cause CG&E to retain these plants, such as: (1) a possible shift toward re-regulation of generation service in Ohio; (2) a possible substantial increase in wholesale power prices; (3) possible market transactions to indicate that CG&E undervalued these assets, such as the report in the October 30, 2003 edition of *Megawatt Daily* (copy attached) stating that Wisconsin regulators approved Wisconsin Energy's request to construct two new coal-fired generating units at an estimated cost of \$2,383 per kW; (4) a possible shift in management strategy that causes Cinergy to place greater emphasis on owning and operating merchant plants; or (5) a possible acquisition of Cinergy by another company that decides to adopt such a strategy.

For further examples of costs associated with coal generation construction, please see additional attachment.

WITNESS RESPONSIBLE: Greg C. Ficke

Coal Power Plant Transactions

Transaction ⁶	Plant Name	State	Coal (MW)	Finalization Date	Value (Billions)	\$/kW	2007\$/kW ⁴
Commonwealth Energy Systems ³	Crawford	IL	5645	12/15/1999	3.823	677	793
	Fisk	IL		12/15/1999			
	Waukegan	IL		12/15/1999			
	Joliet	IL		12/15/1999			
	Will County	IL		12/15/1999			
	Powerton	IL		12/15/1999			
Duquesne (Pittsburgh Area)	Cheswick Plant	PA	2614	4/28/2000	1.700	650	762
	Avon Lake Plant	PA		4/28/2000			
	Elrama Plant	PA		4/28/2000			
	Niles Plant	PA		4/28/2000			
	New Castle	PA		4/28/2000			
	Brunot Island Plant	PA		4/28/2000			
	Phillips Plant	PA		4/28/2000			
GPU & NYSEP	Homer City	PA	1884	3/18/1999	1.800	955	1143
NYSEG	Kintigh	NY	1424	5/14/1999	0.950	667	798
	Milliken	NY		5/14/1999			
	Goudey	NY		5/14/1999			
	Greenidge	NY		5/14/1999			
	Hickling	NY		5/14/1999			
	Jennison	NY		5/14/1999			
PP&L Montana ¹	Colstrip	MT	683	12/17/1998	0.891	1304	1560
	Corette	MT		12/17/1998			
Avista Corporation ⁵	Centralia Plant	WA	1,340	5/5/2000	0.653	487	571
Southern California Edison ²	Mohave Station	NV	885	5/1/2000	0.667	603	682
					Average	764	901

Notes:

- 1) Total Transaction value was \$1.586 billion that included hydro plants. An \$1,100/kW value was attributed to the hydro plant FE Coal Plants' Implied Value 1639 MM\$
- 2) 4/18/01: Cancelled - state legislation forbid sale of plants
In January 2001, State law passed that disallows sale of any generation assets
- 3) Total Transaction value was \$4.8 billion that included oil and gas plants. A \$314/kW value was attributed to the oil and gas plants.
- 4) Assumes inflation rate of 2.5% per year after 2002.
- 5) The transaction includes a \$200 million investment in plant scrubber that was not included in the original plant sales cost, but was a condition of the sale and an immediate cost. In addition, the purchaser also purchased the adjacent mine for an additional \$101 million. The purchaser also would be responsible for final mine reclamation cost of up to \$486 million and an unspecified amount of mine closure risk and costs. This has not been incorporated in the sales cost and may have contributed to a lower cost per kW. The plant also has an very high priced coal contract. Both the plant and the mine are affiliated. Contract coal delivered to plant in 1999 was \$1.71/MMBtu vs. spot coal delivered to the plant \$1.22/MMBtu from the Powder River Basin. This could add pre tax \$200-250/kw in costs relative to the Cinergy plants in question which can buy at market.
- 6) Excluded from the table are transactions related to the Four Corners and the Twin Oaks coal plants. The Four Corners plant is excluded because the transaction includes 590 MW of nuclear and there is no breakdown on the sales by plant.

The Twin Oaks plant is excluded because it has a very long (i.e. 22 year coal contract) above market coal contract. Delivered coal costs for this plant have recently averaged \$1.49/MMBtu versus a Texas average cost of \$1.05/MMBtu. This too adds about 200-250\$/kw in pre tax costs. This plant also has a five year Power Sales contract which is believed to be below market, though the terms of the contract are not available. We have not included this plant except in a footnote in light of the coal contract and power sales agreements which are not public.

Megawatt Daily

Thursday, October 30, 2003

U.S., Canada utilities unscathed by solar storm

One of the largest solar flares to hit the Earth in 30 years Wednesday forced grid operators across the Northeast U.S. and eastern Canada to implement a range of emergency procedures and prompted operators of three nuclear plants to reduce output to prevent damage from any voltage surges.

At press time yesterday, no utility had reported any damage to their systems.

Monitoring stations across the region showed geomagnetically induced current in the Earth's surface, but effects on vulnerable systems, including the power grid and telecommunications were minimal.

Hydro-Quebec, ISO New England, the New York Independent System Operator, PJM Interconnection, Midwest Independent Transmission System

(continued on page 8)

Wisconsin Energy gets OK to build 1,200-MW plant

Wisconsin regulators Wednesday approved a 1,200-MW, coal-fired plant to be built by Wisconsin Energy, but turned down a third proposed unit that would have produced 600 MW.

The state Public Service Commission pushed back by a year the start dates for the Elm Road plant's two units to 2009 and 2010. Milwaukee-based Wisconsin Energy expects the first unit to cost \$1.78-billion and the second to cost \$1.08-billion. The PSC approved a 12.7% rate of return on the investment and selected a site in Oak Creek, Wis., for the plant.

Wisconsin Energy also had proposed building a 600-MW, coal-gasification plant at the site, but PSC staff said that option was not cost-effective. Wisconsin Energy's utility subsidiary, Wisconsin Electric Power, will enter into a long-term facility lease with its unregulated affiliate, WE Power, which will build and own the plant.

(continued on page 8)

JP Morgan considers U.S. power trading desk

Officials with New York-based investment bank JP Morgan Wednesday confirmed the company is in the "early stages" of developing a physical power-trading desk in the U.S., but has no firm schedule for applying to the Federal Energy Regulatory Commission for market-based rate authority.

"There has been a discussion of what needs to be done for us to enter power trading," a spokesman said. "The factors have been laid out and the issues that would need to be addressed."

