BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re: Securities Certificate of PPL Electric Utilities Corporation	Securities Certificate S-
In Re: Agreements Between and Among PPL Electric Utilities and Affiliates	Affiliated Interest Agreements G-

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

I. INTRODUCTION

1. Name and address of the public utility filing:

PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101-1179

2. Name and address of the public utility's attorneys:

David B. MacGregor
Morgan, Lewis & Bockius LLP
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Philadelphia, PA 19103-2921

Paul E. Russell
Michael A. McGrail
PPL Electric Utilities Corporation
Office of General Counsel
Two North Ninth Street
Allentown, PA 18101-1179

3. PPL Electric Utilities Corporation ("PPL Electric Utilities" or the "Company") is an electric distribution company ("EDC") engaged, *inter alia*, in the distribution of electricity. PPL Electric Utilities' intrastate rates and services are regulated by the Pennsylvania Public Utility Commission ("PUC" or "Commission") pursuant to the Public Utility Code, 66 Pa.C.S. §§ 101 *et seq.* PPL Electric Utilities presently serves approximately 1.25 million customers in its service territory, which encompasses approximately 10,000 square miles in eastern and central

Pennsylvania. PPL Electric Utilities' service territory encompasses all or portions of 29 counties and includes 129 communities with populations over 5,000. The largest cities served by PPL Electric Utilities are Allentown, Bethlehem, Harrisburg, Hazleton, Lancaster, Scranton, Wilkes-Barre and Williamsport. PPL Electric Utilities is a subsidiary of PPL Corporation, which holds 100% of the common equity of PPL Electric Utilities.

4. In December, 1996, the Pennsylvania Legislature enacted the Electricity Generation Customer Choice and Competition Act ("Competition Act"), 66 Pa.C.S. Ch. 28. The Competition Act was designed to restructure Pennsylvania's electric utility industry in order to provide retail access to the competitive electric generation market. The Competition Act required each Pennsylvania electric utility to file a Restructuring Plan to "unbundle" its rates into separate generation, transmission and distribution components and to permit its customers to directly access alternate suppliers of electricity.

5. In the Settlement of PPL Electric Utilities' Restructuring Plan, which was approved by the Commission in an Order entered on August 27, 1998,[1] the Commission granted PPL Electric Utilities authority to transfer all of its generation assets to affiliated or non-affiliated entities at net book value. Specifically, at page 11 of the Restructuring Order, the Commission approved PPL Electric Utilities' transfer of all of its generating assets as follows:

> 3. That all aspects of PP&L's transfer of its generation assets and liabilities and wholesale contracts under the settlement are approved. In addition, we grant the approvals, licenses and certificates of public convenience required under the Public Utility Code regarding the transfer or assignment of PP&L's generating assets and liabilities under the settlement, including but not limited to approvals under Chapters 5, 11, 19, 21 and 28 of the Public Utility Code.

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[1] Application of Pennsylvania Power & Light Co. for Approval of its Restructuring Plan Under Section 2806 of the Public Utility Code, Docket No.R-00973954 (August 27, 1998) (Approving "Joint Petition for Full Settlement of PP&L, Inc.'s Restructuring Plan and Related Court Proceedings") (the "Restructuring Order").

Pursuant to these approvals, the generating assets formerly owned by PPL Electric Utilities were transferred to PPL Generation LLC, an affiliate of PPL Electric Utilities, on July 1, 2000. A diagram showing the current structure of PPL Corporation and its subsidiaries is provided as Attachment 1.

6. As a result of the transfer of its generating assets, PPL Electric Utilities principal businesses are the transmission and distribution of electricity, and serving as the provider of last resort ("POLR") to its customers who choose not to shop for electric generation in the competitive market. However, the current capital structure of PPL Electric Utilities continues to reflect its prior role as the owner of generating assets. In order to more accurately reflect the lower business risk of a wires company, and to reduce its overall cost of capital, PPL Electric Utilities has decided to increase the amount of debt in its capital structure. Specifically, as explained in more detail below, PPL Electric Utilities plans to issue up to $900 million of Senior Secured Bonds, which is necessary for the present and/or future capital needs of the Company. The issuance of this additional long-term debt will increase PPL Electric Utilities' pro forma debt ratio from approximately 40% to approximately 53% in 2001, excluding transition bonds.

7. The proceeds from the issuance of this debt will be used to finance the purchase of power at prices in excess of the shopping credit, to fund the retirement of $200 million in debt, for capital additions to transmission and distribution facilities and/or for general corporate purposes.

8. In order to facilitate the issuance of this new debt, maintain an "A-" credit rating on its Senior Secured debt and to reduce the cost of the new debt, PPL Electric Utilities plans to undertake several steps, explained in section II, below.

II. MEASURES TO BE UNDERTAKEN BY PPL ELECTRIC UTILITIES TO ISSUE ADDITIONAL LONG-TERM DEBT, PRESERVE AN "A-" CREDIT RATING AND REDUCE ITS OVERALL COST OF CAPITAL

9. In order to enhance its ability to issue additional long-term debt at the lowest reasonable cost while maintaining an "A-" credit rating, PPL Electric Utilities will undertake several measures designed to insulate itself from the liabilities of its parent, PPL Corporation, and its parent's affiliates, and to reduce its operating risk as the POLR. These steps will allow PPL Electric Utilities to be viewed and rated by the investment community as a "stand alone" wires company, with lower risk and lower overall cost of capital. This "separation" of PPL Electric Utilities from its parent and affiliates will be accomplished through several measures including: (1) a corporate division to move certain liabilities out of PPL Electric Utilities, (2) the execution of one or more new generation supply agreements which will significantly reduce PPL Electric Utilities' risk as the POLR under the Competition Act; (3) the revision of relationships with affiliates to confirm that all dealings are negotiated and conducted at arms length; and (4) the adoption of certain covenants designed to protect the financial condition of PPL Electric Utilities. A summary of these measures is provided below.

10. Corporate Division. PPL Electric Utilities will undertake a corporate division, pursuant to the Pennsylvania Business Corporation Law, 15 Pa.C.S. §§1951-57, which will create two companies, PPL Electric Utilities and a new subsidiary of PPL Corporation ("NewCo"). As part of the corporate division, certain liabilities of PPL Electric Utilities will be transferred to NewCo. The liabilities allocated to NewCo will include joint liabilities previously shared by PPL Electric Utilities and any other member of the PPL Group (other than joint liabilities resulting from statutory or regulatory requirements or programs), and certain potential liabilities of PPL Electric Utilities that arose prior to the division for which there is joint

liability.[2] To insure that NewCo has sufficient resources to provide for the liabilities allocated to it, PPL Electric Utilities will transfer up to $5 million in cash or cash equivalents, and PPL Corporation will provide a corporate guarantee to NewCo to cover the liabilities. In addition, PPL Corporation's existing liability insurance policies will continue to cover liabilities allocated to NewCo. A copy of the Plan of Division is provided as Attachment 2.[3]

11. <u>New Generation Supply Agreement.</u> To further reduce its operating risk and to establish an arms length separation from its affiliates, PPL Electric Utilities will solicit bids to contract with energy suppliers for a generation supply agreement ("GSA") (or several GSAs) to meet its electricity needs as the POLR from 2002 through the end of 2009. PPL Electric Utilities currently has a contract with PPL EnergyPlus, LLC ("PPL EnergyPlus"), an affiliated generation

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2 PPL Electric Utilities will transfer various liabilities and obligations, including the following:

- liabilities of the Company, if any, under contracts that the Company has assigned to other members of the PPL group of companies, and any other contracts under which the Company has joint liability with other members of the PPL group of companies, for which releases from the other contracting party or parties have not been obtained by the Company;

- liabilities of the Company, if any, under any employee benefit plans where the Company may be responsible for payments to employees of other members of the PPL group of companies;

- liabilities of the Company, if any, for damages with respect to claims that may be made in the future based on occurrences arising prior to the effective date of the division for which the Company is jointly liable with other members of the PPL group of companies, other than tax liabilities and liabilities for which the Company must remain liable under applicable law or regulation; and

- liabilities of the Company, if any, for damages with respect to claims that may be made in the future based on occurrences arising prior to the effective date of the division which do not relate to or arise out of the Company's transmission and distribution business, other than tax liabilities and liabilities for which the Company must remain liable under applicable law or regulation.

3 PPL Electric Utilities does not believe that its proposed plan of division requires Commission approval under Section 1102(a) of the Public Utility Code because the cash and liabilities that will be transferred to NewCo are not property "used or useful in the public service" as contemplated by Section 1102(a). Moreover, in PPL Electric Utilities' view, the transfer of a liability is not a transfer of a property interest and therefore not reviewable under Chapter 11. If the Commission believes otherwise, however, PPL Electric Utilities requests that the Commission issue a certificate approving this transfer in conjunction with the registration of this Securities Certificate.

supplier, to obtain the power necessary to meet its POLR requirements. The full requirements provision of this contract expires at the end of 2001. PPL Electric Utilities desires to enter into a long-term GSA (or several long-term GSAs) that will take effect when this existing requirements provision expires. This action is an important part of the overall transaction, as it will insulate PPL Electric Utilities from its affiliates and will substantially reduce the business risks associated with volatile market power prices while PPL Electric Utilities is subject to the generation rate cap. The funds raised by the issuance of the new long-term debt will be used, in part, to finance a long-term commitment to sell power to PPL Electric Utilities at the shopping credit. Details of the process for obtaining a new agreement are outlined below.

a. PPL Electric Utilities has initiated a Request for Proposal ("RFP") process for energy suppliers to enter into a GSA with PPL Electric Utilities for all or part of PPL Electric Utilities' POLR obligation. The RFP process is open to all bidders, and all bids will be evaluated according to the same criteria. The RFP process consists of two stages. Stage One was the bidder qualification stage. During Stage One, bidders were required to submit a credit application and corporate information to PPL Electric Utilities. From this information, PPL Electric Utilities has determined a list of qualified bidders. Stage One began on April 16, 2001 and ended on May 8, 2001.

b. Stage Two of the RFP process is the bidding stage. The bidding stage will begin on or about May 9, 2001 when all qualified bidders will have access to the RFP. Bids will be due on or about May 29, 2001. PPL Electric Utilities expects to finalize the GSA(s) on or about June 27, 2001. Commencement of service will begin on January 1, 2002, when the full requirements provision of PPL Electric Utilities' existing contract with PPL EnergyPlus expires.

c. To obtain this long term power supply, PPL Electric Utilities may be required to pay winning bidder(s) substantial amounts in excess of revenues received by PPL Electric Utilities for POLR service under the current rate caps. It is anticipated that the GSA(s) may be structured to provide lump sum, up-front payments to power suppliers to compensate for this difference or to escrow such amounts with future payments based on supplier performance.

d. The competitive bidding process may result in the award of a GSA to serve all, or part of, POLR load to an affiliate of PPL Electric Utilities. In the event an affiliate is a winning bidder, PPL Electric Utilities will separately file the GSA as an affiliate agreement. The form of GSA to be employed is attached as Attachment 3 to permit the Commission to commence its review of the agreement in the event that affiliate approvals becomes necessary. If an affiliate is a winning bidder, approval of the affiliate agreement will be necessary prior to issuance of the Senior Secured debt.

12. Confirmation of Separation of Relationships with Affiliates. To confirm the separation from its affiliates and thereby enhance its credit profile, PPL Electric Utilities also will revise and formalize several of its relationships with its affiliates. In this regard, PPL Electric Utilities' corporate charter and by-laws will be amended to establish PPL Electric Utilities as a single purpose entity and to restrict its business purposes to activities related to or arising out of its transmission and distribution business. In addition, an independent third-party administrator will be appointed to oversee the legal separation of PPL Electric Utilities from PPL Corporation and its other subsidiaries, and an independent director will be added to the PPL Electric Utilities Board of Directors.

In addition, PPL Electric Utilities currently holds title to its trademarks and logo and to the trademarks and logos of certain other affiliated entities. In conjunction with the corporate division, PPL Electric Utilities plans to transfer these trademarks and logos to a separate affiliate. PPL Electric Utilities will retain a perpetual right to use its trademarks and logo at no charge.[4] PPL Electric Utilities will separately file the final licensing agreement pursuant to Chapter 21 of the Public Utility Code prior to transferring its trademarks and logos. To expedite Commission review, the form of the Licensing Agreement is provided as Attachment 4.

13. Financial Covenants. PPL Electric Utilities also may agree to several financial limits and checks on its management to enhance its credit profile and its ability to issue new long-term debt at a lower cost. Some of these financial limits may include:

(a) Restrictions on business purpose;
(b) Restrictions on creation of additional subsidiaries;
(c) Ratings maintenance tests with respect to the issuance of additional PPL Electric Utilities parity debt;
(d) Ratings maintenance tests with respect to merger/acquisition/sale of PPL Electric Utilities;
(e) Financial covenants which prevent the payment of dividends on the common stock of PPL Electric Utilities to PPL Corporation under certain conditions;
(f) Initiation of PUC rate filings based on specified financial benchmarks; and
(g) New debt being secured by the plant, property and equipment of PPL Electric Utilities.

14. After the above steps have been completed, PPL Electric Utilities will issue up to $900 million in Senior Secured Bonds. Initial consultation with Moody's and Standard & Poor's indicates that an A- credit rating for PPL Electric Utilities will be maintained following the issuance of this new debt. The proceeds will be used to finance the purchases of power at prices in excess of the shopping credit, to fund the retirement of $200 million in debt, for capital additions to transmission and distribution facilities and/or for general corporate purposes.

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4 PPL Electric Utilities does not believe that Commission approval under Section 1102(a) of the Public Utility Code is required for PPL Electric Utilities to transfer its trademarks and its logo because they are not property "used or useful in the public service" as contemplated by Section 1102(a). If the Commission believes otherwise, however, PPL Electric Utilities requests that the Commission issue a certificate approving this transfer in conjunction with the registration of this Securities Certificate.

III. SECURITIES CERTIFICATE

15. This Securities Certificate requests Commission authorization to issue and sell not in excess of $900,000,000 principal amount of Senior Secured Bonds (the "Bonds").

16. PPL Electric Utilities proposes to issue the Bonds under a new Collateral Mortgage Indenture (the "New Mortgage" or the "Indenture"). The Bonds will be secured by

> (a) First Mortgage Bonds issued under the Company's 1945 First Mortgage Indenture (which is a first mortgage lien on the transmission and distribution properties of the Company) that have a principal amount equal to the principal amount of Bonds being issued and that are held by the trustee for the Bonds under the Indenture (the "Trustee"); and
>
> (b) a lien in favor of the Trustee on the Company's transmission and distribution properties, which lien is junior to the lien of the 1945 Mortgage.

As a result, the Bonds will rank pari passu with the Company's outstanding First Mortgage Bonds. When no remaining First Mortgage Bonds are outstanding under the 1945 Mortgage except First Mortgage Bonds held by the Trustee as collateral for the Bonds, then, at the request of the Company, the Trustee will surrender the First Mortgage Bonds held by the Trustee for cancellation and the 1945 Mortgage will be satisfied and discharged, the lien of the 1945 Mortgage on the Company's property will be discharged, and the lien of the New Mortgage will become a first lien on the Company's transmission and distribution properties.[5] The terms and conditions of the First Mortgage Bonds to be issued by the Company as collateral for the Bonds are provided in Attachment 5.

17. The following is a description of the general terms or range of terms the Company expects will be applicable to each series of the Bonds.

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[5] The Company will have the option to discharge the lien of the New Mortgage without Bondholder consent upon obtaining confirmation from the Rating Agencies that the discharge will not result in any of the ratings on the outstanding Bonds being withdrawn or reduced or downgraded from their current ratings.

EXACT TITLE OF THE SECURITY:

Senior Secured Bonds, __% Series.

AGGREGATE PRINCIPAL AMOUNT TO BE ISSUED:

Not in excess of $900,000,000. The principal amount of a series of the Bonds will be determined by the Company at or about the time of the sale of that series based on the GSA agreement(s), the Company's capital requirements, market conditions, and other factors.

NOMINAL DATE OF ISSUE:

The Bonds will be issued no later than June 30, 2002.

DATE OF MATURITY:

The Bonds will be offered in one or more series with a maturity of not more than 15 years.

INTEREST RATE AND PAYMENT DATES:

Interest Rate:

Each series of Bonds will bear an interest rate that will be competitive in the market at the time of offering with comparable quality securities having the same general terms and conditions.

Payment Dates:

Interest payments will be made semi-annually.

EXTENT TO WHICH TAXES ON SECURITIES ARE ASSUMED:

Based on tax laws currently in effect, the Company will not assume any taxes associated with the Bonds.

CALLABILITY PROVISIONS:

The Bonds may or may not include callability provisions depending upon market conditions.

CONVERSION PROVISIONS:

None.

MAINTENANCE, DEPRECIATION AND SINKING FUND OR OTHER PROVISIONS:

Sinking or Improvement Fund: None.

Maintenance and Replacement Fund: None.

COVENANTS:

As explained above, PPL Electric Utilities expects to enter into a number of covenants designed to enhance its credit quality and significantly reduce the overall cost of the new debt. The specific language of these covenants is still under negotiation but may include the following: (1) a restriction of the payment of dividends if interest coverage falls below a certain level or if PPL Electric Utilities fail to adhere to specified compliance guidelines; (2) a requirement that PPL Electric Utilities file for rate relief if financial benchmarks fall below specified minimum levels; (3) restriction on the issuance of additional bonds under specified conditions; (4) restrictions on certain business activities; (5) restrictions on merger, and sale or acquisition of assets unless certain conditions are satisfied; and (6) such other covenants that may be required by the market.

NAME AND ADDRESS OF TRUSTEE AND WHETHER AFFILIATED:

(To be provided)

18. Subject to the approval of the Commission, as evidenced by the registration of this Securities Certificate, PPL Electric Utilities proposes to issue and sell the Bonds in late June or early July of 2001. In no event will PPL Electric Utilities issue and sell bonds under this Securities Certificate later than June 30, 2002.

19. The following Exhibits are appended hereto, incorporated herein by reference or omitted as stated below:

(A) A balance sheet of the Company as of March 31, 2001.

(B) A statement of income and statement of retained earnings of the Company for the twelve months ended March 31, 2001.

(C) Statement of utility plant of the Company at original cost as of March 31, 2001. The Company makes a part hereof by reference the revised Reclassification and Original Cost Studies heretofore filed with the Commission.

(D) Statement of securities of other corporations owned by the Company as of March 31, 2001.

(E) Statement showing the status of the funded debt of the Company as of March 31, 2001.

(F) Statement showing the status of outstanding capital stock of the Company as of March 31, 2001.

(G) Registration Statement(s) filed with the Securities and Exchange Commission under the Securities Act of 1933 with respect to the Bonds. (To be provided)

(H) No filing is required under the Public Utility Holding Company Act.

(I) Copy of resolutions of the Finance Committee of the Board of Directors of the Company authorizing the issuance and sale of the Bonds. (To be provided)

(J) Copies of the Underlying Instruments. (To be provided)

(K) Statement showing, in journal entry form, all charges to be made on the books of account of the Company as a result of the proposed sale, issuance and delivery of the Bonds.

(L) Form of Underwriting Agreement. (To be provided)

(M) No Net Earnings Certificate will be required by the Senior Secured Bonds.

(N) Calculation of Earnings Tests required by the Company's Charter for issuance of additional Series Preferred Stock. (To be provided)

(O) Requirements and Sources of Funds.

(P) Capital Structure of the Company at March 31, 2001 and as adjusted to give effect, among other things, to the issuance and sale of the Bonds.

(Q) Calculation of the book value per share of the Company's Common Stock as of March 31, 2001.

IV. APPROVAL OF AGREEMENTS BETWEEN AND AMONG AFFILIATES AND OTHER REGULATORY APPROVALS

20. It is possible that an affiliate of PPL Electric Utilities will be a winning bidder under the competitive bidding process to obtain GSA(s) to serve all or part of PPL Electric Utilities' POLR load. In such event, PPL Electric Utilities will make a separate filing seeking the Commission's approval, to the extent of its jurisdiction, over such contract between affiliates pursuant to Chapter 21 of the Public Utility Code, 66 Pa.C.S. § 2101, et seq.

