

DUQUESNE LIGHT COMPANY

Sixth Set of Interrogatories of Hospital Shared Services and Administrative Resources, Inc.

1. With regard to pages 5-13, please identify each and every "trader" that Duquesne contacted. For each trader, identified, please identify when Duquesne spoke with the trader, the matters discussed, the company that the trader works for, the name of the trader, and the identity of the party that was contacting the trader on behalf of Duquesne. Please provide any documents memorializing, recording or reflecting any such contact.

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Response:

Duquesne initially relied upon Mr. Irvin's experience in trading wholesale power to establish the terms of the RFP and thus HSS would be remised if it were to assume that the RFP was designed solely on the basis of discussions with "traders." In Mr. Irvin's direct testimony, he describes the importance of Duquesne making a commitment to sell power and the RFP process in detail. As Mr. Lahtinen states in his rebuttal testimony, Duquesne also spoke with several traders prior to issuing the RFP. These traders are engaged in buying and selling wholesale power on a regular basis:

- Mr. Irvin contacted Jolly Hayden of Electric Clearinghouse by phone around January. The purpose of the call was to discuss ancillary services and how they are typically provided in power sales agreements. During this call, Mr. Irvin also discussed the take provisions of the RFP.
- The NorthBridge Group on behalf of Duquesne contacted by phone Paul Weiss of Morgan Stanley on several occasions in January, May and June of 1997. This occurred while the RFP was being developed. General contract terms were discussed to determine their acceptance in the marketplace without mention of the issuer of the RFP. Some of the issues that were discussed included:
 - > The utility's commitment to sell power -- This commitment was considered important to let buyers know that the RFP was real and not just a fishing expedition to learn about market prices
 - > The ability of the purchaser to take power during on-peak hours -- It was noted that typically transactions are for on-peak power and purchasers want the ability to take power 5 days a week, 16 hours per day.
 - > Supplier and purchaser creditworthiness -- It was important to consider both the seller and purchaser's creditworthiness when designing a contract.

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- Replacement cost provisions and "firmness" of the power sold – Financial replacement costs were important to the purchaser in order to ensure the utility's performance or to keep the purchaser "whole" in the event the utility was unable to deliver.
- Take provisions under the contract and scheduling flexibility (the 75% take requirement and the 50% to 100% scheduling flexibility) -- This was viewed as a "double up" contract – a combined baseload and on-peak contract with additional scheduling flexibility. This was considered to be a fairly simple contract to evaluate.
- Length of time allowed to respond to the RFP – The purchaser would not require a lot of time to develop a bid and the proposed response time seemed reasonable. There was also a market preference for a short utility decision timeframe so that the purchasers' firm bids did not remain open for a long period of time.
- Willingness to bid on a defined product – A well-defined product was important to the utility in order to compare bids in an objective manner and did not pose a problem for the purchaser.
- Duration of the sale – Both long-term (9 and 8 years) and short-term (1 year) sales were discussed.
- Attached to this response is a preliminary summary RFP term sheet used as the basis for the phone discussion. (Note: the RFP actually issued had different terms partially as a result of discussions with traders.)
- The NorthBridge Group also contacted Electric Clearinghouse (wholesale electric trading – Donna Newman) around January 1997 by phone to discuss the marketability of the terms of the RFP. NorthBridge was told that a specific contract would have to be developed before Electric Clearinghouse could make a bid and comment on the terms of the contract.
- Prior to developing the RFP, The NorthBridge Group contacted Rick Shapiro of Enron around January 1997 to discuss the general marketability of the terms of the RFP. Their call was not returned.