If the bank does decide to enter the U.S. power market, it is not interested in buying generation, according to the head of Morgan's energy trading desk in London. David Kitson, managing director of energy, told Platts that reports the company would buy generation assets to support its

Day-ahead markets for delivery Oct 30 (\$/MWh)

East	Index	Change	Range	Volume	Avg \$/MWh
On-Peak					
Mass Hub	52.56	3.56	51.25 - 53.00	650	50.01
N.Y. Zone-G	52.25	0.85	52.25 - 52.25	N.A.	50.78
N.Y. Zone-J	60.50	1.50	60.50 - 60.50	N.A.	63.99
N.Y. Zone-A	47.98	2.23	47.98 - 47.98	N.A.	43.50
Ontario*	71.50	3.75	71.50 - 71.50	N.A.	62.65
PJM West	38.63	-0.24	37.75 - 39.50	2,300	34.79
VACAR	31.00	2.00	31.00 - 31.00	N.A.	28.58
Southern, into	31.30	2.40	31.30 - 31.30	N.A.	30.34
Florida	42.00	2.00	42.00 - 42.00	N.A.	44.49
TVA, into	25.00	-1.00	25.00 - 25.00	N.A.	26.20
Off-Peak					
Mass Hub	36.31	1.31	36.00 - 36.75	390	35.02
PJM West	20.00	1.00	20.00 - 20.00	N.A.	19.62
VACAR	18.50	0.50	18.50 - 18.50	N.A.	15.98
Southern, into	19.00	0.75	19.00 - 19.00	N.A.	17.10
Florida	22.50	0.25	22.50 - 22.50	N.A.	21.56
TVA, into	17.50	0.25	17.50 - 17.50	N.A.	15.21
Central					
On-Peak					
ECAR, North	25.65	0.00	24.50 - 26.10	750	25.51
Cinergy, into	24.85	-0.61	24.00 - 26.50	5,900	25.03
MAIN, North	42.00	5.00	42.00 - 42.00	N.A.	35.89
MAIN, South	25.00	0.50	25.00 - 25.00	N.A.	24.00
ComEd, into	25.65	0.53	25.65 - 25.65	N.A.	24.49
MAPP North	45.00	1.00	45.00 - 45.00	N.A.	37.50
MAPP South	39.50	-2.50	39.50 - 39.50	N.A.	34.10
SPP North	32.00	-1.50	32.00 - 32.00	N.A.	32.55
Entergy, into	35.79	0.33	35.00 - 36.75	1,150	34.15
ERCOT	35.36	1.69	35.00 - 35.75	700	36.43
ERCOT, North	36.75	1.75	36.75 - 36.75	N.A.	37.95
ERCOT, Houston	36.75	1.10	36.75 - 36.75	N.A.	39.04
ERCOT, West	35.75	1.75	35.75 - 35.75	N.A.	36.90
ERCOT, South	35.50	1.75	35.50 - 35.50	N.A.	36.83
Off-Peak					
ECAR, North	15.82	0.32	15.00 - 16.50	750	14.10
Cinergy, into	15.17	-0.14	14.50 - 16.25	600	14.07
MAIN, North	16.00	1.00	16.00 - 16.00	N.A.	13.78
MAIN, South	12.50	-0.50	12.50 - 12.50	N.A.	12.40
ComEd, into	13.00	0.00	13.00 - 13.00	N.A.	12.79
MAPP North	17.00	3.00	17.00 - 17.00	N.A.	13.14
MAPP South	14.75	0.75	14.75 - 14.75	N.A.	12.22
SPP North	14.00	0.00	14.00 - 14.00	N.A.	13.22
Entergy, into	16.75	1.75	16.75 - 16.75	N.A.	14.93
ERCOT	20.72	1.12	20.25 - 21.25	500	21.95
ERCOT, North	20.75	1.15	20.75 - 20.75	N.A.	22.12
ERCOT, Houston	20.75	1.15	20.75 - 20.75	N.A.	22.12
ERCOT, West	20.75	1.15	20.75 - 20.75	N.A.	22.01
ERCOT, South	20.75	1.15	20.75 - 20.75	N.A.	22.01
West†					
On-Peak					
COB	40.00	1.25	40.00 - 40.00	N.A.	42.07
Mid-C	38.00	3.68	37.50 - 38.50	775	37.46
Palo Verde	38.26	1.00	37.75 - 39.00	600	46.79
Four Corners	37.75	1.75	37.75 - 37.75	N.A.	46.17
NP15	42.25	0.29	41.75 - 42.75	1,275	45.39
SP15	42.78	-0.25	42.00 - 44.50	1,650	48.99
Off-Peak					
COB	28.75	3.90	28.75 - 28.75	N.A.	32.99
Mid-C	28.00	4.72	26.50 - 29.25	1,175	30.53
Palo Verde	23.49	1.65	23.00 - 24.00	475	30.51
Four Corners	23.00	1.75	23.00 - 23.00	N.A.	29.48
NP15	28.31	2.39	27.50 - 29.25	400	33.65
SP15	25.78	1.57	24.00 - 26.50	900	32.27

*Ontario prices are in Canadian dollars

†West markets were for Thursday and Friday delivery

trading were "widely exaggerated."

Morgan is an active commodities player with trading offices in New York and London. In the past year, at least two major banks—Bank of America and UBS Warburg and Deutsche Bank—have received market-based rate authority from FERC.

Progress Ventures has only 50% of output sold for 2005

Raleigh, N.C.-based Progress Energy said its merchant generating arm Progress Ventures has 85% of its generation capacity under contract in 2004, but only 50% contracted out the following year.

Three tolling agreements expire at the end of 2004 and the company does not know if they will be renewed, said a Progress spokesman.

The company said it would not release the names of its customers, but according to its most recent quarterly earnings report two tolling agreements will expire at the end of 2004 at power plant facilities Washington County and Walton County, Ga.

The 600-MW Washington plant has a tolling agreement with LG&E Power Trading and Marketing, a subsidiary of Powergen, through Dec. 31, 2004. LG&E also has tolling agreements at the Walton County plant, a 460-MW natural gas-fired plant placed in service since June 2001.

Company officials spoke Tuesday at the Edison Electric Institute financial conference in Orlando, Fla.

Progress Ventures has 3,100 MW of generation.

Iowa regulators set conditions for Aquila refinancing deal

The Iowa Utilities Board told Aquila it could not pledge its utility assets in that state to secure a \$430-million, three-year loan unless it agreed within 10 days to meet certain conditions set by the board.

The company must file every six months for the next three years the actions it will take to implement the debt and restructuring plan, the IUB ruled. Those reports must include a detailed list of capital investments it will make in Iowa over the period.

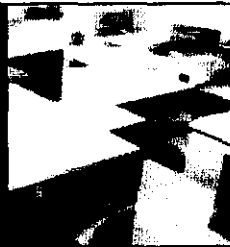
Aquila also must account every month for how it responds to customer calls about gas leaks. The regulators also recommended that management obtain the board's approval before it starts any new unregulated business ventures after 2005.