21. There are no written agreements between or among affiliates currently anticipated as a result of the corporate division described in Section I of this filing, other than the Licensing Agreements attached hereto. However, it is possible that plan of corporate division and related transactions could be considered to be unwritten affiliate interest agreement requiring Commission approval or otherwise require approvals of the Commission under the provisions of the Public Utility Code.[6]

22. PPL Electric Utilities, therefore, requests that the Commission issue an order: granting its approval of all affiliate agreements necessary to complete the corporate division, whether written or oral; and granting all other necessary regulatory approvals with regard to these transactions.

WHEREFORE, PPL Electric Utilities Corporation, by its undersigned counsel, respectfully requests that the Pennsylvania Public Utility Commission enter an order which provides as follows:

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[6] This paragraph is not meant to include the GSA between PPL Electric Utilities and its affiliate, if its affiliate is a winning POLR bidder. As mentioned previously, PPL Electric Utilities will separately file the GSA as an affiliate agreement in the event its affiliate is a winning POLR bidder.

a. The Commission hereby finds that issuance of the Senior Secured Bonds and First Mortgage Bonds issued as collateral for the Senior Secured Bonds is necessary or proper for the present and probable future capital needs of PPL Electric Utilities Corporation and hereby registers, pursuant to Chapter 19 of the Public Utility Code, the Securities Certificate of PPL Electric Utilities Corporation concerning the issuance of not in excess of $900,000,000 of Senior Secured Bonds and associated First Mortgage Bonds, as described herein;

b. The Commission hereby approves all contracts or arrangements between and among PPL Electric Utilities Corporation, PPL Corporation, and all other affiliates that are necessary or appropriate to accomplish the corporate division and related transaction and confirms the separation of PPL Electric Utilities Corporation; and

c. The Commission hereby grants all other regulatory approvals that are required under the Pennsylvania Public Utility Code for PPL Electric Utilities Corporation's proposed financing, corporate division and related matters.

Respectfully submitted,

David B. MacGregor

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Paul E. Russell
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Allentown, PA 18101-1179

Counsel for PPL Electric Utilities Corporation

Date: May 10, 2001

Pennsylvania Public Utility Commission, et al
v.
PPL Electric Utilities Corporation

Docket No. R-00049255

OCA Cross Examination Exhibit No. 2

Dated Entered: 8/10/04

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JULY 5, 2001

DOCUMENT
FOLDER

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
Harrisburg, PA 17105-3265

Re: **PPL Electric Utilities Corporation Securities Certificate And Related Affiliated Interest Agreements at Docket Numbers S-00010853, G-00010872, G-00010886 and G-00010887**

Dear Secretary McNulty:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL") in the above-referenced proceedings are an original and three (3) copies of a Joint Stipulation in Settlement among PPL, Office of Consumer Advocate ("OCA") and PP&L Industrial Customer Alliance ("PPLICA"). The Joint Stipulation in Settlement resolves all issues among PPL, OCA and PPLICA in the above-referenced proceedings.

Please direct any question with regard to this matter to the undersigned.

Respectfully submitted,

David B. MacGregor

David B. MacGregor

Enclosures
cc: Tanya McCloskey, Esquire
David M. Kleppinger, Esquire

Philadelphia Washington New York Los Angeles Miami Harrisburg Pittsburgh Princeton
London Brussels Frankfurt Tokyo

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Securities Certificate of PPL Electric Utilities Corporation	Securities Certificate S-00010853
Agreements Between and Among PPL Electric Utilities and Affiliates	Affiliated Interest Agreements G-00010872
PPL Electric Utilities Corporation Affiliated Interest Agreement	Docket No. G-00010886
PPL Electric Utilities Corporation Affiliated Interest Agreement	Docket No. G-00010887

JOINT STIPULATION IN SETTLEMENT

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

I. INTRODUCTION

1. PPL Electric Utilities Corporation ("PPL"), the Office of Consumer Advocate ("OCA") and PP&L Industrial Customer Alliance ("PPLICA") (collectively, the "Parties"), hereby join in this Stipulation in Settlement ("Stipulation") and request that the Public Utility Commission ("Commission" or "PUC") approve the above-captioned filings. In support of this Stipulation, the Parties state the following:

II. PROCEDURAL HISTORY

2. On May 10, 2001, PPL filed a Securities Certificate and Related Affiliate Interest Filings at Docket Nos. S-00010853 and G-00010872 ("Securities Certificate Filing"). The Securities Certificate Filing was served on all parties in PPL's Restructuring Proceeding. In the Securities Certificate Filing, PPL requested that the Commission authorize PPL to issue up to $900 million in Senior Secured Bonds ("Bonds"). PPL proposed to use the proceeds of the Bonds to finance the purchase of power at prices in excess of the shopping credit, to fund the

retirement of $200 million in debt, for capital additions to transmission and distribution facilities and/or for general corporate purposes.

3. In the Securities Certificate Filing, PPL explained that it was initiating a competitive bidding process for Electric Generation Suppliers to enter into a Generation Supply Agreement ("GSA") with PPL. PPL undertook the competitive bidding process in order to procure power to fulfill its provider of last resort ("POLR") obligation. As PPL explained in the Securities Certificate Filing, a portion of the Bond proceeds will be used to purchase power under the GSA to meet PPL's POLR obligation.

4. On May 30, 2001, PPL supplemented the Securities Certificate Filing by filing a form of GSA with the Commission. PPL had indicated that it would file the form of GSA as an attachment to the Securities Certificate Filing when it became available. The form of GSA was filed as early as possible in order to expedite Commission approval of the GSA as an affiliate interest agreement in the event PPL EnergyPlus, LLC ("PPL EnergyPlus") was a winning bidder.

5. On June 6, 2001, PPL filed a letter with the Commission voluntarily extending the 30 day statutory consideration period for the Securities Certificate Filing until July 16, 2001.

6. On June 20, 2001, PPL filed an executed GSA between PPL and PPL EnergyPlus with the Commission. The executed GSA is a full requirements contract whereby PPL EnergyPlus agrees to provide the capacity and energy required for PPL to meet its POLR obligations from January 1, 2002, until December 31, 2009. PPL EnergyPlus won the right to this contract by supplying the lowest bids in PPL's competitive bidding process for energy supply.

7. Also on June 20, 2001, PPL filed an executed Trademark Assignment Agreement ("TAA") between PPL and its affiliate, PPL Properties, Inc. According to the terms of the TAA,

and subsequent to Commission approval, PPL will transfer its right, title, and interest in various trademarks and logos to PPL Properties, Inc. As further explained in the Securities Certificate Filing, this transfer will assist in formalizing the structural separation of PPL from its unregulated affiliates.

III. TERMS AND CONDITIONS OF THE STIPULATION

8. After its initial filings, PPL entered into informal discussions with the OCA and PPLICA to attempt to settle any issues that either party might have. The Parties believed that any issues presented by the Securities Certificate Filing and the related affiliated interest filings could be resolved without litigation. As a result, PPL agreed to extend the time period for Commission consideration of its Securities Certificate Filing until July 16, 2001. Thereafter, the Parties met by telephone or in person on several occasions, and PPL provided additional information to assist OCA and PPLICA in their review of PPL's filings.

9. Based on these discussions, the Parties have agreed to the following Stipulation, which resolves all outstanding issues among the Parties:

a. PPL will not seek an exception to its generation rate cap or its transmission and distribution rate cap or file a retail transmission and distribution rate case after the expiration of the transmission and distribution rate cap to recover all or any portion of the $89,769,000 paid to PPL EnergyPlus pursuant to the affiliated interest agreement filed at Docket No. G-00010886.

b. PPL will fully reflect all outstanding debt issued pursuant to the Securities Certificate filed at Docket No. S-00010853 in its proposed capital structure in all future retail transmission and distribution rate cases. PPL will not seek a separate premium or similar adjustment in its cost of capital in future retail transmission and distribution rate proceedings based upon the debt issued pursuant to the Securities Certificate filed at Docket No. S-00010853.

c. PPL will continue to provide safe, adequate and reliable service in accordance with the requirements of the Public Utility Code and applicable Commission regulations. PPL agrees that it will not assert as a reason for any potential decline in the reliability of service the financial impact of the debt issued pursuant to the Securities Certificate filed at Docket No. S-00010853.

d. PPL will not assert that any financial covenants entered into in connection with the above-reference issuance of debt create any additional exception to the rate caps established in the Competition Act, 66 Pa.C.S. Chapter 28, and PPL's Restructuring Settlement, or in any way alter or change the Commission's obligation to establish just and reasonable rates under the Public Utility Code, 66 Pa.C.S. § 101 et seq.

e. Commission approval of the affiliated interest agreement relating to the transfer of various PPL trademarks and logos at Docket No: G-00010887 does not address the proper ratemaking treatment of these transfers, and the Parties can address the proper ratemaking treatment in future PPL retail transmission and distribution rate cases.

f. This Stipulation is fully enforceable among the Parties; provided, however, any failure to comply with any portion of this Stipulation will not be the basis for any argument that the issuance of securities pursuant to the above-referenced Securities Certificate was or is unlawful.

10. With these Stipulations, OCA and PPLICA will not object to or protest this filing and agree that this matter is ripe for disposition by the Commission at its July 13, 2001 public meeting. Further, if the Commission approves this Stipulation as filed, the Parties agree not to seek any further administrative or judicial review of the Commission orders approving the above-referenced PPL filings.

IV. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation, the Office of Consumer Advocate, and PP&L Industrial Customer Alliance hereby request that the Commission approve this Stipulation in Settlement and approve PPL's Securities Certificate and all related affiliated interest agreements listed herein at the Public Meeting scheduled for July 13, 2001.

David B. MacGregor

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1701 Market Street
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Counsel for Office of Consumer Advocate

Date: July 3, 2001

Pennsylvania Public Utility Commission, et al
v.
PPL Electric Utilities Corporation

Docket No. R-00049255

OCA Cross Examination Exhibit No. 3

DOCUMENT

Dated Entered: 8/10/04

Sparks, Shaun

From: Matt Kahal [mkahal@exeterassociates.com]
Sent: Monday, August 09, 2004 4:18 PM
To: Sparks, Shaun
Subject: FRB H.15 Release--Selected Interest Rates--August 9, 2004.htm

Federal Reserve Statistical Release

H.15

Selected Interest Rates

Release Date: August 9, 2004

Release dates | Daily update | Historical data | About
Current release *Other formats:* Screen reader | ASCII | PDF (17 KB)

FEDERAL RESERVE STATISTICAL RELEASE

H.15 (519) For immediate release
August 9, 2004

SELECTED INTEREST RATES
Yields in percent per annum

Instruments	2004 Aug 2	2004 Aug 3	2004 Aug 4	2004 Aug 5	2004 Aug 6	Week Ending Aug 6	Week Ending Jul 30	2004 Jul
Federal funds (effective) 1 2 3	1.28	1.24	1.22	1.30	1.32	1.27	1.26	1.26
Commercial paper 3 4 5								
Nonfinancial								
1-month	1.40	1.41	1.43	1.45	1.46	1.43	1.34	1.29
2-month	n.a.	1.46	1.49	1.54	1.50	1.50	1.44	1.38

3-month	n.a.	1.55	1.58	1.56	n.a.	1.56	1.55	1.50
Financial								
1-month	1.41	1.43	1.45	1.47	1.46	1.44	1.38	1.32
2-month	1.53	1.50	1.52	1.53	1.54	1.52	1.48	1.41
3-month	1.62	1.63	1.65	1.63	1.62	1.63	1.58	1.51
CDs (secondary market) 3 6								
1-month	1.48	1.50	1.51	1.53	1.53	1.51	1.44	1.37
3-month	1.65	1.65	1.66	1.67	1.61	1.65	1.63	1.57
6-month	1.89	1.91	1.91	1.91	1.79	1.88	1.92	1.85
Eurodollar deposits (London) 3 7								
1-month	1.45	1.47	1.49	1.51	1.51	1.49	1.43	1.35
3-month	1.62	1.64	1.66	1.64	1.60	1.63	1.61	1.55
6-month	1.86	1.89	1.89	1.88	1.75	1.85	1.90	1.82
Bank prime loan 2 3 8	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Discount window primary credit 2 9	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
U.S. government securities								
Treasury bills (secondary market) 3 4								
4-week	1.24	1.35	1.32	1.31	1.34	1.31	1.28	1.16
3-month	1.48	1.46	1.46	1.45	1.41	1.45	1.43	1.33
6-month	1.74	1.73	1.72	1.71	1.63	1.71	1.74	1.66
Treasury constant maturities								
Nominal 10								
1-month	1.28	1.37	1.34	1.34	1.36	1.34	1.30	1.19
3-month	1.50	1.48	1.49	1.48	1.44	1.48	1.45	1.36
6-month	1.78	1.77	1.76	1.75	1.67	1.75	1.78	1.70
1-year	2.12	2.11	2.11	2.09	1.91	2.07	2.16	2.10
2-year	2.66	2.66	2.66	2.64	2.40	2.60	2.76	2.64
3-year	3.06	3.05	3.05	3.04	2.79	3.00	3.16	3.05
5-year	3.68	3.67	3.66	3.64	3.40	3.61	3.78	3.69
7-year	4.10	4.08	4.08	4.05	3.84	4.03	4.19	4.11
10-year	4.48	4.45	4.45	4.43	4.24	4.41	4.56	4.50
20-year 11	5.22	5.20	5.20	5.18	5.04	5.17	5.30	5.24
Inflation-indexed 12								
5-year	1.26	1.24	1.27	1.23	1.06	1.21	1.39	1.29
7-year	1.66	1.65	1.67	1.63	1.46	1.61	1.77	1.68
10-year	2.00	1.98	2.00	1.96	1.82	1.95	2.08	2.02
20-year	2.37	2.36	2.35	2.32	2.22	2.32	2.44	2.44
Inflation-indexed long-term average 13	2.41	2.39	2.38	2.35	2.26	2.36	2.45	2.36
Interest rate swaps 14								
1-year	2.37	2.37	2.37	2.36	2.18	2.33	2.44	2.34
2-year	3.06	3.06	3.04	3.03	2.76	2.99	3.17	3.04
3-year	3.53	3.53	3.51	3.49	3.22	3.46	3.64	3.52
4-year	3.88	3.88	3.85	3.84	3.58	3.81	3.99	3.88

5-year	4.16	4.15	4.12	4.11	3.86	4.08	4.26	4.16
7-year	4.56	4.55	4.52	4.50	4.29	4.48	4.65	4.57
10-year	4.95	4.93	4.90	4.89	4.71	4.87	5.03	4.96
30-year	5.56	5.54	5.53	5.52	5.38	5.50	5.64	5.58
Corporate bonds								
Moody's seasoned								
Aaa 15	5.79	5.77	5.77	5.75	5.64	5.74	5.87	5.82
Baa	6.61	6.59	6.59	6.57	6.46	6.56	6.66	6.62
State & local bonds 16				4.78		4.78	4.88	4.87
Conventional mortgages 17					5.99	5.99	6.08	6.06

See overleaf for footnotes

n.a. -- not available

FOOTNOTES

1. The daily effective federal funds rate is a weighted average of rates on brokered trades.
2. Weekly figures are averages of 7 calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. On a discount basis.
5. Interest rates interpolated from data on certain commercial paper trades settled by The Depository Trust Company. The trades represent sales of commercial paper by dealers or direct issuers to investors (that is, the offer side). The 1-, 2-, and 3-month rates are equivalent to the 30-, 60-, and 90-day dates reported on the Board's Commercial Paper Web page (www.federalreserve.gov/releases/cp).
6. An average of dealer offering rates on nationally traded certificates of deposit.
7. Bid rates for Eurodollar deposits collected around 9:30 a.m. Eastern time.
8. Rate posted by a majority of top 25 (by assets in domestic offices) insured U.S.-chartered commercial banks. Prime is one of several base rates used by banks to price short-term business loans.
9. The rate charged for discounts made and advances extended under the Federal Reserve's primary credit

discount window program, which became effective January 9, 2003. This rate replaces that for adjustment credit, which was discontinued after January 8, 2003. For further information, see www.federalreserve.gov/boarddocs/press/bcreg/2002/200210312/default.htm.
The rate reported is that for the Federal Reserve Bank of New York. Historical series for the rate on adjustment credit is available at www.federalreserve.gov/releases/h15/data.htm.

10. Yields on actively traded non-inflation-index issues adjusted to constant maturities. Source: U.S. Treasury.
11. A factor for adjusting the daily nominal 20-year constant maturity in order to estimate a 30-year rate can be found at www.treas.gov/offices/domestic-finance/debt-management/interest-rate/ltcompositeindex.html.
12. Yields on Treasury inflation protected securities (TIPS) adjusted to constant maturities. Source: U.S. Treasury. Additional information on both nominal and inflation-indexed yields may be found at www.treas.gov/offices/domestic-finance/debt-management/interest-rate/index.html.
13. Based on the unweighted average bid yields for all Inflation Protected Securities with remaining terms to maturity of more than 10 years.
14. International Swaps and Derivatives Association (ISDA(R)) mid-market par swap rates. Rates are for a Fixed Rate Payer in return for receiving three month LIBOR, and are based on rates collected at 11:00 a.m. by Garban Intercapital plc and published on Reuters Page ISDAFIX(R)1. ISDAFIX is a registered service mark of ISDA. Source: Reuters Limited.
15. Moody's Aaa rates through December 6, 2001 are averages of Aaa utility and Aaa industrial bond rates. As of December 7, 2001, these rates are averages of Aaa industrial bonds only.
16. Bond Buyer Index, general obligation, 20 years to maturity, mixed quality; Thursday quotations.
17. Contract interest rates on commitments for fixed-rate first mortgages. Source: FHLMC.

Note: Weekly and monthly figures on this release, as well as annual figures available on the Board's historical H.15 web site (see below), are averages of business days unless otherwise noted.

Current and historical H.15 data are available on the Federal Reserve Board's web site (www.federalreserve.gov/). For information about individual copies or subscriptions, contact Publications Services at the Federal Reserve Board (phone 202-452-3244, fax 202-728-5886). For paid electronic access to current and historical data, call STAT-USA at 1-800-782-8872 or 202-482-1986.

DESCRIPTION OF THE TREASURY NOMINAL AND INFLATION-INDEXED CONSTANT MATURITY SERIES

Yields on Treasury nominal securities at "constant maturity" are interpolated by the U.S. Treasury from the daily yield curve for non-inflation-indexed Treasury securities. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. The constant maturity yield values are read from the yield curve at fixed maturities, currently 1, 3 and 6 months and 1, 2, 3, 5, 7, 10 and 20 years. This method provides a yield for a 10-year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity. Similarly, yields on inflation-indexed securities at "constant maturity" are interpolated from the daily yield curve for Treasury inflation protected securities in the over-the-counter market. The inflation-indexed constant maturity yields are read from this yield curve at fixed maturities, currently 5, 7, and 10 years.

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BEFORE THE

Pennsylvania Public Utility Commission

Pennsylvania Public Utility Commission	:
v.	: **Docket No. R-00049225C0007**
PPL Electric Utilities Corporation	:

Eric Joseph Epstein Statements Number 1 & Eric Joseph Epstein Number 1-S

8/10/04 Hbg JK

EXTRA COPY

DOCUMENT

Submitted by

Eric Joseph Epstein
4100 Hillsdale Road
Harrisburg, PA 17112
(717)-541-1101 Phone
(717)-541-5487 Fax
ericepstein@comcast.net

August 10, 2004

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SECRETARY'S BUREAU

BEFORE THE
Pennsylvania Public Utility Commission

Pennsylvania Public Utility Commission	:
v.	: **Docket No. R-00049225C**
PPL Electric Utilities Corporation	:

June 29, 2004

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Dear Secretary McNulty:

Enclosed for filing with the Commission are the original and three (3) copies of of Eric Joseph Epstein's Direct Testimony in the above-referenced proceeding.

Sincerely, *Pro se*

Eric Joseph Epstein
4100 Hillsdale Road
Harrisburg, PA 17112
(717)-541-1101 Phone
(717)-541-5487 Fax
ericepstein@comcast.net

cc: Certificate of Service

Eric Joseph Epstein
Docket No. R-00049225
Index of Direct Testimony

I. Witness

Eric Joseph Epstein.