Based on the information it received, the IUB concluded that "Aquila needs help now and the pledging of the assets will provide some help." A company spokesman said it is reviewing the order and will respond within 10 days on whether it can comply with the conditions.

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Electricity market coverage

More information about Platts electricity market coverage, explanations of methodology and descriptions of delivery points are available at <http://www.platts.com/electricpower/specification.shtml>.

Questions may also be directed to our market editors: Lisa Lawson, (713) 658-3267, lisa_lawson@platts.com and Mike Wilczek, (202) 383-2246, mike_wilczek@platts.com.

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MARKET WRAP

EAST MARKETS

Solar flare lights up Northeast dailies; term rises too

New England Mass Hub dailies for Thursday delivery traded to \$53/MWh, up \$4 on the high end as a powerful solar disturbance triggered strength in the real-time market. Thursday off-peak also gained with deals heard to \$36.75/MWh.

The balance-of-the week received bids at \$51.50/MWh with offers at \$52.50/MWh. A few early weekend 2-by-8 packages were confirmed at \$34/MWh.

With generation outages and reductions increasing about 800 MW, industry sources reported the loss of Entergy's 370-MW combined cycle Millennium Power Plant in Charlton, Mass. In addition, North Atlantic Energy's 1,242-MW nuclear unit Seabrook in Seabrook, N.H., was at 32% Wednesday following a refueling outage, sources said.

PJM dailies flattened near \$38.75/MWh as an intense solar disturbance caused the deratement of two PSE&G nuclear units. Thursday off-peak was heard at \$20/MWh. The 1,115-MW Salem-1 and 1,067-MW Hope Creek-1 nukes, both located in Hancocks Bridge, N.J., dropped to 80% each, as the company sought to protect the plants, a Nuclear Regulatory Commission spokesman said. It is unknown when the units will return to full power. A third adjacent unit, the 1,115-MW Salem-2, remains shut for refueling.

The PJM Interconnection projects peak load at 35,000 MW during hour-ending 19.

Weekend 2-by-16 deals ranged \$28 to \$29/MWh. Next-week was done at \$38.50/MWh as high temperatures could climb into the low 70s in eastern PJM. Nov. 10-14 changed hands at \$38.50/MWh.

New York dailies averaged \$1.50 stronger across the zones as solar storms disrupted imports amid outages and limited transmission from nearby regions.

The solar activity offset the benefit of weather averaging a few degrees above season norms with highs expected to peak in the upper 50s to mid-60s. Solar disturbances can cause blackouts by damaging equipment and by reducing capacity on transmission lines.

The New York Independent System Operator [NYISO] reduced Central-East power transfer limits to 90% after indications of ground-induced current activity

East generation unit outage report

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Browns Ferry-1/TVA	1065	n	Ala.	RF	unk	03/03/85
Harrison-3/Allegheny	684	c	W.Va.	PMO	Unk	10/22/03
Salem-1/PSEG	1,115	n	N.J.	MO	Unk	10/15/03
Conamaugh-2/Reliant	936	c	Pa.	MO	Unk	10/27/03
Surry-2/Dominion	845	n	Va.	Nov	Nov	09/18/03
Oconee-1/Duke	885	n	S.C.	RF	unk	09/18/03
Millstone-2/Dominion	880	n	Mass.	RF	11/16/03	10/12/03
Seabrook/N.Atlantic Energy	1,148	n	N.H.	RF	11/06/03	10/05/03
Salem-2/PSEG	1,115	n	N.J.	RF	11/09/03	10/09/03
Crystal River-3/FPC	825	n	Fla.	RF	Nov	10/04/03
Turkey Point-4/FPL	725	n	Fla.	RF	Nov	10/06/03
Summer/SCEG	990	n	S.C.	RF	Unk	10/15/03
Three Mile Island/AmerGe	819	n	Pa.	RF	Unk	10/19/03

* for methodology, see page 3

Near-term forward markets (\$/MWh)

Contract	Date	Deal
East		
Mass Hub		
Bal-week	10/29	[51.50/52.50]
N.Y. Zone-A		
Next-week	10/29	45.25-46.00
Ontario*		
Bal-week	10/29	71.50-71.50
Next-week	10/29	62.00-62.00
PJM West		
Next-week	10/29	38.50-38.50
Central		
Cinergy, into		
Bal-week	10/29	25.00-25.00
Entergy, into		
Bal-week	10/29	[34.00/34.50]
Next-week	10/29	[33.00/34.00]
West		
Mid-C		
Bal-month	10/28	38.00-38.00

*Ontario prices in Canadian dollars

Daily generation outage references

MO	unplanned maintenance outage
PMO	planned maintenance outage
RF	refueling outage
Unk	unknown
OA	offline/available

Fuels: Nuclear=n; Coal=c; Natural gas=g; Hydro=h

Sources: Generation owners, public information and other market sources.

BC Hydro names Elton president, chief executive

BC Hydro on Wednesday named Bob Elton as its new president and chief executive.

Elton joined the company in 2001 as chief financial officer for the utility's Powerex marketing arm, and last year, was promoted to BC Hydro's executive vice president of finance and CFO. He is to take the helm on Nov. 10 and replace Larry Bell as chief executive, although Bell will remain as the non-executive chair of the utility and Powerex.

Elton will be in charge while the British Columbia province-owned utility makes the transition to a more competitive environment, the utility said. A new government energy policy has emerged within the last year and the transmission operation was spun off in August into a new transmission company, BC Transmission, although BC Hydro continues to own the wires. New power plants will be developed and owned by independent power companies and BC Hydro will buy resources from them as needed to meet future growth, it said.

near Utica, N.Y., from a solar magnetic disturbance classified above level K7. The scale runs from K1 to K9, with K9 being the greatest. That in turn pushed real-time to near \$180/MWh in Zone J and near \$80/MWh in zones G and A on afternoon demand at about 19,000 MW.

Zone G dailies were near \$52.25/MWh in the Hudson Valley. To the west, Zone A daily trades averaged just under \$48/MWh. Zone J traded at \$60.50/MWh in New York City.

Zone A next-week traded at or below \$46/MWh on expected unseasonably moderate weather.

Southeast dailies were mixed amid forecasts for temperatures as much as 10 degrees above normal. Southern Company dailies traded mostly from \$30.50 to \$33/MWh, a gain of at least \$2 despite cash gas trading lower and warmer weather infiltrating Atlanta and Montgomery, Ala. Off-peak increased as well, with trades at \$19/MWh.

Next-week was done around \$32/MWh, up a couple of dollars.

Georgia Power's 860-MW nuclear unit Hatch-1 near Baxley, Ga., backed down to 80% power early Wednesday. The unit was at 97% Tuesday.

Into TVA dailies eased about \$1 on average to near \$25/MWh amid temperatures in the upper 70s. VACAR, in contrast, gained a couple of dollars to the low \$30s/MWh. In Florida, deals in-state and at the border were slim on traders' reports of light demand. Sources said that loads could increase, though, as forecasts show the possibility of warmer temperatures in the 80s creeping back into the region.

Dailies at the border ranged from the low \$30s to \$38/MWh. In-state prices increased as well, with deals in the low to mid-\$40s/MWh.

Northeast term advanced as much as a dollar at some points behind stronger gas futures. November settled at \$48.60/MWh in the Mass Hub and at \$37.75/MWh in PJM. New York power for November gained a quarter, assessed at \$43.25/MWh in Zone A, at \$52.25/MWh in Zone G and \$66.25/MWh in Zone J. December was valued up similarly to \$44.50/MWh in Zone A, \$54.25/MWh in Zone G and \$67.50/MWh in Zone J.

Ontario dailies strengthened C\$4 with bids at C\$70/MWh [US\$53.44] and offers at C\$73/MWh for Thursday flow as real-time remained pricey amid outages and constraints.

Sources said weather 4 degrees above normal with highs in the mid-50s in Toronto could not offset outage concerns. Balance-of-the-week traded at C\$71.50/MWh with projected outages continuing to offset temperatures expected into the lower 60s into the weekend.

Next-week traded at C\$62/MWh on similar forecasts and outlooks for fewer outages.

Sources also reported limited transmission flow at the New York and Michigan

Central generation unit outage report

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Davis-Besse/FirstEnergy	906	n	Ohio	MO	late Nov.	02/17/02
Fort Calhoun - 1 /OPPD	502	n	Neb.	PMO	Unk	09/12/03
Point Beach-2/We Energies	497	n	Wis.	PMO	Unk	10/06/03
Comanche Peak-2/TXU	1,160	n	Texas	RF	Nov.	10/5/03
Dresden-2/ Exelon	794	n	Ill.	RF	Unk	10/14/03
Wolf Creek	1,170	n	Kan.	RF	Nov.	10/20/03
Cook-1/AEP	1,020	n	Mich.	RF	Nov.	10/20/03
Waterford 3/Entergy	1,104	n	La.	RF	Nov.	10/20/03
Cooper/ NPPD	778	n	Neb.	MO	Nov.	10/28/03

* for methodology, see page 3

ODEC urges against FERC ALJ ruling on Delmarva issue

If the Federal Energy Regulatory Commission approves a judge's determination that market power doesn't exist on the Delmarva Peninsula, it will be sending a message that locational marginal pricing will mean higher prices for some end-users, Old Dominion Electric Cooperative said in an argument against the ruling.

On the other hand, the PJM Interconnection and Pepco Holdings, which owns the peninsula's largest investor-owned utility Delmarva Power & Light, told FERC to uphold ALJ Bobbie McCartney's conclusions.

At issue is FERC's investigation into the causes of congestion on the Delmarva Peninsula. The commission in May ordered the probe after receiving repeated complaints from market participants that congestion along PJM's portion of the peninsula has been a persistent problem in need of commission action (PA03-12).

If FERC adopts her recommendations, "the message so delivered to the nation will be clear: load pocket dwellers are the unfortunate victims of LMP and market re-design," ODEC said.

In her initial decision, released earlier this month, McCartney said the record did not support claims of market abuse for the high costs. Instead, she said that high prices were the result of congestion that was already present, and was not necessarily an indication that the market was being gamed. However, she recommended that FERC's Office of Market Oversight and Investigations should also review the evidence submitted in the case.

But in comments on McCartney's ruling, ODEC said the judge "largely ignored the plight" of load-serving entities like itself and looked at the evidence on a generic, rather than specific, basis. "[T]he presiding judge made findings and recommendations based on the larger Delmarva Peninsula...without distinguishing the load pocket of [Delmarva Power & Light] South," ODEC said. "Significantly, while the presiding judge notes that initial conditions on the Peninsula are a cause of congestion that should be considered, she completely ignores the fact that the excessive congestion in DPL South is caused in large part by these initial conditions and the failure to provide mitigation for the transition to LMP."

However, both Pepco Holdings and PJM said McCartney's report was right on target. Pepco noted that DP&L "is as susceptible to congestion costs as any other LSE...; it does not benefit economically from congestion on the Delmarva Peninsula and has no rational incentive to increase congestion or locational marginal prices."

PJM, moreover, noted that McCartney's findings prove that LMP does "not cause congestion, that there are sound ways to hedge congestion, and that congestion is not typically a reliability issue, but rather is a pricing issue."

interconnections. The balance-of-the-day traded up a few quarters to C\$74/MWh.

In hour-ending 1 the IMO issued an advisory that geo-magnetic storm activity at the K8 level had been detected at Kenora, near the Manitoba border in Northwest Ontario. Hydro One reported, however, that it expected no transmission system problems.

Ontario term moved up a few quarters with November and December valued near C\$60/MWh.

CENTRAL MARKETS

Static fundamentals hold dailies at level prices

Entergy dailies for Thursday flow traded in a tight range to a high of \$36.75/MWh as traders said end-of-the-month activity dwindled. "Nobody really seems to have a strong perspective in either direction," one trader said.

Transmission leading into the region remained tight. "There are whole days next week where there isn't any room to bring anything in," one trader said.

Next-week was done at \$35/MWh early though bid/ask spreads backed up later in the day, \$33/MWh at \$34/MWh. Balance-of-the-week also dipped beneath the day-ahead market, with bids at \$34/MWh and offers at \$34.50/MWh.

November packages finished the day at \$32.10/MWh, up on slightly choppy gas markets. Heat rates for the front months of the curve steadily rose over the past week, to near a 7,200 heat rate after bottoming out near 6,700 on expected limited near-term transmission availability.

ERCOT dailies advanced a few dollars to above \$35/MWh as temperatures are forecast to rise to the mid-80s in Dallas and Houston. With warmer temperatures expected, ERCOT forecasted Thursday's peak demand near 36,800 MW, up almost 2,000 MW. Off-peak also gained a bit, trading between \$20 and \$21/MWh.

Friday markets were bid at \$34/MWh and offered at \$35.50/MWh amid continued warm forecasts.