II. Nature of Testimony & Exhibits

a) The amount of the requested rate increase is just and appropriate;

b) The expenses claimed by PPL were prudently incurred;

c) PPL's proposed rate structure and rate design are appropriate;

d) The allocation of the proposed distribution rate increase between and among customer classes is just, reasonable and nondiscriminatory;

e) Intergenerational rate tariffs and intergenerational equity;

f) The rate of return on equity proposed by PPL and other aspects of the Company's proposal result in a fair rate of return;

g) PPL's cost and quality of service is accurate, legitimate and appropriately allocated;

h) PPL's proposed application and design of the proposed Transmission Service Charge is appropriate, just and reasonable;

i) PPL's proposed implementation of a Distribution System Improvement Charge is appropriate and lawful;

j) Appropriateness and accuracy of PPL's accounts, deprecation accruals and accrued deprecations and annual amortization rates;

k) Reconciliation of PPL's accounts, deprecation accruals and accrued deprecations and annual amortization rates to ensure consistency of the Company's Revenue Neutral Reconciliation Tax Assessments in terms of accounts, deprecation accruals and accrued deprecations and annual amortization rates;

Eric Joseph Epstein
Docket No. R-00049225
Index of Direct Testimony
(Continued)

l) Value of building permits and value of replacement parts;

m) Cost sharing, responsibilities, liabilities and cost burdens associated with environmental transgression(s) and remediation(s);

n) Maintaining historic levels of "Charitable Giving" and economic development programming; and,

o) Cost sharing for expenses related to: implementation of reliability standards; substation voltage interruptions, transmission line and grid "disturbances"; security staffing levels, and payment for stationing of the National Guard and Pennsylvania State Police.

BEFORE THE
Pennsylvania Public Utility Commission

Eric Joseph Epstein	:
v.	: **Docket No. R-00049225**
PPL Electric Utilities	:
Corporation	:

Testimony of Eric Joseph Epstein

I. Witness

1) The name and address of the the Witness are:

Eric Joseph Epstein, *Pro se*
4100 Hillsdale Road
Harrisburg, PA 17112
(717)-541-1101 Phone
ericepstein@comcast.net

2) The name and address of the Respondent is:

PPL Electric Utility Corporation
Two North 9th Street
Allentown, PA 18101-1179

3) Eric Joseph Epstein ("Epstein" or "Mr. Epstein" or "the Witness"):

a) Is a PPL shareholder;

b) Receives generation, distribution and transmission service from the Company;

c) Is a Signatory to the JOINT PETITION FOR FULL SETTLEMENT OF PP&L INC's RESTRUCTURING PLAN AND RELATED COURT PROCEEDINGS (August 12, 1998) (Docket No. R-00973954);

d) Was a sponsor of the Nuclear Decommissioning provision contained in the Negotiated Settlement (D. 1 . **Nuclear Decommissioning,** Page. 21, Lines, 1-8);

e) Was actively involved in the Petition of PP&L, Inc., For Permission To Defer, For Future Recovery, A Portion of Its Transition Charges, or In The Alternative, To Exceed the Rate Caps Pursuant to 66 Pa. C.S. § 2804(4)iii(G); Docket No: P-00991780;

f) Was an Active Party in the Petition of PPL, Inc. Petition asking for Issuance of Determination Under Section 329(c) of PUCHA, 15 USC Section 79z-5a9(c); Docket No. P-00991787;

g) Was also an Active Party in PPL Electric Utilities Corporation 2002 Reconciliation Filing with the Pennsylvania Public Utility Commission;

h) Filed an unofficial Data Request with PPL related to PPL's CTC's 2003 Reconciliation Filing and Intervened in the Case;

i) Participated in PPL Electric Utilities Corporation 2001 and 2002 Intangible Transition Charge Reconciliation Filings;

j) Was actively involved in the Petition of PP&L, Inc., For Permission To Defer, For Future Recovery, A Portion of Its Transition Charges, or In The Alternative, To Exceed the Rate Caps Pursuant to 66 Pa. C.S. § 2804(4)iii(G); Docket No: P-00991780; and,

k) Submitted Informal Data Requests in PPL's 2003 ITC Reconciliation Filing, and the Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Purposes Certain Losses from Extraordinary Storm Damage and to Amortize Such Losses.

II. Statement of Issues

a) The amount of the requested rate increase is just and appropriate:

The amount of the proposed rate increase would cause an undue financial burden on PPL's 1.3 million transmission and distribution (T & D) customers. Clearly, the Company can continue to deliver quality and reliable service without causing rate shock and economic dislocation.

b) The expenses claimed by PPL were prudently incurred:

Advanced Meter Reading (AMR) Expenses

Certain expenses should be denied while other expenses need to be adjusted to reflect a more appropriate accounting methodology (See discussion j) Appropriateness and accuracy of PPL's accounts, deprecation accruals and accrued deprecations and annual amortization rates.)

According to the Company, the Advanced Meter Reading (AMR) Technology will save PPL through increased efficiencies and labor reductions. PPL will "have much more information to help customers than we have from once-a-month meter readings," Bray said. The company will have "the ability to offer innovative pricing options such as rates based on the time of use of electricity" (Jun. 21, 2003 --PLAINS TWP., Pa.)

PPL asserts that they are entitled to recover $8.8 million for the "displacement costs" of downsizing their labor force. The actual figure for "AMR Displacement Costs" is "8.818 million" (J.R. Schadt, Response to OTS, Set 7, RE-107, April 27, 2004.) Yet, PPL's 2003 Annual Report to Shareholders has a slightly higher estimate, "Other charges of $9 million in 2003 consisted of a charge for a workforce reduction."

The issue isn't whether the figure is $8.8 or $9.0 million. Rate payers should not pay PPL to "displace", "reduce", or "terminate" workers. The outcome is the same: PPL saves costs, reduces its labor force and anticipates increased profitability from the implementation of the AMR system. (1)

According to PPL, "...the Company believes that is appropriate to recover the costs incurred to sever the separated employees. The Company is requesting the recovery of this special termination benefit charge over a five year period" (J.R. Schadt, Response to OTS, Set 17, RE-133, June 1, 2004.)

This is the same company, who only a year earlier, boldly declared, "The automated meter reading technology enables PPL to save money, eliminate estimated usage for customers and prepare the way for future enhancements of the system,'" said Michael Bray, president of PPL Electric Utilities Corp.' " Brey later proclaimed, "The price of progress costs the jobs of 175 meter readers in ... 29-county service area," said Bray (Jun. 21, 2003 --PLAINS TWP., Pa.) PPL went beyond its initial "downsizing" predictions, and increased the "number of employees impacted by the final phase of the AMR project from 94 to 106" (J.R. Schadt, Response to OTS-RE-64, Set 5 , p.2, April 23, 2004.)

Rate payers should not be underwriting the costs to terminate the employment of their neighbors. This is a business decision, and $8.8 million is a cost of doing business. "The price of progress" necessarily means that corporations accept responsibility for their business decisions. AMR technology becomes a net loss for rate payers if they are forced to underwrite the program. Rate payers should not have to fund Company layoffs and underwrite the costs of a program that will net consumers little to nothing. As such, the $8.8 million requested to increase unemployment should be rejected in its entirety.

1 "The Company did not implement any costs saving program other than AMR during 2003 and none currently is planned for 2004 or thereafter. Many projects do, however, have cost savings as an ancillary benefit" (D.A. Krall, Response to OCA, Set III, Q.30, April 27, 2004.)

Labor Reductions & "Out sourcing"

The Company should be lauded for retaining regional labor to staff PPL's customer response center. The approximately 240 jobs are an important component of economic development in the Lehigh Valley. However, the Company did "out source" to "others" $629,392 in services relating to the call center, i.e., software upgrades and maintenance" (J.R. Schadt, PPL Response to OCA, Set XII, Q.2.)

Since the Company has no "official policy" on "out sourcing" (2), it is unable to quantify positions that have been eliminated do to the practice: "PPL Electric does not have a formal policy on outsoucing...PPL Electric has no record of how many internal Company positions may have been eliminated as a result of out sourcing" (D.A. Krall, PPL Response to Epstein, Set II, Q.7, May 17, 2004.) However, external workers are increasingly supplementing an understaffed workforce. J.R. Schadt testified:

> The increase in work by outsiders is primarily a function of utilizing additional outside contractors in lieu of PPL electric workforce. When PPL Electric planned its work for 2004, it compared its total man-hour needs to projected available PPL electric man-hours, any shortfall is made up with outside contractor labor" (J.R. Schadt, PPL Response Informal Data Requests, OCA, Q.6, June 10, 2004.)

The amount of labor contracted to "work by others" is significant. In 2004, PPL's reliance on "out sourcing" is projected to increase to $53,362,932. Among the tasks "out sourced" include: service requests; power service problems; disconnects and reconnects; specific projects; maintenance; inspections; collections; waste removal; consultant support services; and, manual labor (J.R. Schadt, PPL Response to OCA, Set XII, Q.2, May 20, 2004.)

2 UtiliPoint International's 2003 survey of North American utilities on customer care indicated that 43 percent of investor-owned utilities, 52 percent of cooperatives and 45 percent of municipalities have "out sourced" (or plan to out source) some function in the next two years. Some of the most popular duties to get doled out are bill printing, credit and collections and bill remittance.

The Company has embarked on a strategy that reduces costs by "outscoring labor" to a variety of external actors, some of which are based overseas. (3) Moreover, PPL has requested that the rate payers finance this policy. From 2003 through 2004, PPL decreased the number of transmission and distribution of (T&D) "bargaining unit" employees from 1,856 to 1,747 while increasing the number of nonunion employees from 497 to 505 (J.R. Schadt & D.A. Krall, Response to Epstein, Data Request, 1, June 14, 2004.) (4)

PPL has chosen to atrophy departments not affected by layoffs. The current ratio of linesman to households, business to customers in general is .0006 employees in linesman type positions per customer" (D.A. Krall, PPL Response to Epstein, Set II, Q.8.) The Company noted that a rate increase is needed to help service a growing customer base, yet PPL has no plans to maintain or improve upon the existing ratio.

The Company presumes synergies garnered from efficiencies of scale will enhance compliance with reliability standards: "In an effort to improve operational efficiency and reduce costs, PPL and its subsidiaries commenced a workforce reduction assessment in June 2002 that was executed to eliminate up to 598 employees or about 7% of PPL's U.S. workforce" (PPL, 2003 Annual Report, p. 94.)

---

3 In 2001 Bermuda-based Accenture performed $359,425 of services. The following year, Accenture was awarded $129,237 of services during accounting periods 7 &9 (J.R. Schadt, Response to OCA, Set III, Q.16, April 27, 2004).

House Moves to Protect Accenture Contract By Roy Mark

"Last week, the House Appropriations Committee voted 35-17 to prohibit DHS from granting contracts to corporations using offshore headquarters to avoid U.S. taxes. The vote came only one week after DHS awarded Bermuda-based Accenture LLP, one of the largest federal contracts in history" (June 16, 2004.)

4 Of the 94 AMR positions "eliminated" 57 were "retirement eligible" union employees, 23 were "non-retirement eligible union members" and 14 were management (Letter from Royce S. Kosoff, FSA, Towers Perrin, to George Sunder, Team leader - Benefit Accounting, PPL, October 13, 2003.)

Yet efficiencies of scale through attrition at PPL have produced increased costs and have not been applied at the same ratio to upper-level management or the Board of Directors. Although PPL does not calculate its budget or prepare staffing levels on a per customer basis, it is clear that downsizing has actually increased pressures on PPL to seek lower costs through external contracted labor.

Exhibit: 1

Year	Charges to FERC Maintenance Accounts	# of T&D Employees (a)	of PPL E Employees (b)
2000	$55.5 million	2,846	
2001	$52.9 million	2,735	3,179
2002	$62.3 million	2,656	3,111
2003	$60.5 million	2,353	2,909
2004	$67.9 million*	2,252	2,926 (Projected)
2005	NA	2,261 (Projected)	

*Forecasted
Sources:
(a): Data provided by PPL as of December of each year:
• D.A. Krall, Response to Eric Joseph Epstein, Set II, Q.13, May 17, 2004.
• J.R. Schadt, Response to OTS, Set 7, RE-103 & 104, April 27, 2004.
(b) : Data provided by PPL:
• J.R. Schadt, Response to Epstein, Set III, Q.8, May 25, 2004.

During that same period, the "price of progress" did not affect the compensation of PPL Corporation's top two executives:

Exhibit: 2

Total Compensation (5)	**2001**	**2002**	**2003**
William F. Hecht:	$1,512,714	$ 2,165,996	$2,534,238
John R. Biggar:	$ 600,694	$ 875,115	$ 977,298

Source:
• J.R. Schadt, Response to OCA, Set II, Q. 23, April 27, 2004.

5 Mr. Hecht, Chairman, President and Chief Executive Officer of PPL Corporation, has served as a Management Director on the PPL Board since 1990. Mr. Biggar, Executive Vice President and Chief Financial Officer of PPL Corporation, has served as a Management Director since 2001. The Board Compensation Package includes an annual stipend of $79,000 plus an additional one-time retainer fee. Committee chairs, like Mr. Hecht, receive an additional $1,000 per meeting he chairs. (PPL Corporation, April 23, 2004, Proxy statement, pp. 8-9.)

PPL needs to balance executive compensation packages and workforce reductions (See discussion in: Maintaining historic levels of "Charitable Giving" and economic development programming.) The Commission should establish an index for the amount of corporate compensation PPL Electric Utilities contributes to PPL's executives.

PPL's corporate compensation philosophy "encourage[s] increased stock ownership on the part of executive officers, which further aligns the interests of management and share owners." Similar goals are established for executive base salaries and incentive awards (Proxy Statement, Compensation Philosophy, pp. 14-15.)

Exhibit: 3

	PPLEU Compensation	% charged to PPLEU
William F. Hecht		
2001	$478,320	31.62%
2002	$787,773	36.37%
2003	$671,320	26.49%
John R. Biggar		
2001	$189,939	31.62%
2002	$318,280	36.37%
2003	$258,886	26.49%

Source:
- J.R. Schadt, Response to OCA, Set II, Q. 23, April 27, 2004.

The PUC should align and incent PPL Electric's portion of executive compensation with "rate payers interest." The percent of executive compensation allocated from PPLEU should be indexed to reliability, community investment, and customer satisfaction. The index, established by the Corporate Governance Committee of the Board of Director's of PPL Corporation and the PUC Law Bureau, would be monitored by the Commission's Bureau of Consumer Services. As these categories increase or decrease, so to would the PPL Electric portion of the executives' compensation contributions. The PUC's would also be accorded nonvoting Board monitor status on Corporate Governance Committee.

Or in the alternative, PPL could elect to eliminate corporate bonuses and incentives received from hostage PPL rate payers.

c) PPL's proposed rate structure and rate design are appropriate.

Mr. Epstein's position on this matter will be affected by Testimony submitted by other Active parties. As such, he offers no formal testimony on this issue but will provide a detailed position as well as remedies in his Main Brief.

d) The allocation of the proposed distribution rate increase between and among customer classes is just, reasonable and nondiscriminatory.

Mr. Epstein's position on this matter will be affected by Testimony submitted by other Active parties and legal arguments relating to PPL's method of underwriting the DISC.

Mr. Epstein strongly disagrees with the rate recovery theory of residential and commercial rate payers being assessed "simple surcharges" (D.A. Krall & J.M. Krall, Response to OSBA, Set III, Q.1, April 7, 2004.)

This DISC tariff is inherently discriminatory since PPL has proposed that the DISC only be levied on customers with less than 12,470 volt service, Tariff Supplement No. 38, 10-g & 10-J.

(Also, please refer to discussions in b) The expenses claimed by PPL were prudently incurred, and d) The allocation of the proposed distribution rate increase between and among customer classes is just, reasonable and nondiscriminatory.)

e) Intergenerational rate tariffs and intergenerational equity.

Mr. Epstein's position on this matter will be affected by Testimony submitted by other Active parties. As such, he offers limited formal testimony on this issue but will provide a detailed position as well as remedies in his Main Brief. Mr. Epstein is operating under the traditional rate-making premise that a generation is equal to seven years.

The Company has been recovering $2.97 billion in stranded expenses over an eleven year period as part of the 1998 Negotiated Settlement approved by the PUC on April 13, 1998. Rate payers are already paying for the Company's decision to construct the Susquehanna Steam Electric station at a ballooned cost of $4 billion. Furthermore, the CTC's (6) are a direct result of the "stranded costs" and will affect another two "generations" of rate payers.

(Also, please refer to k) Reconciliation of PPL's accounts, deprecation accruals and accrued deprecations and annual amortization rates to ensure consistency of the Company's Revenue Neutral Reconciliation Tax Assessments in terms of accounts, deprecation accruals and accrued deprecations and annual amortization rates.)

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6 Although the Susquehanna Steam Electric Station (SSES-1) was built at a cost of $4 billion and assessed at $3.8 billion, PPL argued that the facility was only worth a fraction of the PURTA value.

In December 2000, PPL persuaded a Luzerne County judge to assess the nuclear power plant at $165.4 million.

Three rate payer generations have amassed since PP&L originally asked the PUC for $315 million to recover the cost of building SSES-1. The Commission granted $203 million or the equivalent of a 16% rate increase in 1983. An additional 8% rate increase, or $121 million, was added in 1985 to pay for SSES-2.

The current T&D proposal would add to the burden hostage rate payers paid to construct the SSES as well as the $2.97 billion in uneconomical stranded costs associated with the nuclear generating station.

f) The rate of return on equity proposed by PPL and other aspects of the Company's proposal result in a fair rate of return.

Mr. Epstein believes that an 11.5% increase is inconsistent with previous findings in earlier PP&L rate proceedings. Simply put, PPL has chosen to usurp the "water model" (7) and apply it to electric transmission and distribution.

If Supplement No. 38 becomes effective as proposed, the Company would benefit from an opportunity to recover an estimated annual increase in distribution base rate revenues of $164.4 million. The Company also seeks an increase in transmission charges of $57.2 million. The combined transmission and distribution base rate increase is $221.7 million, representing an approximate increase of 8.14% to the Company's present rates.

PPL Electric's return on equity is forecast to be about 1% in 2004. In the absence of rate relief, PPL Electric's return on equity will continue to drop and it will become increasingly more difficult and more expensive for the Company to raise the capital necessary to provide reliable service to its customers" (D.A. Krall & J.F. Sipics, Response to Epstein, Set II, Q.2, May 17, 2004.)

Clearly, a double digit increase is not warranted to address a 1% (8) drop in equity from 2003 to 2004. Embedded labor costs have been stabilized and reduced through workforce reductions, yet service may actually improve through the installation of AMR technology. PPL has already installed a strategy to improve "reliable delivery service" without a rate increase.

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7 Pennyslvania-American Water Company's increase in equity from 10% to 10.6%, as a result of the Commission's retroactive recovery award, is being appealed in Commonwealth Court by the Office of Consumer Advocate.

8 In September, 2002, despite economic woes, PPL paid financially troubled Mirant $235 million in cash to obtain Mirant's 49% stake in Western Power Distribution in the United Kingdom. PPL already has a 51% stake in the venture.

According to William F. Hecht, the Chairman, President and CEO of PPL, the Company (9) is doing extremely well:

> ...we reported record earnings of $4.24 per share. Our earnings from ongoing operations, which excluded the effect of unusual items, also were a record, at $3.71 per share, an increase of nearly 5 percent over 2002.
>
> PPL also did very well in comparisons to others in 2003. Our common stock price outperformed the Standard & Poors Electric Utilities Index by 35 percent.
>
> Our total return to share owners was 31 percent in 2003 and has been 88 percent over the past five years, putting PPL among the leaders in the U.S. electricity business. And, the company's common stock price has risen by 57 percent over the past five years, an increase better than all but two of the FORTUNE 500 electric companies.
>
> We also continue to grow our dividend. We're also improving your company's financial position. *Since September of 2002, we have issued* about $1 billion of common stock, which has strengthened the company's balance sheet. (10)

g) PPL's cost and quality of service is accurate, legitimate and appropriately allocated.

Mr. Epstein's position on this matter will be affected by Testimony submitted by other Active parties and a continuing review of Confidential data supplied by PPL.

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9 In the first half of 2003, PPL posted earnings from core operations of $292 million, or $1.72 a share, compared with $262 million, or $1.77 a share, during the same period in 2002.

10 PPL Corporation, 2003 Annual Report, Letter to Shareowners, March 15, 2004, pp. 17-18.

A reportable matrix needs to be designed that assures that employment levels do not adversely affect reliability of service or disturb the prompt restoration of interrupted service (See Discussion on Labor.)