Cinergy dailies were heard in the mid-\$20s/MWh, averaging near \$25/MWh, down about 50 cents. Prices fell as forecasts called for temperatures to climb into the 70s. Unseasonably warm temperatures are forecast through the weekend.

Next-week deals were reported at \$25/MWh.

Forwards in the region traded mostly flat to slightly higher as NYMEX gas prices gained a few cents. November was flat at \$26.50/MWh. December gained 15 cents, finishing at \$28.85/MWh.

In North ECAR, dailies averaged near \$25.65/MWh.

Dailies in ComEd averaged close to \$25.50/MWh, up about 50 cents, as temperatures are forecast to climb from the 40s to 60s. Off-peak trades were heard

West generation unit outage report

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Energia de Baja	310	g	Mex.	MO	Unk	10/29/03
Cholla-3/APS	260	c	Ariz.	MO	late-Nov	8/2/03
Contra Costa-6/Mirant	337	g	Calif.	PMO	Unk	10/6/03
El Segundo-3/NRG	335	g	Calif.	PMO	Unk	10/20/03
Helms Pump-1/PG&E	407	h	Calif.	PMO	Unk	10/21/03
New Melones/USBR	383	h	Calif.	PMO	Unk	10/28/03
Palo Verde-2/APS	1,249	n	Ariz.	PMO	mid-Dec	9/27/03
San Juan-4/PSNM	534	c	N.M.	MO	Unk	10/8/03
Shasta Hydro-5/USBR	142	h	Calif.	PMO	Unk	9/29/03
Sunrise/Edison	571	g	Calif.	PMO	Unk	10/28/03

* for methodology, see page 3

NYC pushes more backup power post-Aug. 14 blackout

A New York City task force created in the wake of the Aug. 14 blackout has recommended, among other things, that city agencies and large private users install more backup generation to provide emergency power if the grid again goes down.

The report was delivered to Mayor Michael Bloomberg by the New York City Emergency Response Task Force, which was directed by the mayor's Office of Operations and the city's Economic Development Corp.

The report found that the city survived the blackout relatively well, with little panic or increase in crime. It said, however, that many city agencies and private businesses either did not have adequate backup generation or the system they did have failed because of improper maintenance or insufficient fuel supplies. Further, telephone provider Verizon suffered some generator failures, which hampered emergency crews. While cellular networks had battery backup, most do not have generators, so service was interrupted when the batteries ran down.

The task force said that while hospitals in the city have backup generators, the emergency conditions prevented some fuel trucks from making deliveries. And many hospitals only had limited backup power, making it impossible to continue full operation. In addition, "comfort stations" for stranded people also had inadequate power, the report said.

Because of those problems, the report recommended city officials keep an inventory of available public and private backup generators and fuel supplies. It should also conduct a survey of backup power needs, and develop a "backup power installation plan."

Fuel tanks should be large enough to get through blackouts, and should be kept "topped off," the report said. The proposal, the task force said, may require revisions to building codes to allow installation of generators and fuel tanks, and the city should impose tough standards for maintaining systems, especially for facilities such as hospitals. Backup power also must be considered for communications equipment and traffic signals.

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at \$13/MWh. Available generation in the region fell as AmerGen Energy's 933-MW nuclear unit Clinton, located six miles east of Clinton, Ill., dropped to 49% Wednesday, the Nuclear Regulatory Commission said. On Tuesday, the unit was operating at 91%.

To the north, North MAIN dailies were heard as high as \$42/MWh, up \$5. Off-peak in North MAIN traded at \$16/MWh, up \$1. Dailies in North MAPP were heard at \$45/MWh for on-peak and \$17/MWh for off-peak.

WEST MARKETS

Cold front bolsters Northwest dailies, missing \$40/MWh

Dailies continued to gain strength, especially in the Northwest, on a cold front hitting the West that is pushing temperatures lower. Deals traded Wednesday were for Thursday and Friday delivery.

Mid-Columbia on-peak advanced almost \$3.75, with most of the deals done around \$38/MWh. The off-peak gained as well, settling around \$28/MWh, about a \$4.75 increase.

Mid-C real-time prices remained in the low \$30s to mid-\$30s/MWh.

The gains in Mid-C were a little less than some market players had hoped for. "I thought prices today would have been closer to \$40/MWh," noted one trader. Thursday's trading will be done for Saturday, which could keep prices flat, market sources said.

Temperatures in the Northwest are predicted in the 40s during the day and low 30s at night for the end of the week.

Palo Verde deals bounced back slightly from losses earlier in the week. The on-peak deals gained about a buck to be done around \$38.25/MWh. The Southwest weather continues to cool, with Saturday's predictions showing highs in the 70s and lows in the 50s.

Public Service of New Mexico's San Juan-3 was scheduled to return to service Wednesday, according to market sources. The 534-MW coal-fired unit, which is

TransCanada Corp. records stronger Q3 earnings

TransCanada Corp. recorded third-quarter earnings of US\$188.75-million, including \$38-million in net income from a deferred gain relating to the 2001 sale of its gas marketing business.

The company said Tuesday its net income from continuing operations rose to \$150.7-million from \$133.2-million. Revenues from continuing operations for the quarter were \$1.06-billion, up from \$978.1-million in the 2002 period.

The power segment represented 20% of earnings. For the quarter, power's net earnings were \$38-million compared with \$26.7-million a year earlier. This included \$19.8-million from its 1,470 MW of equity in the Bruce Power nuclear plant in Ontario, partly offset by lower operating and other income from western operations. The company has 4,700 MW of power generation and also is a power marketer.

The company said although the Aug. 14 blackout knocked out some of its power plants for a few hours, natural gas continued to flow and the blackout did not have a material impact on earnings.

TransCanada said it expects higher net power earnings in 2003 as the result of the contribution from Bruce Power and the second-quarter settlement in its western power operations for the value of forward power contracts terminated with a former counterparty. The strengthening of the Canadian dollar compared with the U.S. dollar in 2003 is not expected to significantly impact TransCanada's consolidated financial results.

Long-term forward markets, Oct 29 (\$/MWh)

EAST

	Nov	Dec	Jan/Feb 04	Mar/Apr 04	May 04	Jun 04	Jul/Aug 04	Sep 04	Q4-04	Cal 2004	Cal 2005	Cal 2006
Mass Hub	48.60	52.10	60.00	51.00	48.50	51.25	59.00	49.00	48.50	52.75	48.50	49.00
PJM West	37.75	38.60	44.60	41.90	38.55	41.90	53.10	37.00	36.00	42.10	41.50	42.00
N.Y. Zone-G	52.25	54.25	59.25				64.50			54.75	55.50	
N.Y. Zone-J	66.25	67.50	76.50				88.75			70.55	70.75	
N.Y. Zone-A	43.25	44.50	49.00				50.75			43.75	43.50	
Ontario*	60.00	60.00	65.00				73.00			59.00	58.00	
TVA, into	27.65	29.85	37.35				43.30			35.65	36.50	

CENTRAL

	Nov	Dec	Jan/Feb 04	Mar/Apr 04	May 04	Jun 04	Jul/Aug 04	Sep 04	Q4-04	Cal 2004	Cal 2005	Cal 2006
Cinergy, into	26.50	28.85	36.65	35.55	31.00	35.75	42.80	31.40	29.85	34.80	36.00	36.45
ComEd, into	24.50	27.85	34.65	33.55	29.10	33.75	40.80	29.40	27.85	34.20	34.00	34.45
Entergy, into	32.10	33.15	38.70	38.60	33.30	37.60	43.40	34.70	33.80	37.25	36.60	36.75
ERCOT	34.35	37.20	39.75	38.60	41.35	42.20	44.25	39.90	37.65	40.25	39.85	40.20

WEST

	Nov	Dec	Q1 04	Q2 04	Q3 04	Q4 04	Cal 2004	Cal 2005	Cal 2006
Mid-C	40.50	45.75	41.75	28.50	42.75	44.00	39.25	40.00	40.00
Palo Verde	39.00	43.25	43.00	43.50	55.75	44.00	46.55	47.25	47.25
NP15	46.50	49.75	48.00	44.50	58.75	51.25	50.65	52.75	52.75
SP15	45.75	48.75	49.00	48.75	60.75	51.75	52.50	54.75	54.75

*Ontario prices are in Canadian dollar figures

† All forward assessments are for on-peak delivery

located in Waterflow, N.M., went off-line earlier in the week because of a tube leak.

The California Independent System Operator forecast Wednesday's peak load at 30,715 MW and 29,366 MW for Thursday. There are 3,651 MW of generation out of service in the NP15 area and 2,649 MW in the SP15 area, according to the ISO.

NP15 on-peak edged up about a quarter, with deals finishing around \$42.25/MWh.

SP15 on-peak lost a quarter, ending around \$42.75/MWh. The spread between the NP15 and SP15 on-peak deals closed to about 50 cents.

In a quiet day of trading, Western forwards slipped slightly or ended flat because the NYMEX prompt-month gas contract saw very modest losses.

In Mid-C, although the cold weather pushed up dailies, November packages came off, because the prompt month was already a couple of dollars above the lower-priced dailies. Gas trading in a tight range and players comfortable with their positions heading into November kept the markets silent Wednesday.

Industry sidelined as energy bill impasse continues

President Bush is expected today to make his strongest pitch yet for Congress to pass a comprehensive energy bill that has been hung up over a dispute between House and Senate leaders over tax incentives for ethanol-based fuel additives. Both the debate and continued uncertainty over exactly what is contained in the bill's electricity title has left much of the utility industry watching from the sidelines.

Bush is scheduled to urge lawmakers to move on the energy bill in a speech this afternoon at the Central Aluminum Company in Columbus, Ohio, culminating a week of talks between Congress and the White House on energy legislation. As of yesterday, however, there appeared to be no break in the stalemate between Senate Finance Committee Chairman Charles Grassley (R-Iowa), who is representing corn-growing states' interest in getting a tax incentive in the energy bill, and House Ways and Means Committee Chairman Bill Thomas (R-Calif.), who would prefer to address the issue in a highway bill.

While investor-owned utilities are continuing to keep congressional and administration officials informed of their desire for an energy bill this year, the utilities have largely been relegated to the sidelines in the Grassley-Thomas debate, lobbyists said.

"The dispute is between Chairman Grassley and Chairman Thomas. It is intense and seems to be escalating," said one utility official. The chairmen are "digging in their heels" despite continued talks with Energy Secretary Spencer Abraham and other DOE officials, he said. "At some point there's got to be a break point," he said. Electric utilities "are sitting back and watching and praying. It's painful."

Companies looking for wind sites in Saskatchewan

SaskPower International and ATCO Power are identifying sites in Saskatchewan, Canada, for constructing a US\$190-million, 150-MW wind farm to go into operation in phases between 2005 and early 2007, executives from the companies said Wednesday.

SaskPower International, the development arm of utility SaskPower of Regina, will use all of the power to meet load. The companies are looking for locations that would support from 50 to 150 turbines and construction is slated to get underway in late 2004.

The partners will each have 50% of the equity, said John Jenkins, manager of corporate services at ATCO Power, based in Calgary, Alberta. This would be the first wind project for ATCO Power, the generation arm of the ATCO Group, which owns or operates 5,000 MW of generation in Australia, the U.K. and Canada.

SaskPower selected ATCO Power from a solicitation, partly because ATCO Power had the ability to provide up to \$115-million in equity needed to help finance construction. The two developers partnered to build the 230-MW Cory cogeneration plant in Saskatoon that went on-line last January, with each holding a 50% share.

Only 17.1 MW of wind is generated in Saskatchewan at two facilities that have been developed within the last two years, but even this level of activity ranks Saskatchewan as Canada's third-largest wind power province.

SaskPower owns the 6-MW Cypress Wind Power Facility in southwestern Saskatchewan that went on-line in October 2002. It is expanding Cypress by 5 MW that will be operating by late 2003 as part of its green power portfolio. The other wind farm is SunBridge owned by Suncor Energy and Enbridge Inc. and SaskPower is purchasing the 22-MW output.

Spark Spreads for October 30

	Marginal Heat Rate	\$/MMBtu	\$/MWh	7000	8000	10000	12000
COB/PG&E, Malin	9227	4.335	40.00	9.65	5.32	-3.35	-12.02
Mid-C/Stanfield, Ore.	8776	4.330	38.00	7.69	3.36	-5.30	-13.96
Palo Verde/El Paso San Juan Basin	9253	4.135	38.26	9.31	5.18	-3.09	-11.36
ERCOT/Houston Ship Channel	8000	4.420	35.36	4.42	0.00	-8.84	-17.68
Com Ed, into/Chicago city-gates	5452	4.705	25.65	-7.28	-11.99	-21.40	-30.81
Entergy, into/Henry Hub	7962	4.495	35.79	4.33	-0.17	-9.16	-18.15
Cinergy, into/Columbia Gas, App.	5248	4.735	24.85	-8.30	-13.03	-22.50	-31.97
PJM West/Transco zone 6 non-N.Y.	7804	4.950	38.63	3.98	-0.97	-10.87	-20.77
Mass Hub/Tenn. zone 6 del.	10439	5.035	52.56	17.32	12.28	2.21	-7.86
N.Y. Zone-G/Transco Zone 6 N.Y.	10513	4.970	52.25	17.46	12.49	2.55	-7.39
Florida/Fla. city-gates	8851	4.745	42.00	8.79	4.04	-5.45	-14.94

* Spark spreads and electricity prices reported in (\$/MWh), gas prices in (\$/MMBtu), and marginal heat rates in (Btu/kWh).