Mr. Epstein strongly supports the position of PPLICA in regard to Hurricane Isabelle costs, i.e., "A. Deferral of PPL's Storm-Related Costs for Future Recovery Would Violate PPL's Rate Cap", November 10, 2003 (pp. 4-5). (10) Epstein is in complete agreement with OCA's Opposition to PPL's Petition contained in the Answer of the Consumer Advocate, November 7, 2003 (pp. 1-6.) (11)

If PPL claims to be entitled to rate recovery from "extraordinary" weather conditions, then the same logic should be applied to customers. Consumers must necessarily be entitled to refunds when "extraordinary" weather conditions deprive them of service, and cause quantifiable material, physical, financial and emotional hardships.

Additionally, "extraordinary" storms had no impact on PPL's decision to cut its labor force (13) which inhibited its ability to deploy dedicated PPL employees to service customers during "extraordinary" conditions .

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10 Re: Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Purposes Certain Losses from Extraordinary Storm Damage and to Amortize Such Losses: Docket No. P-00032069. Mr. Epstein filed a Petition to Intervene & Answer Opposition of Eric Joseph Epstein, *Pro se,* on November 24, 2003).

11 PPL's initial gambit was firmly rejected in the Recommended Decision of Administrative Law Judge Louis G. Cocheres on October 13, 2000. The ALJ's Decision was officially codified by the Commission's Order and Opinion on December 12, 2000 (PP&L Inc.'s Petition asking for Permission to Defer, For Future Recovery, A Portion of Its Competitive Transition Charges, or In the Alternative, To Exceed The Rate Caps Pursuant to 66 Pa. C.S. § (2804 94) (iii) (G); Docket No. P-00991780 (1999)).

12 On June 19, 2002 PPL announced it was cutting its work force by 7%. Earlier in the month, on June 1, 2002, *Public Utilities Fortnightly* published a list of the highest paid electric CEO's. PPL's William Hecht, who ranked #31, was compensated $1,197,500.

h) PPL's proposed application and design of the proposed Transmission Service Charge is appropriate, just and reasonable.

Mr. Epstein's position on this matter will be affected by Testimony submitted by other Active parties. As such, he offers no formal testimony on this issue but will provide a detailed position as well as remedies in his Main Brief.

i) PPL's proposed implementation of a Distribution System Improvement. Charge is appropriate and lawful.

Mr. Epstein will argue that the DISC is illegal.

The Company has "not prepared any specific analysis as to the effect of the denial of the DISC on its projected capital additions" (D.A. Krall, Response to OSBA, Set III, Q.3, April 7, 2004.) Nor does the Company believe a rejection will have a "material adverse impact" in the absence of a tariff increase" (Krall & Sipics, Epstein Set II, Q.2, May 17, 2004.)

The Company's primary concern is credit rating (13) and ability to finance debt. (14) However, on June 21, 2004, according to a PPL press releases, "PPL Corp. (PPL) has agreed to sell its Sundance power plant in Arizona to a unit of Pinnacle West Capital Corp. (PNW) for about $190 million in cash. PPL said the sale proceeds will be used to pay off debt".

13 "PP&L Capital Funding Inc.'s new $500 million 7.25% issue of medium term notes (MTN) due April 15, 2004 is rated BBB+ by Fitch IBCA, Inc. PP&L Capital is a wholly owned subsidiary of PP&L Resources, Inc. (Resources) and the funding conduit for Resources and its non-regulated subsidiaries which invest in domestic and international energy projects...The growing exposure to emerging markets and merchant generation will increase business risk (PP&L Company Press release, February 4, 2000).

14 "PPL subsidiaries renewed a total of $1 billion in credit lines with a consortium of banks led by Wachovia Securities, Inc." Patriot News, July 7, 2002.)

Additionally, the "$26 million in property additions" that PPL believes is "eligible" under DISC surcharge should be rejected in its entirety.

j) Appropriateness and accuracy of PPL's accounts, deprecation accruals and accrued deprecations and annual amortization rates.

Mr. Epstein believes that PPL's accounting methodology is vague and provides for a generous interpretation of asset value. For example, all properties are grouped under a uniform heading of "vintage" which means "the original year of installation or year the asset was placed in service" and "retired at the same cost" J.J. Spanos, Response to Epstein, Set 1, Q. 1, p.1 & Q.2, May 5, 2004).

The underpinnings of this methodology are not empirical but an amalgam of belief systems,"all decisions in the depreciation study included historical analysis, Company policy, decisions by federal and state regulations and estimates of other electric utilities" (J.J. Spanos, Response to Epstein, Set I, Q 11., May 5, 2004.)

PPL's depreciation theory does not allow for site specific analysis, except when the Company creates subjective "vintage" caveats:

> There are no assumptions by the Company that all vintage assets will behave uniformly nor are there any plans for a single probable retirement date established for any assets, with the exception of major buildings in Account 390. A survivor curve represents an average service life and dispersion rate of all the assets in the account. However, averages include some early retirements and some late retirements (J.J. Spanos, Response to Epstein, Set I, Q 1., p.2, May 5, 2004.)

The fatal flaw with this methodology is its over reliance on an outdated accounting methodology that fixes an asset to a static and "specific point in time." PPL's links changes in an assets value to a generic style of branding: " In the future, the composition of property in service may change depending on the vintage of actual retirements" (J.J. Spanos, Response to Epstein, Set I, Q 11., May 5, 2004.) The Company's paradigm fails to factor or utilize data and methodologies garnered form the Bureau of Economic Analyses new deprecation methodology.

> The new BEA methodology reflects the results of empirical studies on the prices of used equipment and structures in resale markets, which have shown that **depreciation for most kinds of equipment and structures does not follow a straight line pattern. For most assets, empirical studies on specific assets conclude a geometric pattern of depreciation is appropriate** (15)
> (**Bold face type added**")

Summaries of the new geometric patterns can be found in more current publications, readily available and peer reviewed, e.g. Fraumeni, (1997); Katz and Herman (1997); and, Parker Triplett (1995).

PPL needs to revise their depreciation estimates by using a more accurate and contemporary geometric matrix that incorporates site specific assets with the goal of appraising these assets at fair market value. A geometric model allows for adjustments "for quality differences across vintages" and updates for service lifes.

> A straight line pattern assumes equal dollar depreciation over the life of an asset. For example, with straight line depreciation in the first year is equal to depreciation in the second year, which is equal to depreciation in the third year...A geometric pattern is a specific type of accelerated pattern. An accelerated pattern assumes higher dollar depreciation in the early years of the asset's service life than in the later years...geometric depreciation is calculated as a constant fraction of detailed constant-dollar net stocks (Fraumeni, p.6)

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15 Barbara M. Fraumeni, "The Measurement of Depreciation in the U.S. National Income and Product Accounts", *Survey of Current Business Issues*, July, 1997, pp. 6-23.)

By relying on survivor curves and the combined averages of service lives, PPL has artificially inflated the true value of an asset during it's medium- life at the end of its "used and useful life".

The Company has established a procedure and precedent for valuing site specific assets: "The property in account 390.2 also was estimated by the site specific classification of the assets" (J.J. Spanos, Response to Epstein, Set I, Q 7., p.2, May 5, 2004.)

PPL needs to establish true values for purposes of the Present T&D case, and factor omitted and necessary historical costs, i.e., original installation costs. PPL has the capability to evaluate its property, plant and equipment on a geometric scale while incorporating site specific data.

The Company already utilizes a "composite" or "group" accounting methodology that it allows to record "impairment costs" or "income" values or "various methods".

> PP&E [Property, Plant & Equipment] is recorded at original cost, unless impaired. If impacted, the asset is written down to fair value at that time, which becomes the assets new cost basis. Original cost includes material, labor, contractor costs, construction overheads and financing costs, when applicable...
>
> When all or a significant portion of an operating unit is retired or sold that was depreciated under the composite or group method, the property and the related accumulated deprecation account is reduced and any gain or loss is included in income, unless otherwise required by regulators. Depreciation is computed over the estimated useful lives of property using various methods including the straight-line, composite and group methods" (PPL, 2003 Annual Report, Notes to (Consolidated Financial Statements, pp. 58-59)

All asset valuation should be predicated on geometric patterns which should supplant the Company's current straight line methodology. PPL's reliance on "historical analyses of Company policy, decisions by federal ands state regulations, and the estimates of other electric utilities" (J.J. Spanos, Response to Epstein, Set I, Q 11, May 5, 2004) creates an inaccurate taxing scenario. A geometric matrix would stabilize inherent variables in service lives, and could possibly supplant annual reconcilations. In fact geometric extrapolation is a much more effective empirical tool than "a comparison of the study to the last study" (J.J. Spanos, Response to Epstein, Set I, Q 13, May 5, 2004.) Moreover, this approach allows the Company to "adjust for quality differences across vintages..." (16)

k) Reconciliation of PPL's accounts, deprecation accruals and accrued deprecations and annual amortization rates to ensure consistency of the Company's Revenue Neutral Reconciliation Tax Assessments in terms of accounts, deprecation accruals and accrued deprecations and annual amortization rates.

There is a gap between what PPL collects from rate payers and what the Company pays in taxes. The Company's adversarial position with Pennsylvania communities in regard to Revenue Neutral Reconciliation at GENCO facilities, e.g., Berwick, Northeastern and Penn Manor School Districts has created funding deficits and a vast reservoir of ill-will.

For example, in the winter of 1999-2000, PPL unilaterally devalued the Susquehanna Steam Electric Station. Built at cost to rate payers of $4.0 billion, the Company claimed the asset was only worth $74 million. PPL refused to pay or escrow back taxes that they owed to the Berwick School District and Luzerne County. The Company now pays $3 million a year to the county, school district and Salem Township as opposed to the $30 million PPL "contributed" to PURTA prior to deregulation.

16 Barbara M. Fraumeni, "The Measurement of Depreciation in the U.S. National Income and Product Accounts", *Survey of Current Business Issues*, July, 1997, p. 19.)

Yet, from 2000 through 2009, PPL is including in its customer billings $280 million in real estate levies but paying only $3 million a year in taxes a year. This estimated 10-year windfall of $250 million virtually wipes out the rate increase demanded by PPL.

This pattern was repeated in northern York County where PPL refused to pay property taxes on Brunner Island in the Northeastern School District for 2000 and 2001 because it claims the assessed value, originally set by the county at $43 million, was grossly inflated. PPL did, however, pay $788,067 for its 2002 taxes.

Mr. Epstein's proposal would facilitate intergenerational equity and establish a measure of transparency and stability to local and state tax collections.

l) Value of building permits and value of replacement parts.

Mr. Epstein believes that PPL's accounting methodology is over-reliant on straight line "vintage" assets.

Also, PPL should account for profits that occur when selling property obtained through eminent domain, submarket rates, easements, and right of ways, by reflecting the actual price rate payers were assessed for the original property and the markup in the current sale prices. The proceeds should necessarily flow back to rate payers either in the form of a credit or rebate.

m) Cost sharing, responsibilities, liabilities and cost burdens associated with environmental transgression(s) and remediation(s).

PPL's past record does not adequately address future remediation costs. The "$532,000 increase in environmental remediation costs for the 2004 budget" is arbitrary and should be rejected, with the exception of funding for 2004 which is somewhere between $38,000 (17) and $60,000. (18)

PPL's projections are based on vague past references which were overly dependent on the random selection of a single site: "The $3 million of remediation expense recorded in 2003 was primarily for the cleanup of the Sunbury manufactured gas plant site (J. R. Schadt, Response to OTS-RE-150, Set 20, June , 2004.)

PPL remediation requests appear to be far beyond what is necessary to complete the final phase of the PCB cleanup of project. PPL Electric has not identified specific projects or sites associated with the 2004 environmental remediation claim.

The remaining contaminated areas, manufacturing gas plants (MGPs), were not included in PPL Electric's rate base. MGP remediation is part of a 1996 "voluntary consent order" between PPL Gas Utilities with the DEP. Most of these sites were contaminated by coal gas manufacturing, and the lions share of remediation budget, i.e., $16.959 million comes from other sources, i.e., co-owners, past owners, insurers and the state and federal government (J.R. Schadt, Response to OTS-RE-149 , Attachment 1, Set 20, June 8, 2004.) The remaining 76% of the sites are covered under the 1996 consent order (PPL, 2003 Annual Report, p. 85). These MGP sites are beyond the scope of this Proceeding as are the two remaining Superfund sites in Lehigh and Philadelphia Counties.

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17 J.R. Schadt, Response to OCA, Set X III, Q.4, June 14, 2004.

18 J.R. Schadt, Response to Epstein, Set II, Q.3, p. 1, May 17, 2004.

Approximately 94% of the PPL pole replacements and pole mounted transformers contaminated due to polychlorinated biphenyls (PCB) contamination have been remediated (PPL ,2003 Annual Report, pp. 84-86), and are due to be closed out in 2005. On April 27, 1995 (19) DEP Secretary James M. Seif (20) announced a Voluntary Agreement with Pennsylvania Power and Light Co. (PP&L) to investigate and clean up to 134 sites that may have been contaminated by past operations of PP&L or its predecessor companies. Both PPL Electric and PPL Generation were exposed to liability issues associated with remediation.

According to Mr. Seif (when he was the Secretary of DEP) , "During the next 10 years, PP&L will investigate all 134 sites. Sites found to be contaminated will be cleaned up by PP&L on a schedule based on the environmental risk, if any, posed by the site. PP&L will spend up to $5 million a year on investigation and cleanup operations." (21)

n) Maintaining historic levels of "Charitable Giving" and economic development programming.

Mr. Epstein maintains that PPL Electric's "charitable giving" needs to be adjusted to reflect PPL's rate request. Currently, PPL's windfall will not be reflected in increased community investment: PPL has proposed a "slight increase" of $0.1 million "in the corporate budget for 2004, as well as the 2003 expenditures being slightly lower than the 2003 budget" (J.R. Schadt, Response to OTS-RE-147, Set 20, June 8, 2004.)

PPL should resubmit its corporate budget to provide an escalator for its 2004 Corporate Charitable Fund Budget which reflects an increase equal to the PUC approved return on equity.

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19 December 31, 2005 was the anticipated completion date for the program. According to PPL , as of December 31, 2003 "work has been completed for 94% of the sites included in the consent order," p. 85)

20 Mr. Seif is currently Vice President of Corporate Relations for PPL Services Corporation.

In addition, PPL's concept of "charitable giving" needs to be refined to exclude self promotion from "major non-cash community contributions". Environmental centers are important efforts, but also promotional and should be budgeted under "Media Relations". Moreover, Corporate Charity regarding environmental education (Dahl, Statement 7, p. 16) would be more effective if the Company did not unilaterally devalue its property assessments and send school districts into rate shock, e.g., Berwick, Penn Manor and Northeastern.

PPL deserves credit for the elimination of "its restriction on subsidized housing" participation for OnTrack (Dahl, Statement, 7., p.10). However, as the Company noted, there are up to "43,000 additional households" that could benefit from WRAP (Dahl, Statement, 7, P. 13).

At a minimum, PPL should match rate payer contributions to the Community Betterment Initiative (CBI) and Operation HELP. If the CBI is interested in "leveraging matching funds from the state for targeted programs"(Dahl, Statement 7, p.4), then PPL should also stake out a model of entrepreneurial vigor by matching rate payer donations. In addition, this program needs to be refined to balance job creation with job elimination programs at PPL (See discussion regarding "Out sourcing".)

PPL Corporate should also match "contributions" from "residential customers'" to fund OnTrack and WRAP to ensure that the rate payers "modest" increases are matched to the company's commitment to pay for the "price of progress". In addition, the WRAP "ramp up" needs to match OnTrack "expenditures" from 2009-2111. Under the current proposal, funding for WRAP actually declines from 2007-2009 (Dahl, Statement 7. p.12)

As evinced by Timothy R. Dahl's Testimony (Statement 7, p. 8), customer enrollment for OnTrack, WRAP and Operation HELP have grown from 2000-2003. Based on the disproportionally number of low-income and impoverished customers in PPL's 29-county area, a rate increase will necessarily increase the number of at-risk customers.

Moreover, PPL's administration costs are out of balance and need to be adjusted downward: "These estimated expenditures of $110,000 covers wages and benefits ($50,000) and CARES credits ($60,000). (Timothy Dahl, Statement, 7, p.7.) Almost 20% of the projected WRAP costs from 2005 - 2007 represent administrative costs (PPL Response to OTS-RE-71, Set 5, T.R. Dahl, April 23, 2004.)

There is an inherent corporate paradox at play when PPL can simultaneously "downsize" employees to improve service, yet disproportionately bill rate payers for Universal Programing administrative fees.

o) Cost sharing for expenses related to: implementation of reliability standards; substation voltage interruptions, transmission line and grid "disturbances"; security staffing levels, and payment for stationing of the National Guard and Pennsylvania State Police.

Security costs should be rejected and more appropriately recovered through the PJM_Open Access Transmission tariff. The DISC is the rate recovery mechanism designated by PPL for security improvements and upgrades: "PPL Electric intends for the DISC to recover the cost of security improvements and upgrades made to the distribution system" (PPL Electric Utilities Corporation, Responses to the Interrogatories of the OTS-RE-13, Set 2, Dated April 13, 2004).

PPL should not be able to socialize costs while privatizing profits.

BEFORE THE

Pennsylvania Public Utility Commission

Pennsylvania Public Utility	:	
Commission	:	
v.	:	**Docket No. R-00049225C0007**
PPL Electric Utilities	:	
Corporation	:	

August 5, 2004

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

DOCKETED
AUG 18 2004

Dear Secretary McNulty:

Enclosed for filing with the Commission are the original and three (3) copies of of Eric Joseph Epstein's Surrebuttal Testimony in the Above-Referenced proceeding.

Sincerely, Pro se

Eric Joseph Epstein
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(717)-541-1101 Phone
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ericepstein@comcast.net

cc: Certificate of Service

DOCUMENT

Eric Joseph Epstein
Docket No. R-00049225C0007
Surrebuttal Testimony

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Testimony of Eric Joseph Epstein

I. Witness

The name and address of the the **Witness** is:

Eric Joseph Epstein, *Pro se*
4100 Hillsdale Road
Harrisburg, PA 17112
(717)-541-1101 Phone
ericepstein@comcast.net

The name and address of the **Respondent** is:

PPL Electric Utility Corporation
Two North 9th Street
Allentown, PA 18101-1179

Eric Joseph Epstein ("Epstein" or "Mr. Epstein offered and filed Direct Testimony on June 29, 2004.

The Purpose of Mr. Epstein's Surrebuttal Testimony is to clarify and correct misinterpretations presented by PPL Witnesses Mr. Joseph R. Schadt (2-R) and Joseph M. Kleha (5-R) in the Company's Rebuttal Testimony.

II. Surrebuttal Testimony

1. Property Tax Appeals

Mr. Kleha's (Joseph M. Kleha's (5-R)) analysis of Mr. Epstein's Testimony is incomplete, and fails to acknowledge the onerous taxation methods utilized by PPL. Mr. Kleha also fails to recognize that PP&L/PPL misled legislators and local communities as to the Company's intentions in regard to changing out the Public Utility Realty Tax Assessment (PURTA) for Revenue Neutral Reconciliations.

> Q. Have you reviewed Mr. Epstein's testimony regarding property tax appeals filed for the Susquehanna Steam Electric Station and the Brunner Island Steam Electric Station?
> A. Yes, I have. Mr. Epstein proposes that the Commission consider the appeals of certain local property tax assessments associated with the generating facilities referenced in his testimony when it determines the overall tax liability for PPL Electric's T&D operations. (PPL, 5-R, Page 21, Lines 7-13)
>
> Q. Do you agree with Mr. Epstein's proposal?
> A. No, I do not. The appeals of certain local property tax assessments referenced in Mr. Epstein's testimony relate to generating facilities owned and operated by an affiliate of PPL Electric and are not reflected in the Company's filing in this proceeding. PPL Electric's overall 2004 tax liability for its combined T&D operations is clearly established in Schedules D-12, D-13 and D-14 of Exhibit Future 1. The Company's 2004 tax liability for its PUC-jurisdictional distribution-only operations is shown in Exhibit JMK2. No taxes associated with affiliate generating facilities are included therein. Consequently, Mr. Epstein's proposal on this issue is inappropriate and clearly outside the scope of this proceeding.
> (5-R, Page 21, Lines 15-22 & Page 22, Lines 1-2.)