Sun makes for an uneasy day ... from page 1

Operator and Ontario's Independent Electricity Market Operator implemented emergency procedures, included limiting flows on interties and restricting maintenance.

Newark, N.J.-based PSE&G reduced power on the Salem-1 and Hope Creek nuclear reactors to 80% to protect equipment from potential voltage spikes because of the solar storm, a spokesman said. Both the 1,115-MW Salem-1 and 1,067-MW Hope Creek units are located in Hancocks Bridge, N.J., an area the utility said is geographically sensitive to magnetic disturbances.

A PSE&G spokesman said the units would return to normal operation after the danger from the solar storm has passed, the spokesman said.

In addition, We Energies reduced output at its 515-MW Point Beach-1 nuclear unit in Wisconsin to 83% power. The adjacent 515-MW Point Beach-2 was already off-line for a scheduled refueling.

Elsewhere in the Midwest, grid operators took precautionary measures to prevent potential disruptions to transmission. MISO, in a morning conference call with its 35 control areas, directed member companies to operate "in a conservative mode" until further notice, Roger Harszy, MISO director of area operations, said.

While Harszy declined to be more specific, he said the directive would "allow more flexibility for control areas for operations, to assure there is enough generation capacity available to cover any contingencies." While unusual, the directive was not unprecedented, Harszy said, adding that MISO issued similar directives when severe storms have moved through the region.

A warning for severe solar disturbances in the Earth's magnetic field from the National Oceanic and Atmospheric Administration's Space Environment Center was expected to be lifted late yesterday. The center expected disturbances to remain at level K7 or higher through yesterday. NOAA rates the severity of solar storms according to an increasing scale that runs from K1 to K9. Most grid operators begin to restrict maintenance and derate transmission at levels above K7.

Yesterday's warning marked the second time in the past week that solar magnetic disturbances put grid operators on alert. A less powerful solar storm Friday only saw levels reach K7.

During a solar storm, charged particles from the sun induce a direct electrical current in the Earth's surface that can jump to the transmission system and overtax heavily loaded lines.

These disturbances generally run in 11-year cycles and can prove to be particularly troublesome in parts of Canada and the U.S. where favorable geographic conditions combine with a heavy concentration of power plants and transmission lines.

A solar storm in March 1989 knocked out electrical power to more than 6 million people in Quebec. That same coronal blast also damaged a transformer at Hope Creek. The unit was also forced to cut operation to 80% in April and October 2001 because of a milder solar disturbance.

Wisconsin Energy sees peak rising ... from page 1

A Wisconsin Energy spokesman declined to comment on the decision until a written order is released, expected by Nov. 10. Wisconsin Energy expects its peak demand to rise from 5,778 MW in 2002 to 9,175 MW by 2020. To meet the growing demand, the company is also building 1,090 MW in gas-fired generation in Port Washington, Wis. Wisconsin Energy has 5,053 MW of owned capacity and is becoming increasingly dependent on purchased power, PSC staff said in an evaluation of the company's proposal.

San Jose, Calif.-based Calpine Corp. had proposed that the PSC select its 523-MW, gas-fired Fond du Lac project instead of part or all of Wisconsin Energy's proposal. The commission declined to take that step.

DOE says reviewing operation of Cross Sound Cable

The Dept. of Energy is conducting an administrative review on whether to keep the 330-MW Cross Sound Cable running between Connecticut and New York, even as the two states offer the federal agency conflicting opinions on the line's operation.

The merchant line passes under the Long Island Sound and was completed in 2002, but has been kept from operating by Connecticut officials who complain the line was not buried properly. After the Aug. 14 blackout, DOE issued an emergency order to open the link, and its continued operation has upset some Connecticut officials.

Connecticut Attorney General Richard Blumenthal asked for the administrative review and is also suing DOE in federal appeals court to force it to withdraw the post-blackout order. In Oct. 27 comments, Blumenthal said DOE gave Cross Sound "emergency" permission to keep operating on Aug. 28, well after DOE itself had said adequate service had been restored to New York.

The cable is owned by affiliates of Hydro-Quebec and United Illuminating.

Blumenthal said DOE is basing continuation of the emergency order on "the mere possibility" that there could be future blackouts, contradicting its position in several previous cases. Blumenthal added that the order violates the 10th Amendment to the Constitution by intruding on Connecticut rights to control its environmental permits and public lands.

New York Attorney General Eliot Spitzer has a different view, telling DOE the Northeast is still vulnerable to blackouts and that the line should be kept open until it "identifies and remedies" the causes of the Aug. 14 blackout. Spitzer said the Federal Power Act uses a broad definition of "emergencies" that gives DOE wide authority to protect power supplies against future events. He said the public is best served by allowing DOE to take "preemptive" measures to prevent blackouts.

The Long Island Power Authority, which holds all transmission rights on the line, and says it needs Cross Sound Cable to relieve tight capacity, cited the DOE order, which said "an emergency continues to exist in the Northeastern United States due to a shortage of electric energy, a shortage of facilities for the transmission of electric energy, and other causes...." Those conditions have not changed, LIPA said in Oct. 27 comments.

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Hearing Data Request
Case No. 2003-00252
Date Received: October 28, 2003
Response Due Date: November 7, 2003

HEARING-DR-01-002

REQUEST:

2. How will repeal of PUCHA affect the holding company system?

RESPONSE:

ULH&P objects to this request on the grounds that it is irrelevant to the proceeding, and otherwise calls for a legal analysis and conclusion. Notwithstanding and not waiving this objection, ULH&P responds as follows:

PUHCA imposes many restrictions on registered public utility holding companies. However, the effect of the "repeal of PUHCA" cannot be determined since any such legislation is unlikely to lift all such restrictions. While there may be a change in the Federal agency responsible for holding company oversight with the "repeal of PUHCA", the protections afforded by PUHCA will likely continue in some form or fashion.

WITNESS RESPONSIBLE: N/A



Hearing Data Request
Case No. 2003-00252
Date Received: October 28, 2003
Response Due Date: November 7, 2003

HEARING-DR-01-003

REQUEST:

3. Provide the price per MWh of the combined ULH&P plant transfer/Back-Up PSA.

RESPONSE:

The price per MWh of ULH&P's proposal, including ULH&P Plants, Back-up PSA and PSOA, is as follows:

2006 original generation revenue requirement ¹	\$180,926,766	
Divided by 2007 projected MWs ²	<u>4,246,751</u>	
Equals price per Mwh		\$42.60
2006 amended generation revenue requirement ³	\$176,931,699	
Divided by 2007 projected MWs	<u>4,246,751</u>	
Equals price per Mwh		\$41.66

This compares to a projected 2006 price per MWh under the current PPA of \$41.86.

WITNESS RESPONSIBLE: M. Stephen Harkness

¹ See response to AG-DR-01-028, Bates-stamped page number 67.

² See Direct Testimony of Dr. Richard G. Stevie, Attachment RGS-1.

³ Revenue requirement after subtracting effects of Amendment to Application (off-system sales, transaction costs).



REQUEST:

4. Cite authorities to support ULH&P's position on ADIT and ADITC.

RESPONSE:

Internal Revenue Code (IRC) Section 351(a) provides the general rule that no gain or loss is recognized if property is transferred to a controlled corporation. "Control" is defined in IRC Section 368(c) to mean ownership of stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote and at least 80% of the total number of shares of all other classes of stock of the corporation. CG&E's ownership of ULH&P's stock meets the control requirement.

IRC Section 351(b) provides an exception to the general rule where property other than stock is received in a transfer to a controlled corporation.

In connection with the transfer by CG&E to ULH&P, CG&E will receive inter-company notes from ULH&P. CG&E will therefore recognize a gain to the extent that the amount of the notes exceeds the tax basis of the assets in the hands of CG&E.

ULH&P will receive a "step-up" in the tax basis of the assets to the extent of any gain recognized by CG&E.

The tax treatment of ULH&P with respect to the step-up is identical to the tax treatment that would result if this transaction were executed as a sale between unrelated entities.

The IRS has ruled, in similar situations, that neither ADITC nor ADFIT of a transferor can carry over to the transferee without causing a normalization violation.

In General Counsel Memorandum (GCM) 39656 (August 18, 1987), the IRS considered the issue of whether ADITC on public utility assets follows the assets upon the sale of the assets to another public utility. The IRS concluded that the ADITC must be removed from the regulated books of account of the transferor. The IRS also concluded that the ADITC is not added to the transferee's regulated books of account and the credits may not be flowed-through to the customers of either the buyer or the seller.

The IRS reached the same conclusion with respect to both ADITC and ADFIT in Private Letter Ruling (PLR) 9418004 (January 14, 1994). This ruling addressed the purchase of

Hearing Data Request
Case No. 2003-00252
Date Received: October 28, 2003
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HEARING-DR-01-004
Page 2 of 2

the stock of a public utility that was characterized as an asset purchase/sale by both buyer and seller respectively under IRC Section 338(h)(10). The IRS concluded that neither the ADFIT nor the ADITC carried over to the transferee and that any reduction of the transferee's cost of service for pre-transfer ADITC or ADFIT resulted in a normalization violation.

The IRS reached the same conclusions in substantially similar factual situations in PLRs 8735001 (May 26, 1987), 9252010 (September 24, 1992), 9447009 (August 4, 1994) and 9652008 (September 6, 1996).

The transaction contemplated as part of this proceeding raises substantially the same issues addressed in the authorities cited above. We therefore believe our position with respect to ADFIT and ADITC represents the proper treatment for these items in a transaction involving a step-up.

WITNESS RESPONSIBLE: John P. Steffen



Hearing Data Request
Case No. 2003-00252
Date Received: October 28, 2003
Response Due Date: November 7, 2003

HEARING-DR-01-005

REQUEST:

5. Provide a rough estimate of the amortization expense of the pre-transfer ADIT and ADITC.

RESPONSE:

The Company's requested treatment of the ADIT and ADITC would result in the following amortization to expense:

<u>Year</u>	<u>ADIT</u>	<u>ADITC</u>
2004	3,700,000	840,000
2005	7,000,000	840,000
2006	6,400,000	840,000
2007	5,800,000	833,000
2008	5,300,000	831,000
2009	4,900,000	816,000
2010	4,500,000	799,000
2011	4,400,000	636,000
2012	4,300,000	120,000
2013	4,300,000	112,000
2014	4,300,000	111,000
2015	4,300,000	111,000
2016	4,300,000	111,000
2017	4,300,000	24,000
2018	4,300,000	-
2019	3,300,000	-
2020	2,300,000	-
2021	2,300,000	-
2022	2,300,000	-
2023	2,300,000	-
2024	1,100,000	-

WITNESS RESPONSIBLE: John P. Steffen



Hearing Data Request
Case No. 2003-00252
Date Received: October 28, 2003
Response Due Date: November 7, 2003

HEARING-DR-01-006

REQUEST:

6. Provide an estimate of the accumulated depreciation of the Plants from 2004 – 2007.

RESPONSE:

The estimated accumulated depreciation of the Plants from 2004 – 2007 is as follows:

<u>Dec 31</u>	<u>Woodsdale</u>	<u>East Bend</u>	<u>Miami Fort #6</u>	<u>Total</u>
2004	131,897,720	214,978,887	55,570,572	402,447,179
2005	144,662,536	226,202,319	57,877,048	428,741,903
2006	157,858,353	237,446,943	59,900,993	455,206,289
2007	171,056,058	248,744,185	61,440,172	481,240,415

WITNESS RESPONSIBLE: John P. Steffen



Hearing Data Request
Case No. 2003-00252
Date Received: October 28, 2003
Response Due Date: November 7, 2003

HEARING-DR-01-007

REQUEST:

7. Referencing the first set of data requests of the Staff, numbers 1, 9 and 10, please provide all agreements and whether emission allowances stay with the plants and stay with the system.

RESPONSE:

The agreements referenced in the Staff's first set of data requests, number 1 have been provided as attachments to the prefiled direct testimony of John J. Roebel.

The arrangements for sharing the Miami Fort 5/6 stack referenced in number 9 and the joint use of common facilities referenced in number 10 have not been worked through at this point. Agreements addressing these arrangements will be provided as part of the set of transaction documents prior to closing.

ULH&P anticipates that it will uncover additional arrangements requiring new agreements or the assignment of agreements as it continues its analysis of the real estate and property matters that it must perform prior to closing. All such agreements shall be provided to the Commission for review prior to closing.

With regards to emission allowances, please refer to KyPSC-DR-01-054. ("The allocations are unit specific and all allowances attributable to the three generating facilities on and after the date of transfer will follow the plants.")

WITNESS RESPONSIBLE: John Roebel

11