The Public Utility Realty Tax Assessment was the tax assessment formula used prior to electric restructuring. The formula was predicated on a statewide distribution plan. The utilities influenced the Pennsylvania legislature to "restructure" PURTA in the Deregulation Act. Utilities, like PP&L, claimed that local communities would increase their revenues, and allow PPL to decrease the amount of taxes paid by focusing on local school districts and municipalities.

The outcome for rate payers, taxpayers, and consumers has been monthly CTC and ITC tariffs, real estate subsidies, and tax shifting. The combined transmission and distribution base rate increase is $221.7 million, representing an approximate increase of 8.14% to the Company's present rates.

On January 1, 2000, power plants were removed from PURTA and placed on local property tax rolls. The facilities were to be assessed and taxed in similar fashion as local businesses. However, PPL immediately began challenging local municipalities and school districts dependent on PURTA/RNR revenues streams. The Company refused to pay or escrow taxes as they confronted local communities with well-financed legal counsel, e.g., LeBouf and Lamb.

While PPL successfully argued that most power plant "equipment" was tax exempt, the Company continued to pass through real estate levies to their customers based on what PP&L was **assessed in 1997**. And, PPL continues to recover approximately **$2.97 billion** in stranded costs through monthly CTC tariffs for power plants the Company now claims **have fractional values**.

While homeowners are paying, on average, 30% more than they did in 1997 in real estate taxes, Pennsylvania Power Light is paying 85 percent less in taxes on their plants. The Commonwealth of Pennsylvania is losing approximately $100 million annually in tax revenues, and former PURTA communities in the PPL territory are being defunded by the Company.

Either Mr. Kleha is unaware or unwilling to recognize the embedded connection of increased T&D rates for consumers. PPL has been unilaterally and publicly shifting the real estate tax burden for school districts to hostage PPL T&D customers.

Exhibit 1 clearly demonstrates the impact PPL's polices have had on one local community. An additional 8.1% rate increase for PPL customers in the Northeastern School District will cause undue hardship; and, may in fact prove lethal for a community that has a 20% poverty level.

Exhibit 1: PPL Refuses to Pay Taxes to Northeastern School District in York County

• Utility refuses to pay
Author: CHARLIE YOUNG Dispatch/Sunday News
Date: May 12, 2002
Publication: York Dispatch, The (PA)

Officials in Northeastern School District, where more than 20 percent of the residents live below the poverty line, have proposed cutting textbooks, maintenance, technology and athletics. But they are still more than $850,000 short of balancing the budget for next school year.

If only PPL Corp. would pay its taxes, district officials say.

• Power play on taxes
Date: May 14, 2002
Publication: York Dispatch, The (PA)

Pennsylvania's deregulation of the electric utility industry just keeps proving the old adage "if it looks too good to be true, it probably is."

A few years ago, deregulation boosters said it would instill competition in the marketplace, driving down costs by forcing power generators to compete for your business.

Has that happened? Not really, at least not for residential customers. The "savings" were so meager or restrictive or hard to understand...

• PPL should pay its property taxes
Date: June 6, 2002
Publication: York Dispatch, The (PA)

An open letter to William Hecht, chairman, president and CEO of PPL Corp.:

I find it most disconcerting that your company prints the following pledge on educational materials you distribute to schools across the commonwealth. In spite of the pledge, you continue to avoid paying real estate taxes owed the Northeastern School District.

• **Pay fair share, PPL**
Date: June 9, 2002
Publication: York Dispatch, The (PA)

We'll give PPL Corp. executives this much credit: At least they didn't try to duck a public confrontation.

Officials with the $5.7 billion-a-year power company didn't cancel a dinner with school and municipal officials at the Mount Wolf VFW last week when word got out that a public demonstration would be held outside. They didn't sneak in a back door, or push through the crowd mumbling "no comment."

• **Power plants work on tax agreements**
Author: CHARLIE YOUNG Dispatch/Sunday News
Date: June 16, 2002
Publication: York Dispatch, The (PA)

While PPL Corp. and residents of the Northeastern School District are locked in court battles and public confrontations over taxation of the Brunner Island power plant, other electric utilities in York County are negotiating tax agreements without getting residents steamed.

• **Northeastern taxes go up**
Author: JENNIFER GISH Dispatch/Sunday News
Date: June 25, 2002
Publication: York Dispatch, The (PA)

The Northeastern School District last night passed a 2002-03 budget that totals $27.4 million and includes a 1.27-mill tax increase.

For the average homeowner in the district with a property valued at $64,051, that means an additional $81 in taxes, and a total tax bill of $1,206.

The 2002-03 budget shows a 6.3 percent, or $1.6 million, rise in spending over 2001-02. That cost increase includes $664,864 for salary hikes, $96,500 for **rising utility bills**...

• **PPL's Brunner Island slated for tax auction**
Author: CHARLIE YOUNG Dispatch/Sunday News
Date: June 28, 2002
Publication: York Dispatch, The (PA)

While PPL Corp. has maintained it will not pay outstanding property taxes on its Brunner Island power plant until a court settles a dispute over its assessment, the York County Tax Claims Bureau may force its hand.

The bureau mailed notices last month to all county taxpayers who have not paid their 2000 property taxes, saying their properties will be auctioned at a tax upset sale Oct. 12 unless they pay up.

• **PPL fights back in tax battle**
Author: CHARLIE YOUNG Dispatch/Sunday News
Date: July 11, 2002
Publication: York Dispatch, The (PA)

PPL Corp. is suing two county agencies and the Northeastern School District to stop the sale of its Brunner Island power plant for failure to pay nearly $1 million in 2000 property taxes.

The Allentown-based power company isn't asking the county court for money from the defendants, just to stop the Oct. 12 tax sale.

In fact, if the suit succeeds, PPL would be compelled to finally start paying the property taxes it has owed for two years -- but based on a far lower assessment...

• **PPL's tax dispute grows more complex**
Author: CHARLIE YOUNG Dispatch/Sunday News
Date: October 18, 2002
Publication: York Dispatch, The (PA)

York County did not sell PPL Corp.'s Brunner Island power plant for back taxes as scheduled last week, and the power company's tax dispute seems to be growing ever more complicated.

Allentown-based PPL has refused to pay property taxes on the plant in the Northeastern School District for 2000 and 2001 because it claims the assessed value, originally set by the county at $43 million, was grossly inflated.

PPL did, however, pay $788,067 in September for its 2002 taxes.

• PPL, Exelon fight tax assessments
Author: CARYN TAMBER Dispatch/Sunday News
Date: July 20, 2003
Publication: York Dispatch, The (PA)

The tax dispute that has kept much-needed dollars from the Northeastern School District is creeping toward resolution, but the cash-strapped district continues to struggle.

Northeastern has been locked in a property tax dispute with Allentown-based PPL Corp. for years. PPL has paid very little in taxes on its Brunner Island Steam Electric Station since the state deregulated the power industry in the late 1990s.

• PPL to pay taxes
Author: CHARLIE YOUNG Dispatch/Sunday News
Date: November 25, 2003
Publication: York Dispatch, The (PA)

PPL Corp. and the Northeastern School District have signed an interim tax deal for the Brunner Island power plant, and the two parties now have a basis to negotiate a final settlement establishing how much the company will pay.

The Allentown-based energy company and the school district signed a deal in September setting the appraisal on the plant and adjacent land at $5.4 million until the Common Pleas Court decides on a final appraisal. The deal creates a basis for PPL to pay property taxes .

• Real estate tax dispute is settled
Author: CHARLIE YOUNG Dispatch/Sunday News
Date: December 5, 2003
Publication: York Dispatch, The (PA)

Northeastern School District and PPL Corp. have agreed on a property assessment of $15 million for the utility's Brunner Island power plant.

The agreement resolves a series of back-and-forth court suits over the value of the plant for tax purposes after the state deregulated the electricity industry in 2000 and shifted taxation of utility real estate to the local level.

2. AMR Displacement Costs

Mr. Schadt's Rebuttal Testimony (Joseph R. Schadt (2R)) reflects an arbitrary recollection of Mr. Epstein's Proposal relevant to Automated Meter Reading. Mr. Schadt selected to recall:

> Mr. Epstein asserts, among other things, that rate payers should not pay PPL Electric to displace, reduce or terminate workers and should not have to fund Company layoffs and underwrite the costs of a program that will yield little net benefit to customers. (PPL, 2-R, Page 7, Lines 23-26.)

Mr. Schadt disagreed with Mr. Epstein's recommendation based on a partial recounting of Mr. Epstein's testimony.

> I do not agree. Mr. Epstein states conclusions without supporting evidence. I would like to point out that the Commission granted recovery of the costs of the Voluntary Early Retirement Program ("VERP") in PPL Electric's last base rate case at Docket No. R-00943271.
> (PPL, 2-R, Page 8, Lines 1-5.)

There is a considerable difference between "voluntary retirement" and "forced separation". Mr. Schadt, who was employed by the Company in 1994, failed to disclose in his Testimony the difference and impact of the Voluntary Early Retirement Program and the AMR investment.

> The Company's non-coercive inducement of corporate restructuring was offered to 851 employees who were age 55 or older by December 31, 1994. A total of of 640 employees elected to retire under the program at a total cost of $75.9 million. Prior to the early retirement program, the Company had about 7,600 employees [in Pennsylvania].
> (Pennsylvania Power & Light Company, Annual Report, 1994, p. 19).

Ten years later, according to the Company, the Advanced Meter Reading (AMR) Technology will save PPL considerable costs through increased efficiencies and labor reductions. "The automated meter reading technology enables PPL to save money, eliminate estimated usage for customers and prepare the way for future enhancements of the system," said Michael Bray, president of PPL Electric Utilities Corp (Jun. 21, 2003 --PLAINS TWP., Pa.)

PPL continues to bemoan AMR "expenses", and argues it is entitled to recover $8.8 million for the "displacement costs" of downsizing their labor force. Paradoxically, the Company asserts that, "The price of progress costs the jobs of 175 meter readers...," said Bray (Jun. 21, 2003 --PLAINS TWP., Pa.)

Apparently, the "price of progress" got a bit more expensive for 12 additional PPL employees. PPL went beyond its initial "downsizing" predictions, and increased the "number of employees impacted by the final phase of the AMR project from 94 to 106" (J.R. Schadt, Response to OTS-RE-64, Set 5 , p.2, April 23, 2004.)

Additionally, PPL's calculations are imprecise, but clearly demonstrate that net AMR savings are outweighed by the "expenses" of forced labor separations:

> In addition, the Company's claim for operation and maintenance expense in this proceeding includes the cost savings associated with the displaced employees. Schedule 5 of Exhibit Future 1 sets forth a decrease of $5,950,000 in T&D-related wages, taxes and benefits for the future test year. (PPL, 2-R, Page 7, Lines 5-9.)

Rate payers should not be underwriting the costs to terminate the employment of their neighbors. This is a business decision that has a disproportionate adverse impact on employees and local communities. The Company should not be reimbursed for shifting its tax burden onto local communities while shrinking its labor force.

Furthermore, the AMR rate request will nullify any savings passed through to rate payers. The $8.8 million represented in the AMR 'expense" will cause untold social dislocation and should be accounted for by the Company without any rate payer cross subsidy. The request should be rejected in its entirety.

3. Normalization of FERC Accounts 588 and 593

Mr. Schadt, claimed that the Company should be rewarded for "its commitment" to reduce O&M expenses:

> For example, Mr. Epstein comments about increased use of "work by others" in his rebuttal testimony. It is true that certain components of PPL Electric's O&M expenses have increased. However, PUC-jurisdictional O&M expenses actually have decreased by $8.9 million between 2003 and 2004. This can be seen on Schedules D-1 of Exhibits Historic 1 and Future 1, Column 6. The PUC-jurisdictional O&M expense for 2003 and 2004 are $318.7 million and $309.8 million, respectively. This reduction in O&M expense between 2003 and 2004 clearly shows PPL Electric's commitment to minimizing its expense while maintaining reliability and customer service. (PPL, 12-R, Page 7, Lines 15-24.)

The facts, as produced by PPL, tell a different story. **PPL's O&M expenses have actually increased as the labor force has been steadily decreasing**:

Exhibit: 2

Year	Charges to FERC Maintenance Accounts	# of T&D Employees (a)	of PPL E Employees (b)
2000	$55.5 million	2,846	
2001	$52.9 million	2,735	3,179
2002	$62.3 million	2,656	3,111
2003	$60.5 million	2,353	2,909
2004	$67.9 million*	2,252	2,926 (Projected)
2005	NA	2,261 (Projected)	

*Forecasted
Sources:
(a): Data provided by PPL as of December of each year:
- D.A. Krall, Response to Eric Joseph Epstein, Set II, Q.13, May 17, 2004.
- J.R. Schadt, Response to OTS, Set 7, RE-103 & 104, April 27, 2004.

(b) : Data provided by PPL:
- J.R. Schadt, Response to Epstein, Set III, Q.8, May 25, 2004.

Mr. Schadt failed to address the heart of Mr. Epstein's Testimony, i.e., that the Company has embarked on an informal policy of downsizing. "Since the Company has no "official policy" on "outsourcing", it is unable to quantify positions that have been eliminated do to the practice: "PPL Electric does not have a formal policy on outsourcing...PPL Electric has no record of how many internal Company positions may have been eliminated as a result of outsourcing" (D.A. Krall, PPL Response to Epstein, Set II, Q.7, May 17, 2004.)

However, external workers are increasingly supplementing an understaffed workforce. J.R. Schadt testified:

> The increase in work by outsiders is primarily a function of utilizing additional outside contractors in lieu of PPL electric workforce. When PPL Electric planned its work for 2004, it compared its total man-hour needs to projected available PPL electric man-hours, any shortfall is made up with outside contractor labor" (J.R. Schadt, PPL Response Informal Data Requests, OCA, Q.6, June 10, 2004.)

This development is significant as Mr. Epstein clearly demonstrated in his Testimony on Pages 7-8:

> The amount of labor contracted to "work by others" is significant. In 2004, PPL's reliance on "out sourcing" is projected to increase to $53,362,932. Among the tasks "out sourced" include: service requests; power service problems; disconnects and reconnects; specific projects; maintenance; inspections; collections; waste removal; consultant support services; and, manual labor (J.R. Schadt, PPL Response to OCA, Set XII, Q.2, May 20, 2004.)
>
> The Company has embarked on a strategy that reduces costs by "outscoring labor" to a variety of external actors...Moreover, PPL has requested that the rate payers finance this policy. From 2003 through 2004, PPL decreased the number of transmission and distribution of (T&D) "bargaining unit" employees from 1,856 to 1,747 while increasing the number of nonunion employees from 497 to 505 (J.R. Schadt & D.A. Krall, Response to Epstein, Data Request, 1, June 14, 2004.)

> PPL has chosen to atrophy departments not affected by layoffs. The current ratio of linesman to households, business to customers in general is .0006 employees in linesman type positions per customer" (D.A. Krall, PPL Response to Epstein, Set II, Q.8.) The Company noted that a rate increase is needed to help service a growing customer base, yet PPL has no plans to maintain or improve upon the existing ratio.

Mr. Schadt failed to address the discrepancy between what the Company had hoped "efficiencies of scale" would produce, and the reality that attrition at PPL has produced increased costs. Although PPL does not calculate its budget or prepare staffing levels on a per customer basis, it is clear that downsizing has actually increased pressures on PPL to seek lower costs through external contracted labor.

4. Environmental Remediation Expenses

Mr. Schadt vaguely alludes to isolated components of Mr. Epstein's Testimony relating to environmental remediation costs. However, at the end of his oblique reasoning discourse, Mr. Schadt fails to justify or produce verifiable data to buttress the Company's claims.

> ...Mr. Epstein states, among other things, that the projections are based on vague past references overly dependent on the random selection of a single site and far beyond what is necessary to complete the final phase of the PCB cleanup project...(PPL, 2-R, Page 13, Lines 14-18.)

> Furthermore, Mr. Epstein questioned the future cost estimate that, in his opinion, was based upon a single site and was beyond what was necessary for the final phase of PCB cleanup. The single site Mr. Epstein was likely referring to in his statement was the former Sunbury Manufactured Gas Plant (MGP) site, which is not a PCB site. PPL Electric used the level of Sunbury MGP site costs, along with its past experience at other MGP sites, as its basis for the proposed future annual remediation costs that it may incur to address the other 18 former MGP sites as discussed in PPL Electric's response to Question OTS-RE-149 of Interrogatories of the Office of Trial Staff, Set 20, dated June 8, 2004. Although the Company continues to believe that its claim is reasonable, it is difficult to project annual remediation costs with certainty. (PPL, 2-R, Page 14, Lines 22-27, & Page 15, Lines 1-5.)

Mr. Epstein's earlier recommendation (contained on Page 22 of his Testimony) should be adopted by the Commission:

> PPL's projections are based on vague past references which were overly dependent on the random selection of a single site: "The $3 million of remediation expense recorded in 2003 was primarily for the cleanup of the Sunbury manufactured gas plant site (J. R. Schadt, Response to OTS-RE-150, Set 20, June , 2004.)
>
> PPL's past record does not adequately address future remediation costs. The "$532,000 increase in environmental remediation costs for the 2004 budget" is arbitrary and should be rejected, with the exception of funding for 2004 which is somewhere between $38,000 and $60,000.

5. Executive Compensation

Mr. Schadt's rejection of Mr. Epstein's Executive Compensation plan fails to factor the antipathy generated by the Company tax polices and layoffs which is not measured by J.D. Powers Associates. Moreover, based on the depth and breadth of opposition to PPL's proposed rate hike, any reasonable objective measure would surly determine that the overwhelming majority of PPL rate payers oppose the increase. In fact, widespread public opposition to PPL's current rate increase is a matter of public record.

> Mr. Epstein stated that PPL Electric should align and incent a portion of executive compensation with "rate payers interest" and that the percent of executive compensation allocated to PPL Electric should be indexed to reliability, community investment, and customer satisfaction. The index, established by the Corporate Governance Committee of the Board of Director's of PPL Corporation and the PUC Law Bureau, would be monitored by the Commission's Bureau of Consumer Services. As these categories increase or decrease, so would the PPL Electric portion of the executives' compensation contributions. The PUC also would be accorded non-voting Board monitor status on the Corporate Governance Committee. (PPL, 2-R, Page 18, Lines 12-21.)

Moreover, Mr. Schadt failed to recognize that Mr. Epstein's Proposal is already in place at the Sustainable Energy Fund where the PUC holds a nonvoting monitoring seat on the Board.

Mr. Epstein's Corporate Compensation Proposal (Testimony, Page 10) should be adopted by the Commission:

> The PUC should align and incent PPL Electric's portion of executive compensation with "rate payers interest." The percent of executive compensation allocated from PPLEU should be indexed to reliability, community investment, and customer satisfaction. The index, established by the Corporate Governance Committee of the Board of Director's of PPL Corporation and the PUC Law Bureau, would be monitored by the Commission's Bureau of Consumer Services. As these categories increase or decrease, so to would the PPL Electric portion of the executives' compensation contributions. The PUC's would also be accorded nonvoting Board monitor status on Corporate Governance Committee.

Exhibit: 3

	PPLEU Compensation	% charged to PPLEU
William F. Hecht		
2001	$478,320	31.62%
2002	$787,773	36.37%
2003	$671,320	26.49%
John R. Biggar		
2001	$189,939	31.62%
2002	$318,280	36.37%
2003	$258,886	26.49%

Source:

• J.R. Schadt, Response to OCA, Set II, Q. 23, April 27, 2004.

However, Mr. Epstein is willing to let the shareholders decide on the merits of of the Proposal. Mr. Epstein is asking the PUC to recommend that PPL submit the Executive Corporate Compensation Proposal for shareholder ratification at next year's PPL AnnuaL Shareholder Meeting.

PPL Electric
Cross Examination
No. 1
8/10/04 Hbj
JF

PPL Electric Utilities Corporation
Docket No. R-00049255
Response of the Office of Consumer Advocate
to PPL
Set II

PPL-OCA-13 Re. Kahal Schedule MIK-4, pages 3, 4 and 5. Of the data shown on these pages that is attributed to Value Line, please specify each instance where the data was taken directly from the Value Line publication and each instance where independent calculations were performed by Mr. Kahal from the Value Line data.

Response

The Value Line growth rates cited on this schedule were taken from the publication itself except for projected dividends and book value which were calculated for 2004 to 2008 by Mr. Kahal (page 4 of Schedule MIK-4). 2008 is the assumed midpoint year for the 2007-2009 projection published by Value Line.

PPL Electric Utilities Corporation
Docket No. R-00049255
Response of the Office of Consumer Advocate
to PPL
Set II

PPL-OCA-14 Re. Kahal Schedule MIK-4, pages 3, 4 and 5. In each instance where Mr. Kahal performed independent calculations of growth using Value Line data as an input, please provide the workpapers (in both hard copy and electronically with formulas intact) showing those growth rate calculations.

Response

There is no electronic workpaper. The growth rate calculation is based on the standard compound growth rate formula:

$$(((\ln(2008\text{ value}) - \ln(2004\text{ value}))/4)^{e} - 1) \times 100$$

Applying this formula to the following 2004 and 2008 values for dividends and book value (as of June 4, 2004) for the ten proxy companies produces the following results.

Dividend Growth Calculation			
Company	2004	2008	Growth Rate
C.H. Energy	$2.16	$2.16	0.00%
Central Vermont	0.92	1.08	4.09
Con. Edison	2.26	2.34	0.87
Duquesne Light	1.00	1.04	0.99
Energy East	1.04	1.20	3.64
Green Mountain	0.88	1.28	9.82
Northeast Utilities	0.62	0.84	7.89
NSTAR	2.24	2.50	2.78
PEPCO	1.02	1.14	2.82
UIL	2.88	2.88	0.00

PPL Electric Utilities Corporation
Docket No. R-00049255
Response of the Office of Consumer Advocate
to PPL
Set II

PPL-OCA-14 Response (Continued)

Book Value Calculation			
Company	2004	2008	Growth Rate
C.H. Energy	$31.50	$32.75	0.98%
Central Vermont	18.15	21.00	3.71
Con. Edison	29.95	32.05	1.71
Duquesne Light	7.90	10.15	6.47
Energy East	18.00	20.00	2.67
Green Mountain	20.20	23.10	3.41
Northeast Utilities	18.45	22.40	4.97
NSTAR	27.00	31.50	3.93
PEPCO	17.65	19.95	3.11
UIL	33.60	32.80	(0.60)

PPL Electric Utilities Corporation
Docket No. R-00049255
Response of the Office of Consumer Advocate
to PPL
Set II

PPL-OCA-15 Re. Kahal Schedule MIK-4, pages 3, 4 and 5. Please provide the respective pages showing the actual Value Line growth rates published by them in lieu of any independent calculations of growth rates.

Response

The Value Line reports as of June 4, 2004 for the ten proxy companies are enclosed as Attachment PPL-OCA-15.

80210

Attachment · PPL - OCA - 15

ELECTRIC UTILITY (EAST) INDUSTRY

All of the major utilities in the eastern region of the United States are reviewed in this Issue. Those serving the central region will be found in Issue 5. All of the western companies are covered in Issue 11.

Eastern electric utility stocks, as a group, currently reside at the bottom of the *Value Line* ranking system. These issues have suffered in recent months, given rising inflationary pressures and the increasing likelihood that the Federal Reserve will soon begin to ramp up borrowing rates. Expanding fuel and purchase power costs, outlays to ensure reliability, and employee benefit expenses are pressuring net margins at many distribution companies, particularly those still operating under electricity price caps. A number of nonregulated merchant subsidiaries continue to deal with capacity rich markets.

We advise utility investors to stick to equities *offering a yield and dividend growth at, or above,* the industry averages. Too, investors should focus on companies *that have low-cost generation,* access to competitive markets, and stable finances.

No Energy Bill

With the upcoming presidential election, there appears little chance that a comprehensive energy bill will be passed by the U.S. Congress and signed into law this year. Even slimmed down legislation has not been able to gain much traction in the House and Senate, and some legislators' efforts to develop separate, narrowly focused bills on reliability have gone nowhere. In the meantime, the Federal Energy Regulatory Commission (FERC), North American Electric Reliability Council, regional transmission organizations (RTOs), and utilities are working to improve system management as much as possible before the summer peak demand season. A recovering economy is driving power demand higher, and if temperatures move up to historic highs for extended periods, the national transmission grid will be strained. Unforeseen plant or line outages would exacerbate the situation. California and New York are especially vulnerable. Disruptions similar to the one that affected the Midwest and Northeast in August, 2003, cannot be ruled out.

High Fuel Costs

A significant portion of U.S. generation comes from natural-gas plants, and difficulties in siting new pipelines have caused a fuel demand/supply imbalance,

INDUSTRY TIMELINESS: 95 (of 98)

lifting the cost of service. It will be several years before the siting issues can be resolved and likely sizable reserves brought down from Alaska and Canada. Until then, low-cost generators, utilizing nuclear and coal, will have an advantage selling excess power into the wholesale markets.

Nuclear fuel prices have proven quite stable, and reactor safety and efficiency have improved over the years. *Exelon* and *Constellation Energy Group* are reaping strong earnings from their nuclear operations. A consortium of energy companies, including these two utilities, is endeavoring to build new nuclear capacity in the coming decade. Even so, matters regarding the disposal of radioactive waste need to be worked out.

Coal generation has also been beneficial to a few power producers, such as *Southern Company, Allegheny Energy,* and *Constellation Energy.* Coal costs are rising due to robust global demand and delivery problems, but the fuel remains very competitive with natural gas. The Bush administration has relaxed enforcement of emissions regulation, to the dismay of environmentalists, but we do not believe that tighter compliance in the future would substantially reduce the fuel's appeal, even after considering the cost of adding pollution control equipment. Indeed, a majority of residential ratepayers appear willing to pay extra for electricity if they know that the environment is being safeguarded. Four Northeast states are suing the Environmental Protection Agency and *Allegheny Energy* for noncompliance with the Clean Air Act. Overall, though, managements are committed to construct more coal base-load generation in the years ahead.

Transmission Solution

The FERC continues to promote utility membership in RTOs, which would bring benefits to ratepayers and ensure a level playing field for competing merchants. It has eased rules regarding market power to facilitate this goal. An enhanced national grid would eliminate transmission bottlenecks, efficiently utilize capacity, boost reliability, and cut prices. The commission needs to resolve jurisdictional concerns with the states and establish adequate return-on-investment incentives for utilities to commit to a buildout. Increased competitive access in the wholesale arena would help to contain power service costs at the retail level. Looming price cap expirations may well raise the pressure on officials to expand transmission access and market competition.

David M. Reimer

Composite Statistics: Electric Utility Industry

2000	2001	2002	2003	2004	2005		07-09
367.0	493.7	297.0	316.5	320	330	Revenues ($bill)	370
11.9	22.8	17.9	20.6	23.0	24.0	Net Profit ($bill)	26.0
36.9%	34.6%	30.3%	30.5%	33.5%	34.0%	Income Tax Rate	35.0%
4.4%	3.5%	5.0%	4.2%	3.0%	3.0%	AFUDC % to Net Profit	3.0%
55.8%	57.6%	58.7%	58.8%	55.0%	54.0%	Long-Term Debt Ratio	50.0%
40.3%	39.4%	38.3%	39.6%	43.5%	44.5%	Common Equity Ratio	48.5%
390.1	453.3	456.2	481.2	485	490	Total Capital ($bill)	525
369.9	423.9	441.8	487.4	500	515	Net Plant ($bill)	545
4.9%	7.0%	5.9%	6.2%	6.7%	6.8%	Return on Total Cap'l	7.1%
6.9%	11.9%	9.5%	10.4%	10.5%	10.6%	Return on Shr. Equity	10.7%
7.0%	12.3%	9.8%	10.5%	10.9%	11.0%	Return on Com Equity	11.0%
NMF	5.4%	2.5%	4.3%	4.4%	4.4%	Retained to Com Eq	4.6%
106%	57%	75%	60%	60%	60%	All Div'ds to Net Prof	58%
23.0	13.2	16.7	13.8	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	12.0
1.50	.68	.91	.80			Relative P/E Ratio	.80
6.0%	4.2%	4.4%	4.3%			Avg Ann'l Div'd Yield	4.8%

COMPOSITE OPERATING STATISTICS: ELECTRIC UTILITY INDUSTRY

	2000	2001	2002
% Change Retail Sales (kwh)	+5.2	-2.4	-3.4
Average Indust. Use (mwh)	2027	1647	1668
Avg. Indust. Revs. per kwh (¢)	4.53	4.98	5.01
Capacity at Peak (mw)	750771	NA	NA
Peak Load, Summer (mw)	678413	NA	NA
Annual Load Factor (%)	61.2	NA	NA
% Change Customers (yr.-end)	--	NA	-1.1
Fixed Charge Coverage (%)	170	228	185

Sources: Annual Reports; Estimates, Value Line; Edison Electric Institute

CH ENERGY GROUP NYSE-CHG

RECENT PRICE 45.49 | P/E RATIO 16.0 (Trailing: 15.4, Median: 13.0) | RELATIVE P/E RATIO 0.89 | DIV'D YLD. 4.7% | VALUE LINE 156

High:	35.8	30.4	31.9	31.5	43.9	47.1	45.0	46.3	45.9	52.4	49.7	49.6
Low:	28.4	22.9	25.4	28.8	29.8	38.9	30.6	26.1	38.3	39.9	40.2	43.4

Target Price Range 2007 | 2008 | 2009

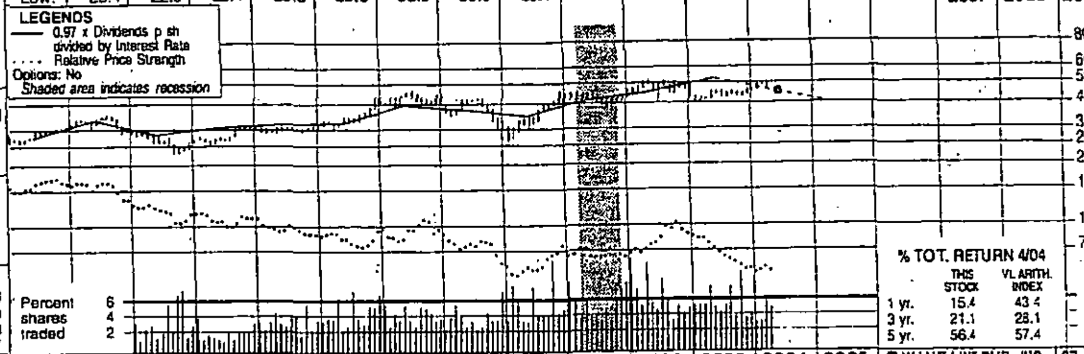
TIMELINESS 4 Raised 2/6/04

SAFETY 1 Raised 12/7/01

TECHNICAL 3 Raised 1/23/04

BETA .80 (1.00 = Market)

LEGENDS
— 0.97 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: No
Shaded area indicates recession



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+10%)	7%
Low	40	(-10%)	2%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	1	0	0	0	0	6	2
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	44	40	50
to Sell	50	56	43
Hld's(000)	6858	6425	6867

Percent shares traded 6 4 2

% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	15.4	43.4
3 yr.	21.1	28.1
5 yr.	56.4	57.4

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
30.10	31.88	33.68	31.38	32.66	30.52	29.91	29.28	29.28	30.11	29.86	30.95	45.83	44.52	43.29	51.18	52.70	54.30	Revenues per sh	63.25
4.80	4.66	5.11	4.99	5.22	5.23	5.25	5.33	5.69	5.80	5.83	5.92	6.49	5.50	4.18	5.02	5.15	4.80	"Cash Flow" per sh	5.50
2.63	2.28	2.38	2.40	2.55	2.68	2.68	2.74	2.99	2.97	2.90	2.88	3.05	3.11	2.12	2.78	2.85	2.45	Earnings per sh A	2.75
1.72	1.76	1.82	1.90	1.98	2.05	2.08	2.10	2.12	2.14	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	Div'd Decl'd per sh B ■	2.16
3.61	2.79	3.29	4.44	3.81	3.13	3.37	2.87	2.84	2.54	2.71	2.76	3.58	4.14	4.50	3.79	3.25	3.60	Cap'l Spending per sh	3.75
21.24	21.76	22.31	22.84	23.60	24.65	25.33	25.96	26.87	27.61	28.00	28.73	29.38	30.33	30.31	30.80	31.50	31.80	Book Value per sh C	32.75
14.56	14.74	14.95	15.77	16.03	16.95	17.24	17.50	17.56	17.28	16.86	16.86	16.36	16.36	16.06	15.76	15.75	15.75	Common Shs Outst'g D	15.00
7.6	9.8	9.5	10.7	11.2	12.2	10.0	10.2	10.1	11.5	14.6	13.5	11.4	13.6	22.6	15.7	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15.5
.63	.74	.71	.68	.68	.72	.66	.68	.63	.66	.76	.77	.74	.70	1.23	.91			Relative P/E Ratio	1.05
8.6%	7.9%	8.1%	7.4%	6.9%	6.3%	7.8%	7.5%	7.0%	6.3%	5.1%	5.6%	6.2%	5.1%	4.5%	4.9%			Avg Ann'l Div'd Yield	5.0%

CAPITAL STRUCTURE as of 3/31/04
Total Debt $300.9 mill. Due in 5 Yrs $48.0 mill.
LT Debt $285.9 mill. LT Interest $11.2 mill.
(LT interest earned: 7.7x)

Pension Assets-12/03 $316.7 mill. Oblig. $362.4 mill.

Pfd Stock $21.0 mill. Pfd Div'd $1.0 mill.
210,300 shs. 4½%-4.96% cum., $100 par, redeemable at $101-$107/sh.

Common Stock 15,762,000 shs. as of 5/3/04

MARKET CAP: $725 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
515.7	512.2	514.0	520.3	503.5	521.9	749.9	728.4	695.5	806.7	830	855	Revenues ($mill)	950
50.9	52.7	56.1	55.1	52.5	51.8	54.2	54.1	36.6	45.4	46.0	40.0	Net Profit ($mill)	43.0
34.5%	35.2%	35.6%	32.3%	35.3%	35.8%	41.4%	--	36.6%	40.1%	40.0%	40.0%	Income Tax Rate	40.0%
2.7%	2.8%	1.8%	1.2%	1.7%	.8%	1.4%	1.4%	2.3%	1.6%	2.0%	3.0%	AFUDC % to Net Profit	2.0%
42.9%	43.3%	40.7%	40.4%	40.3%	38.3%	37.4%	28.1%	34.1%	35.5%	37.5%	38.5%	Long-Term Debt Ratio	36.5%
48.1%	50.5%	53.0%	53.3%	53.3%	55.3%	56.1%	64.6%	61.6%	61.8%	60.0%	59.0%	Common Equity Ratio	60.5%
907.1	899.5	889.8	895.0	885.1	875.9	857.1	768.5	790.3	785.3	825	850	Total Capital ($mill)	800
931.1	937.1	939.6	932.8	928.2	921.4	930.9	561.8	601.7	707.5	720	740	Net Plant ($mill)	800
7.1%	7.3%	7.6%	7.4%	7.2%	7.3%	7.7%	8.1%	5.4%	6.5%	6.0%	5.5%	Return on Total Cap'l	6.0%
9.8%	10.3%	10.6%	10.3%	9.9%	9.6%	10.1%	9.8%	7.0%	9.0%	9.0%	7.5%	Return on Shr. Equity	8.5%
10.5%	10.5%	11.2%	10.9%	10.4%	10.0%	10.6%	10.2%	7.1%	9.1%	9.0%	8.0%	Return on Com Equity E	8.5%
2.4%	2.5%	3.3%	3.1%	2.7%	2.5%	3.1%	3.1%	NMF	2.0%	2.0%	1.0%	Retained to Com Eq	2.0%
79%	78%	72%	73%	76%	77%	73%	71%	102%	78%	77%	88%	All Div'ds to Net Prof	78%

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	+3.8	+4.0	+3.2
Avg. Indust. Use (MWH)	1422	985	535
Avg. Indust. Revs. per KWH (¢)	5.24	4.95	6.60
Capacity at Peak (Mw)	1049	1125	1078
Peak Load, Summer (Mw)	1049	1125	1078
Annual Load Factor (%)	58.0	55.0	59.0
% Change Customers (avg.)	+2.5	+.7	+1.2
Fixed Charge Cov. (%)	189	216	305

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	4.0%	9.5%	5.5%
"Cash Flow"	-.5%	-3.0%	2.0%
Earnings	.5%	-2.0%	.5%
Dividends	1.0%	--	Nil
Book Value	2.5%	2.0%	1.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	242.5	166.4	165.8	153.7	728.4
2002	197.0	152.8	169.3	176.4	695.5
2003	265.2	183.2	169.6	188.5	806.7
2004	263.0	187	180	200	830
2005	275	190	185	205	855

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	1.12	.20	.58	1.21	3.11
2002	1.07	.10	.37	.58	2.12
2003	1.26	.48	.30	.73	2.78
2004	1.45	.40	.30	.70	2.85
2005	1.15	.35	.35	.60	2.45

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.54	.54	.54	.54	2.16
2001	.54	.54	.54	.54	2.16
2002	.54	.54	.54	.54	2.16
2003	.54	.54	.54	.54	2.16
2004	.54	.54			

BUSINESS: CH Energy Group, Inc. is a holding company for Central Hudson Gas & Electric, which provides electricity (57% of revenues) and gas (15%) in the Mid-Hudson Valley region of New York State. Customers: 288,000 electric, 68,000 gas. Subsidiaries provide gas, oil, electricity, & propane (28%) to 85,000 customers in Northeast. Electric revenue breakdown, '03: residential, 45%; commercial, 33%; industrial, 8%; other, 1.4%. Generating sources, '03: hydro, 4%; purchased, 96%. Fuel costs: 62% of revs. '03 reported deprec. rate (utility): 3.2%. Has 18,600 com. stockholders. Chairman: Paul J. Ganci. President & CEO: Steven V. Lant. Inc.: NY. Address: 284 South Ave., Poughkeepsie, NY 12601-4879. Tel.: 845-452-2000. Internet: www.chenergygroup.com.

CH Energy Group continues to search for utility assets to acquire. The company intends to invest as much as $200 million (half debt, half equity) on low-risk assets in virtually any aspect of the electric or gas business. These assets would ideally produce a return on equity of at least 10%. If CH is unable to find a suitable investment, we think it would resume its stock-buyback program. Two years ago, the board of directors authorized the company to repurchase up to four million common shares over a five-year period, but CH suspended the program in 2003 after it bought back roughly 600,000 shares.

We have raised our 2004 estimate by $0.10 a share, to $2.85, due to CH's strong first-quarter showing. The company has done a good job of reducing expenses at its oil-distribution operations. Our revised forecast is the high end of the company's target of $2.60-$2.85, and we think it might even be a bit conservative. CH's guidance, and our figures, do not assume the purchase of any assets.

Earnings will likely decline in 2005. That's because some regulatory incentives that will amount to $5.9 million this year will expire at the end of 2004.

Finances are strong. The fixed-charge coverage and common-equity ratio are well above the averages for the electric utility industry. CH's solid balance sheet contributes to a Safety rank of 1 (Highest) for its stock.

The utility should benefit from regulatory stability. It has been able to earn a healthy (but not excessive) return on equity under a three-year regulatory agreement that was originally due to expire in mid-2004. Central Hudson has extended it until mid-2005, and it has the option to extend it until mid-2006.

This stock continues to trade at a high price-earnings multiple, by utility standards. The yield is above average for a utility, which is understandable in view of the fact that a dividend hike is unlikely in the near future. We think takeover speculation continues to be reflected in the share price, but we don't advise investors to purchase this equity solely for buyout possibilities. At the current quotation, total-return potential to 2007-2009 is subpar.

Paul E. Debbas, CFA — *June 4, 2004*

(A) Excl. nonrecurring gains: '92, 10¢; '02, 12¢; gain from discontinued operation: '02, 29¢. '03 earnings don't add to total due to rounding. Next earnings report due late July.

(B) Dividends historically paid in early February, May, August, and November. ■ Dividend reinvestment plan available. (C) Incl. intangibles. In '03: $298.1 mill., $18.91/sh. (D) In millions. (E) Rate base: Net orig. cost. Rate allowed on common equity in '01: 12.65%; earned on avg. com. eq., '03: 9.0%. Regulatory Climate: Average.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	80

CENT. VERMONT P.S. NYSE-CV

RECENT PRICE	19.81	P/E RATIO	12.0 (Trailing: 12.6; Median: 11.0)	RELATIVE P/E RATIO	0.67	DIV'D YLD	4.7%	VALUE LINE	157

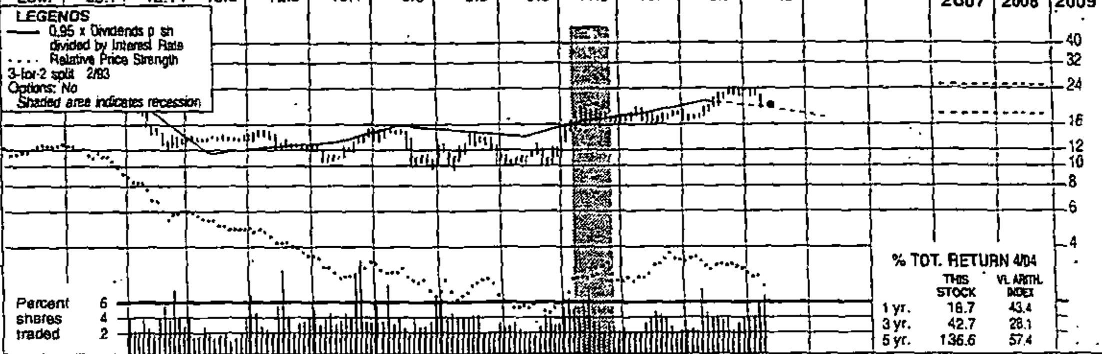
TIMELINESS 4 Lowered 12/19/03

SAFETY 3 Raised 9/7/01

TECHNICAL 4 Lowered 5/21/04

BETA .50 (1.00 = Market)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	25.6	22.0	14.4	15.1	15.4	15.4	14.4	13.0	19.6	18.7	24.5	24.1
Low:	20.1	12.1	13.3	12.0	10.4	9.6	9.6	9.8	11.8	15.7	16.5	18.5



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+25%)	10%
Low	18	(-10%)	3%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	2	0	2	0
Options	0	0	0	0	0	3	0	1	0
to Sell	2	0	0	0	0	4	0	6	1

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	37	38	44
to Sell	24	22	19
Hld's(000)	4964	5015	5316

% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	16.7	43.4
3 yr.	42.7	28.1
5 yr.	136.6	57.4

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	F2003	2004	2005	© VALUE LINE PUB., INC.	07-09
22.00	22.58	22.38	21.60	24.59	24.16	23.63	24.87	25.24	26.68	26.51	36.61	29.02	26.05	25.84	25.92	*25.55*	*25.20*	Revenues per sh	*25.40*
2.64	2.72	2.68	2.77	2.96	2.94	2.69	2.97	2.97	2.81	1.64	2.76	2.60	2.39	3.01	2.60	*2.95*	*3.00*	"Cash Flow" per sh	*3.35*
1.72	1.73	1.62	1.65	1.71	1.64	1.29	1.47	1.41	1.32	.18	1.28	1.14	.93	1.54	1.41	*1.65*	*1.70*	Earnings per sh A	*2.00*
1.29	1.34	1.37	1.39	1.39	1.42	1.42	.80	.84	.88	.88	.88	.88	.88	.88	.88	*.92*	*.96*	Div'd Decl'd per sh B■	*1.08*
2.51	2.79	2.05	1.75	1.83	1.77	1.93	1.84	1.65	1.21	1.59	1.37	1.40	1.47	1.23	1.28	*1.45*	*1.45*	Cap'l Spending per sh	*1.40*
12.92	13.36	13.68	14.03	14.21	15.03	14.56	15.51	16.19	16.39	15.63	16.05	16.57	15.81	16.83	17.89	*18.15*	*18.70*	Book Value per sh C	*21.00*
9.95	10.07	10.35	10.81	11.20	11.56	11.73	11.59	11.52	11.42	11.46	11.47	11.51	11.61	11.74	11.81	*12.25*	*12.50*	Common Shs Outst'g D	*13.00*
9.4	10.0	11.0	11.4	12.6	14.3	12.3	9.3	9.5	9.3	71.7	9.5	9.7	17.8	11.4	14.3	*Bold figures are*		Avg Ann'l P/E Ratio	*11.0*
.78	.76	.82	.73	.76	.84	.81	.62	.60	.54	3.73	.54	.63	.91	.62	.83	*Value Line*		Relative P/E Ratio	*.75*
8.0%	7.7%	7.7%	7.3%	6.4%	6.0%	8.9%	5.8%	6.3%	7.2%	6.8%	7.2%	8.0%	5.3%	5.0%	4.4%	*estimates*		Avg Ann'l Div'd Yield	*4.9%*

***CAPITAL STRUCTURE** as of 3/31/04*

Total Debt $137.3 mill. **Due in 5 Yrs** $3.0 mill.
LT Debt $137.2 mill. **LT Interest** $11.0 mill.
Incl. $10.4 mill. capitalized leases.
(LT interest earned: 3.7x)
Pension Assets-12/02 $59.3 mill. **Oblig.** $91.5 mill.
Pfd Stock $15.1 mill. **Pfd Div'd** $1.0 mill.
Incl. 37,856 shs. 4.15%; 10,000 shs. 4.65%; 17,682 shs. 4.75%; 15,000 shs. 5.375%, 70,000 shs. 8.30%, all cum. and $100 par.
***Common Stock** 12,102,961 shs. as of 4/30/04*
(12.29 mill. fully diluted shs.)
MARKET CAP: $250 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
277.2	288.3	290.8	304.7	303.8	419.8	333.9	302.5	303.4	306.0	*313*	*315*	Revenues ($mill)	*330*
17.3	19.1	18.3	17.2	4.0	16.6	14.8	12.4	20.0	18.4	*21.5*	*22.5*	Net Profit ($mill)	*27.0*
38.1%	35.5%	34.5%	34.8%	3.5%	38.5%	39.5%	43.4%	37.8%	32.0%	*34.0%*	*34.0%*	Income Tax Rate	*36.0%*
2.1%	2.2%	2.8%	.6%	2.5%	.2%	.7%	.7%	.5%	.7%	*.5%*	*.5%*	AFUDC % to Net Profit	*.5%*
41.4%	40.0%	38.7%	34.0%	34.1%	44.9%	43.7%	45.5%	41.0%	37.6%	*36.5%*	*35.5%*	Long-Term Debt Ratio	*32.5%*
50.3%	51.9%	53.2%	57.7%	57.6%	48.5%	50.0%	48.4%	54.1%	57.8%	*59.0%*	*60.5%*	Common Equity Ratio	*64.5%*
339.5	346.3	350.2	324.5	311.5	379.4	381.7	379.2	365.3	365.7	*375*	*385*	Total Capital ($mill)	*425*
324.6	327.0	324.9	321.6	319.9	314.7	311.0	308.6	304.6	298.7	*310*	*320*	Net Plant ($mill)	*350*
6.5%	6.9%	6.6%	6.7%	2.9%	5.8%	5.7%	5.0%	7.2%	6.6%	*7.0%*	*7.0%*	Return on Total Cap'l	*7.5%*
8.7%	9.2%	8.5%	8.0%	1.9%	7.9%	6.9%	6.0%	9.3%	8.0%	*9.0%*	*9.0%*	Return on Shr. Equity	*9.5%*
8.9%	9.5%	8.7%	8.1%	1.1%	8.0%	6.9%	5.8%	9.3%	8.1%	*9.0%*	*9.0%*	Return on Com Equity E	*9.5%*
NMF	4.3%	3.5%	2.4%	NMF	2.5%	1.5%	.5%	3.9%	3.2%	*4.0%*	*4.0%*	Retained to Com Eq	*4.5%*
109%	59%	64%	74%	NMF	72%	80%	92%	61%	63%	*58%*	*58%*	All Div'ds to Net Prof	*55%*

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	-1.9	+1.2	+.5
Avg. Indust. Use (MWH)	10521	N/A	N/A
Avg. Indust. Revs. per KWH (¢)	8.32	8.40	8.51
Capacity at Peak (Mw)	460	536	506
Peak Load, Winter (Mw)	412	424	417
Annual Load Factor (%)	69.5	N/A	N/A
% Change Customers (yr-end)	+1.5	N/A	N/A
Fixed Charge Cov. (%)	225	251	241

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	1.0%	--	-.5%
"Cash Flow"	-.5%	2.0%	*3.5%*
Earnings	-2.5%	6.0%	*7.5%*
Dividends	-4.5%	.5%	*3.5%*
Book Value	1.5%	1.0%	*4.0%*

Calendar	QUARTERLY REVENUES ($ mill.) F Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	78.0	73.9	75.1	75.5	302.5
2002	76.5	71.9	75.7	79.3	303.4
2003	79.5	73.6	73.8	79.1	306.0
2004	84.1	*74.0*	*75.0*	*79.9*	*313*
2005	*84.5*	*74.5*	*75.5*	*80.5*	*315*

Calendar	EARNINGS PER SHARE A F Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.30	d.01	.29	.35	.93
2002	.37	.30	.47	.40	1.54
2003	.35	.38	.35	.33	1.41
2004	.51	*.38*	*.39*	*.37*	*1.65*
2005	*.45*	*.40*	*.43*	*.42*	*1.70*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.22	.22	.22	.22	.88
2001	.22	.22	.22	.22	.88
2002	.22	.22	.22	.22	.88
2003	.22	.22	.22	.22	.88
2004	.23	.23			

BUSINESS: Central Vermont Public Service Corporation supplies electricity to 148,000 customers in a large portion of Vermont. Electric retail revenues ('03): residential, 47.6%; commercial, 39.0%; industrial, 12.8%; other, .6%. Generating sources ('03): nuclear, 50.0%; hydro, 33.0%; other, 17.0%. Purchased power costs: 50.0% of '03 revenues. Owns 50.5% of Vermont Electric Power Company and 58.85% of Vermont Yankee Nuclear Power Corporation. Divested Connecticut Valley Electric Co., 1/04. '03 depreciation rate: 3.2%. Has 512 employees; 8,720 stockholders. Chairman: Frederic H. Bertrand. President & CEO: Robert H. Young. Incorporated: Vermont. Address: 77 Grove St., Rutland, Vermont 05701. Telephone: 800-354-2877. Internet: www.cvps.com.

Central Vermont P.S. is undergoing a full cost-of-service review. A stipulation of the 2002 sale of the Vermont Yankee nuclear plant to Entergy called for a state examination of CV's retail rates in 2003 and 2004. Management had hoped to avoid a review by reaching a settlement with the Department of Public Service. That agreement provided for a rate freeze to yearend 2004, a one-half percentage point reduction in the allowed return on common equity, to 10.5%, and the paydown of deferred costs with earnings above returns of 10.75% in 2003 and 10.5% in 2004 and 2005. The Vermont Public Service board approved the rate plan, but limited the return on equity to 10.25%, and ordered a step-up in deferred cost amortization and a reduction in deferred charges with the proceeds ($21 million) from the recent sale of Connecticut Valley. CV was unsuccessful in a reconsideration of this order. As part of the ongoing cost review, management will file for a rate hike to be effective April 1, 2005. The regulatory review lends some uncertainty to CV's future earnings.

The company will refinance $75 million in second mortgage bonds this year. These bonds carry an interest rate of 8.125%. New debt securities likely will have coupons of 5% to 6%, resulting in notable interest savings. To 2007-2009, CV is responsible for less than $5 million in additional maturities. As of March 31st, the company's long-term debt-to-total capital ratio was a modest 37.2%. Improving free cash flow should cover capital spending needs and allow for regular dividend increases in the 3 to 5 years ahead.

Catamount has established new wind-power joint ventures. Earlier this year, the subsidiary inked deals with Marubeni Corp. of Japan and Statkraft of Norway to develop projects in New England and the United Kingdom, respectively. Catamount plans to bring more than 200 megawatts of wind capacity on line, worldwide, within the next few years. The subsidiary will support CV's efforts to increase income through 2007-2009.

***Though the stock is untimely, it offers* a yield and dividend growth above the industry averages.** The recent share price considers much of the risk of the current rate review in our opinion.

David M. Reimer *June 4, 2004*

(A) Basic earnings. Excl. nonrecurring items: '94, d14¢; '95, 4¢; '96, 10¢; '97, d7¢; '00, 28¢; '01, d87¢; '02, net d1¢; '03, 12¢; 1Q, '04, 31¢. Incl. gains/losses from under-recovery of purchased power costs from '97-'01. Next egs. report late July. (B) Div'ds hist. paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinvest. plan avail. (C) Incl. def'd chgs. in '03: $4.63/sh. (D) In mill., adj'd for split. (E) Rate base: net orig. cost. Rate allowed on com. eq. in '01: 11.0%; earned in '03: 9.2%. Reg. Clim.: Below Avg. (F) Excl. Conn. Valley results beg. in '03.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	25
Earnings Predictability	45

CON. EDISON NYSE-ED

RECENT PRICE 38.78 | P/E RATIO 14.9 (Trailing: 13.9 / Median: 12.0) | RELATIVE P/E RATIO 0.83 | DIV'D YLD 5.9% | VALUE LINE 158

TIMELINESS 5 Lowered 4/30/04

SAFETY 1 New 7/27/90

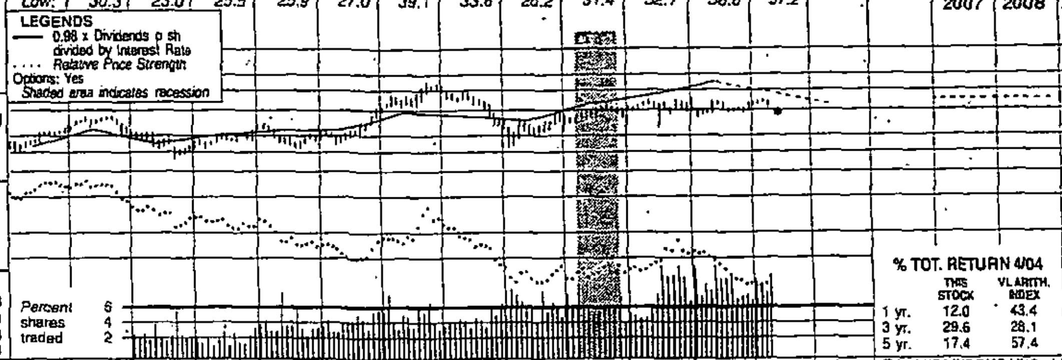
TECHNICAL 3 Raised 4/16/04

BETA .60 (1.00 = Market)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	37.8	32.4	32.3	34.8	41.5	56.1	53.4	39.5	43.4	45.4	46.0	45.0
Low:	30.3	23.0	25.5	25.9	27.0	39.1	33.6	26.2	31.4	32.7	36.6	37.2

Target Price Range 2007 | 2008 | 2009

LEGENDS
— 0.98 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+15%)	9%
Low	40	(+5%)	6%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	1	0	1	2	0	1	1	0	0
Options	0	1	1	0	0	0	8	0	1
to Sell	0	1	1	0	0	0	3	0	1

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	185	164	160
to Sell	130	147	148
Hld's(000)	89918	88969	89933

% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	12.0	43.4
3 yr.	29.6	28.1
5 yr.	17.4	57.4

© VALUE LINE PUB., INC.	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	07-09
Revenues per sh	22.41	24.33	25.15	25.72	25.36	26.73	27.13	27.82	29.62	30.24	30.46	35.04	44.48	45.41	39.65	43.51	41.60	41.85	42.55
"Cash Flow" per sh	3.82	3.92	3.84	3.90	4.06	4.38	4.77	4.87	4.97	5.08	5.29	5.74	5.51	5.70	5.44	5.12	4.85	5.20	5.70
Earnings per sh A	2.47	2.49	2.34	2.32	2.46	2.66	2.98	2.93	2.93	2.95	3.04	3.13	2.74	3.21	3.13	2.83	2.60	2.70	2.80
Div'd Decl'd per sh B ■	1.60	1.72	1.82	1.86	1.90	1.94	2.00	2.04	2.08	2.10	2.12	2.14	2.18	2.20	2.22	2.24	2.26	2.28	2.34
Cap'l Spending per sh	2.52	2.68	3.05	3.39	3.40	3.37	3.22	2.95	2.87	2.78	2.66	3.17	4.52	5.20	5.68	5.72	4.85	6.00	4.35
Book Value per sh C	18.44	19.21	19.73	20.18	20.89	21.63	22.62	23.51	24.37	25.18	25.88	25.31	25.81	26.71	27.68	28.44	29.95	30.45	32.05
Common Shs Outst'g	227.99	228.15	228.23	228.33	233.93	234.37	234.91	234.96	234.99	235.49	232.83	213.81	212.03	212.15	213.93	225.84	242.20	244.60	251.80
Avg Ann'l P/E Ratio	9.0	10.0	10.3	10.8	11.9	13.1	9.3	9.8	10.1	10.9	15.3	14.0	12.0	12.0	13.3	14.3	Bold figures are		15.0
Relative P/E Ratio	.75	.76	.77	.69	.72	.77	.61	.66	.63	.63	.80	.80	.78	.61	.73	.83	Value Line		1.00
Avg Ann'l Div'd Yield	7.2%	6.9%	7.5%	7.5%	6.5%	5.6%	7.2%	7.1%	7.0%	6.5%	4.6%	4.9%	6.6%	5.7%	5.3%	5.5%	estimates		5.6%

CAPITAL STRUCTURE as of 12/31/03
Total Debt $7058 mill. Due in 5 Yrs $1687 mill.
LT Debt $6733 mill. LT Interest $401.0 mill.
(LT Interest earned: 3.1x).
Pension Assets-12/03 $6.7 bill. Oblig. $6.7 bill.

Pfd Stock $212.6 mill. Pfd Div'd $12.5 mill.
1,915,319 shs. $5 cum. no par; call. $105 a sh.; 375,626 shs. 4.65% cum. $100 par, call. $101 to $102.50 a sh. Sinking Fund ends 2009; 370,500 shs. 6.125% cum. $100 par.

Common Stock 225,840,220 shs.
MARKET CAP: $8.8 billion (Large Cap)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	07-09
Revenues ($mill)	6373.1	6536.9	6959.7	7121.3	7093.1	7491.3	9431.4	9634.0	8481.9	9827.0	10080	10240	10720
Net Profit ($mill)	734.3	723.9	694.1	712.8	729.6	714.2	596.4	695.8	682.1	639.0	620	670	715
Income Tax Rate	37.4%	35.4%	36.4%	34.8%	35.8%	34.3%	34.8%	40.0%	36.9%	33.7%	34.0%	34.0%	34.0%
AFUDC % to Net Profit	1.6%	.8%	.7%	.9%	.5%	.8%	1.2%	1.3%	2.2%	4.2%	3.0%	3.0%	2.0%
Long-Term Debt Ratio	40.7%	39.1%	41.2%	40.1%	39.2%	44.4%	48.6%	48.2%	50.1%	50.4%	49.0%	49.0%	47.0%
Common Equity Ratio	53.0%	54.5%	55.7%	56.8%	58.4%	53.1%	49.1%	49.6%	48.1%	48.0%	49.5%	49.5%	51.5%
Total Capital ($mill)	10032	10125	10289	10437	10325	10186	11137	11417	12302	13369	14600	15000	15620
Net Plant ($mill)	10561	10814	11067	11267	11407	11354	11893	12248	13329	15225	15830	16690	17920
Return on Total Cap'l	8.8%	8.6%	8.2%	8.4%	8.6%	8.6%	7.0%	7.8%	7.1%	6.3%	5.5%	6.0%	6.0%
Return on Shr. Equity	12.3%	11.7%	11.5%	11.4%	11.6%	12.6%	10.4%	11.8%	11.1%	9.6%	8.5%	8.5%	8.5%
Return on Com Equity D	13.2%	12.5%	11.7%	11.7%	11.8%	12.9%	10.7%	12.0%	11.3%	9.8%	8.5%	9.0%	8.5%
Retained to Com Eq	4.3%	3.8%	3.2%	3.4%	3.6%	4.1%	2.2%	3.8%	4.0%	2.9%	1.0%	1.5%	1.5%
All Div'ds to Net Prof	69%	71%	74%	72%	70%	69%	80%	69%	65%	71%	87%	85%	84%

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	+2.9	-2.3	-3.4
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	629	629	630
Peak Load, Summer (Mw)	12207	12086	11875
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	+.7	+.5	+.6
Fixed Charge Cov. (%)	342	313	289

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	5.0%	7.5%	Nil
"Cash Flow"	3.0%	1.0%	1.0%
Earnings	2.0%	.5%	-1.5%
Dividends	1.5%	1.0%	1.0%
Book Value	3.0%	2.0%	2.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	2886	2112	2693	1943	9634.0
2002	2036	1849	2539	2057	8481.9
2003	2571	2176	2801	2279	9827.0
2004	2685	2225	2850	2320	10080
2005	2725	2265	2890	2360	10240

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.84	.48	1.30	.59	3.21
2002	.78	.46	1.33	.56	3.13
2003	.72	.29	1.16	.66	2.83
2004	.68	.25	1.10	.57	2.60
2005	.68	.27	1.15	.60	2.70

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.545	.545	.545	.545	2.18
2001	.55	.55	.55	.55	2.20
2002	.555	.555	.555	.555	2.22
2003	.56	.56	.56	.56	2.24
2004	.565				

BUSINESS: Consolidated Edison, Inc., parent of Consolidated Edison Company of New York, Inc., sells elect. (78% of revs.), gas (16%), steam (6%) in most of New York City and Westchester County. Acquired Orange & Rockland Utilities 7/99. Commercial rev. ratio (55%) compares with 32% for the industry. Nonincome taxes and avg. price per kwh are among the highest in U.S. Fuel costs: 61% of revs.; labor costs, 14%. 2003 reported deprec. rate: 3.0%. Est'd plant age: 8 years. In '03, purch. almost all energy it sold on firm contracts with nonutility generators. Has 14,000 empls, 93,760 common shareholders. Chmn., CEO & Pres.: Eugene R. McGrath. Inc.: N.Y. Add.: 4 Irving Place, New York, N.Y. 10003. Tel.: 212-460-3903. Internet: www.coned.com.

Consolidated Edison awaits a federal court decision on its conflict with Northeast Utilities (NU). ED's 1999 agreement to acquire NU was terminated a year later, with each party accusing the other of violating contract terms. ED filed suit, claiming that NU made unprofitable deals that would wipe out most of the merger's benefits and that this constituted a legal basis for terminating the agreement. ED also asked for an unspecified sum for NU's misrepresentation of facts and requested the court to absolve it from any damages NU might seek. NU countersued for $1 billion, on the grounds that its shareholders would have received an acquisition premium of that amount if the transaction had closed. There's no indication when the case will be decided. Though an unfavorable ruling would have a material adverse effect on ED, the company's strong finances would help parry the blow.

There's lots of rate activity afoot. Last November, management filed for $108 million in higher gas tariffs to cover infrastructure expenditures. An order, due in the fourth quarter, would boost revenues in the winter months of high gas usage. ED also applied for $129 million in increased steam rates to cover the cost of repowering a 200-megawatt plant. But it may bill customers only $64 million, because of fuel savings. Finally, the company seeks $550 million in higher annual electric revenues to take effect in April, 2005.

Earnings will likely decline this year. Pluses include an improving local economy, particularly in the financial sector, and higher gas and steam rates in the December period. On the down side, pension and insurance costs are rising, and margins on merchant plant operations are lower. Too, a full year of additional shares outstanding will be dilutive. All told, we estimate an 8% decline in 2004 earnings, to $2.60 a share. A likely increase in electric rates points to a modest gain next year. The stock is untimely.

These shares might interest conservative utility investors. The yield is more than a full percentage point above the industry norm, and dividend growth prospects to 2007-2009 are about average. What's more, Con Edison carries our highest Financial Strength rating of A++.

Arthur H. Medalie *June 4, 2004*

(A) EPS diluted. Excl. nonrecur.: '02, (11¢); '03, (45¢). Next egs. report due late July.
(B) Dividends historically paid in mid-Mar., mid-June, mid-Sept., and mid-Dec. ■ Div'd reinvest. plan avail. (C) Includes intangibles. In '03: $11.92/sh. (D) Rate base: net original cost. Rate all'd elec. common equity: '97, 12.9%; earned on '03 average common equity: 10.2%.

Regulatory Climate: Average.

Company's Financial Strength	A++
Stock's Price Stability	95
Price Growth Persistence	45
Earnings Predictability	90

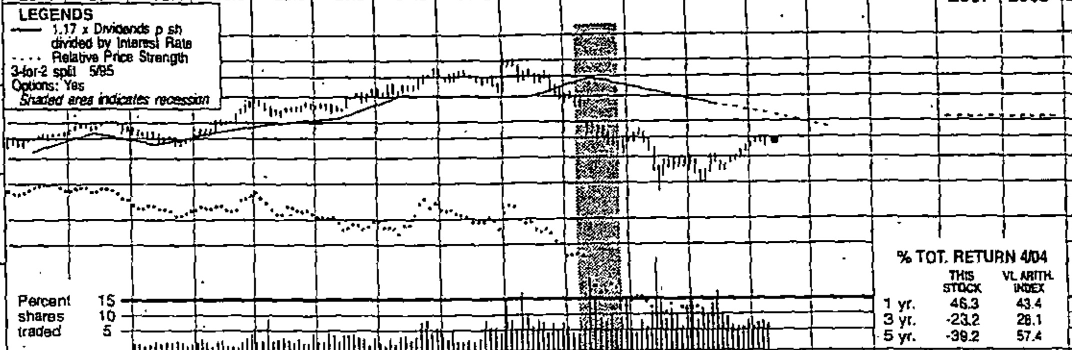
DUQUESNE LIGHT NYSE-DQE

RECENT PRICE	19.34	P/E RATIO	17.6 (Trailing: 18.4 / Median: 14.0)	RELATIVE P/E RATIO	0.98	DIV'D YLD	5.2%	VALUE LINE	162

TIMELINESS **3** Lowered 5/2/03
SAFETY **4** Lowered 6/7/02
TECHNICAL **3** Lowered 6/4/04
BETA .70 (1.00 = Market)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:		24.7	23.0	30.8	31.5	35.2	44.1	44.3	53.0	33.7	22.3	18.4	20.5
Low:		20.9	18.4	19.6	25.8	26.5	31.6	33.6	30.8	16.5	10.9	11.9	17.6

Target Price Range 2007 | 2008 | 2009



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+30%)	11%
Low	16	(-15%)	2%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	2	0
to Sell	0	0	0	0	0	0	0	1	0

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	86	54	95
to Sell	68	97	47
Hld's(000)	34915	15736	37117

% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	46.3	43.4
3 yr.	-23.2	28.1
5 yr.	-39.2	57.4

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	G2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
	12.26	13.50	14.07	15.11	14.91	15.04	15.75	15.73	15.86	15.69	16.41	18.69	23.76	23.18	13.71	11.97	11.75	12.45	Revenues per sh A	13.05
	3.14	3.17	3.64	3.90	4.01	3.87	4.05	4.68	5.05	5.36	5.13	5.52	7.61	6.94	3.51	2.19	2.15	2.35	"Cash Flow" per sh	2.75
	1.24	1.35	1.49	1.67	1.78	1.81	1.99	2.20	2.32	2.40	2.52	2.65	1.31	.31	1.23	1.03	1.10	1.25	Earnings per sh B	1.60
	.81	.87	.92	.97	1.03	1.08	1.13	1.22	1.30	1.38	1.46	1.54	1.62	1.68	1.34	1.00	1.00	1.00	Div'd Decl'd per sh C■	1.04
	1.08	1.06	1.36	1.61	1.42	1.27	1.54	1.21	1.31	1.52	2.46	2.05	4.47	2.90	1.13	1.03	1.05	1.05	Cap'l Spending per sh	1.05
	12.34	12.84	13.38	14.00	14.75	15.48	16.27	17.13	18.01	19.30	19.18	18.78	14.02	9.09	6.09	7.63	7.90	8.30	Book Value per sh D	10.15
	86.75	83.01	80.64	79.36	79.43	79.52	78.46	77.56	77.27	77.68	77.37	71.77	55.89	55.91	74.35	75.42	76.50	77.50	Common Shs Outst'g E	80.50
	8.2	10.2	9.9	10.7	11.3	12.8	10.2	11.0	12.3	12.6	14.4	14.9	30.5	77.1	13.7	14.6	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.0
	.68	.77	.74	.68	.69	.76	.67	.74	.77	.73	.75	.85	1.98	3.95	.75	.85			Relative P/E Ratio	.85
	8.0%	6.3%	6.2%	5.4%	5.1%	4.7%	5.6%	5.0%	4.6%	4.6%	4.0%	3.9%	4.1%	7.0%	7.9%	6.6%			Avg Ann'l Div'd Yield	5.0%

CAPITAL STRUCTURE as of 3/31/04
Total Debt $1022.5 mill. Due in 5 Yrs $90.0 mill.
LT Debt $932.3 mill. LT Interest $57.0 mill.
(LT interest earned: 3.1x)
Pension Assets-12/03 $679 mill. Oblig. $694 mill.

Pfd Stock $71.4 mill. Pfd Div'd $7.7 mill.
Incl. 1.05 mill. shs. 3.75%-4.20% cum. Duquesne Light pfd, $50 par, $50 liq. val; 10 shs 6.5% EnviroGas pfd, $100,000 par, $100,000 liq. val.; *438,243 shs series A, $2.80, Duquesne Light pfd,* $1.00 par, $35.50 liq. val.
Common Stock 76,182,342 shs. as of 4/30/04
MARKET CAP: $1.5 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
1235.6	1220.2	1225.2	1219.2	1269.6	1341.2	1327.6	1296.1	1019.4	902.8	900	965	Revenues ($mill) A	1050
162.8	176.5	179.1	185.9	196.7	201.4	82.8	33.9	80.7	78.5	92.0	104	Net Profit ($mill)	137
37.3%	35.4%	32.8%	34.0%	33.9%	35.5%	33.6%	37.7%	27.6%	18.1%	25.0%	30.0%	Income Tax Rate	34.0%
--	--	--	--	--	.4%	2.4%	1.8%	1.1%	.6%	.5%	.5%	AFUDC % to Net Profit	.5%
50.8%	50.6%	47.1%	45.0%	44.5%	50.5%	56.8%	61.5%	60.9%	60.2%	55.0%	53.0%	Long-Term Debt Ratio	47.5%
45.7%	46.9%	45.6%	47.7%	47.1%	41.2%	33.0%	26.1%	25.5%	35.4%	36.5%	38.0%	Common Equity Ratio	45.0%
2790.8	2835.3	3054.7	3140.9	3149.1	3270.0	2374.5	1950.1	1777.8	1623.6	1650	1680	Total Capital ($mill)	1825
3139.5	3060.2	2817.5	2662.3	1716.8	1828.1	1707.1	1688.3	1425.5	1437.3	1490	1545	Net Plant ($mill)	1710
7.7%	8.1%	7.7%	7.8%	8.0%	7.9%	5.9%	3.7%	6.5%	6.8%	7.5%	8.0%	Return on Total Cap'l	9.0%
11.9%	12.6%	11.1%	10.8%	11.3%	12.4%	8.1%	4.5%	11.6%	12.1%	12.5%	13.5%	Return on Shr. Equity	14.0%
12.3%	12.8%	12.0%	11.6%	12.1%	14.8%	10.5%	3.4%	17.7%	13.6%	14.0%	15.0%	Return on Com Equity F	16.0%
5.3%	5.8%	4.8%	4.4%	5.6%	6.2%	NMF	NMF	1.5%	2.5%	1.5%	3.0%	Retained to Com Eq	5.5%
59%	56%	63%	64%	58%	58%	120%	NMF	92%	82%	91%	82%	All Div'ds to Net Prof	67%

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	-4.6	+5.1	-15.3
Avg. Indust. Use (MWH)	N/A	N/A	N/A
Avg. Indust. Revs. per KWH (¢)	N/A	4.96	4.10
Capacity at Peak (Mw)	N/A	N/A	N/A
Peak Load, Summer (Mw)	N/A	N/A	N/A
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (yr-end)	N/A	N/A	N/A
Fixed Charge Cov. (%)	74	183	226

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	1.0%	.5%	-3.5%
"Cash Flow"	.5%	-4.0%	-7.0%
Earnings	-7.0%	-18.5%	11.0%
Dividends	2.5%	-.5%	-4.0%
Book Value	-6.5%	-16.5%	5.0%

Calendar	QUARTERLY REVENUES ($ mill.)A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	320.5	313.4	351.5	310.7	1296.1
2002	265.9	249.4	273.9	230.2	G1019.4
2003	220.3	215.8	246.0	220.7	902.8
2004	217.1	216	247	219.9	900
2005	235	230	265	235	965

Calendar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.22	.10	.25	d.26	.31
2002	.21	.22	.55	.25	G1.23
2003	.27	.12	.39	.25	1.03
2004	.28	.27	.38	.17	1.10
2005	.32	.31	.41	.21	1.25

Calendar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.40	.40	.40	.40	1.60
2001	.42	.42	.42	.42	1.68
2002	.42	.42	.42	.25	1.51
2003	.25	.25	.25	.25	1.00
2004	.25	.25			

BUSINESS: Duquesne Light Holdings, Inc. (formerly DQE, Inc.), through its *Duquesne Light Co.* subsidiary, distributes electricity to 587,000 customers in an 817-square-mile service area, including Pittsburgh and municipalities in western Pennsylvania. Other subsidiaries: *DQE Cap'l, DQE Comm., DQE Energy Svcs, DQE Ents,* and *DQE Fin'l.* 2003 elec. oper. revs: resid'l, 37.5%; commerc'l, 41.5%; ind'l, 17.8%; other, 3.2%. Sold generating assets to Orion *Power Hldgs 4/00; Pro Am to Ferrellgas Ptnrs 12/02; AquaSource* to Philadelphia Suburban 7/03. 2003 deprec. rate: 4.1%. Has about 1,405 employees; 50,780 stockholders. Chrmn: R.P. Bozzone. CEO, & Pres.: M.K. O'Brien. Inc.: PA. Addr.: 411 Seventh Ave., Pittsburgh, PA. 15219. Tel.: 412-393-6000. Web: www.dqe.com.

Duquesne Light Holdings hopes to extend its Provider Of Last Resort (POLR) rate plan. Under the current plan, which expires at yearend, the Duquesne Light subsidiary distributes power to retail customers, who do not choose an alternative provider of service, at a reasonable profit. Last April, the company *amended its extension filing (originally* made in December) to reflect resolutions of issues with lead consumer and business advocates. The revised POLR plan calls for a residential and small commercial generation rate increase of 7.0% in 2005. From *2008 to 2010,* generation rates would not rise more than 5.9%. Generation rates for large commercial and industrial customers would be subject to market prices, with an allowance to request competing supply proposals annually. Distribution tariffs, barring any unusual circumstances, would hold steady from 2005 through 2007. The pending $120 million purchase of the Sunbury coal plant (402 megawatts), and new wholesale contracts, would enable Duquesne to provide service. Positive decisions from Pennsylvania and federal regulators *are likely this summer. Meanwhile,*

Management is rebalancing the company's capital structure. During the past few years, Duquesne paid down significant amounts of debt, with the aid of asset dispositions. Additional debt retirements and refinancings are now in progress. Annual interest expense is on the decline. Though no common stock issuances, aside from those made via the dividend reinvestment program, are planned, we expect the company's common equity *ratio to improve in the coming years.* Approval of the POLR plan and new market opportunities, stemming from Duquesne's membership in the Pennsylvania-New Jersey-Maryland interconnection, would support steady earnings streams. Better cash flow would allow the company to meet its yearly dividend and capital spending requirements.

The stock offers a high yield. In recent time, Duquesne improved its risk profile by shedding noncore investments (technology, propane, water services) and paring debt. The risk of POLR plan disapproval appears minimal. Investors focusing on current income may now recommit.

David M. Reimer *June 4, 2004*

(A) *Beginning in Mar. '02, reflects discontinuation of competitive transition charge.* (B) *Diluted egs. Excl. nonrecurr. items: '97, 17¢; '98, d$1.06; '00, $1.08; '01, d$3.06; '02, d$4.51; '03, $1.26. Next egs rpt early Aug.* (C) Div'ds hist. paid in early Jan., Apr., July, and Oct. ■ *Div'd reinvest. plan avail.* (D) *Incl. regulatory assets. In '03, $3.73/sh.* (E) *In mill., adj'd for split.* (F) *Rate base determ.: fair val. Rate allowed on com. eq. in '88: 12.9%; Rtn on avg. com. eq.: '03, 34.1%.* (G) *Excl. water ops.*

Company's Financial Strength	B
Stock's Price Stability	75
Price Growth Persistence	25
Earnings Predictability	40

ENERGY EAST CORP. NYSE-EAS

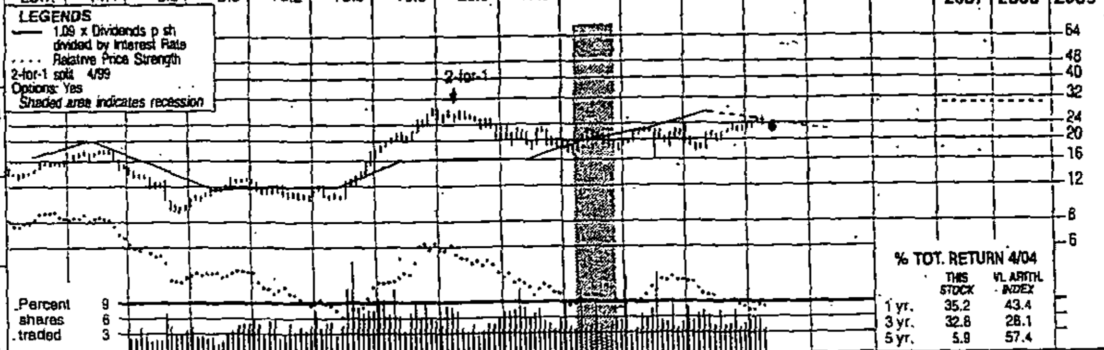
RECENT PRICE	22.81	P/E RATIO	17.5 (Trailing: 17.0 Median: 11.0)	RELATIVE P/E RATIO	0.97	DIV'D YLD	4.6%	VALUE LINE	163

TIMELINESS 5 Lowered 12/12/03
SAFETY 2 Lowered 3/9/01
TECHNICAL 3 Lowered 5/28/04
BETA .80 (1.00 = Market)

High:	18.3	15.3	13.4	13.2	17.9	29.0	28.6	23.6	22.1	23.1	23.7	26.0		
Low:	14.4	8.9	9.5	10.2	10.3	16.5	20.6	17.9	17.0	15.8	17.4	21.8		

Target Price Range 2007 | 2008 | 2009

LEGENDS
— 1.09 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 4/99
Options: Yes
Shaded area indicates recession



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+30%)	11%
Low	20	(-10%)	2%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	2	0	0	0	0	0	11	8
to Sell	0	0	0	0	0	0	0	1	0

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	103	103	111
to Sell	66	84	81
Hld's(000)	72950	66280	66433

Percent shares traded 9 6 3

% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	35.2	43.4
3 yr.	32.8	28.1
5 yr.	5.9	57.4

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
11.82	12.40	11.99	12.27	12.18	12.75	13.28	14.05	14.78	15.78	19.85	20.84	25.15	32.21	27.65	31.41	*32.30*	*32.95*	Revenues per sh	*36.25*
2.52	2.50	2.35	2.37	2.32	2.20	2.43	2.54	2.64	2.77	3.06	3.37	3.42	3.75	3.12	4.28	*4.45*	*4.75*	"Cash Flow" per sh	*5.25*
1.35	1.22	1.24	1.18	1.20	1.04	1.19	1.25	1.26	1.29	1.51	1.91	2.07	2.00	1.50	1.43	*1.30*	*1.50*	Earnings per sh A	*1.75*
1.00	1.01	1.03	1.05	1.07	1.09	1.00	.70	.70	.70	.78	.84	.88	.92	.96	1.00	*1.04*	*1.08*	Div'd Decl'd per sh B ■	*1.20*
2.20	1.67	1.69	1.92	1.75	1.88	1.72	1.14	1.54	.92	1.04	.84	1.32	1.79	1.55	1.98	*2.35*	*2.05*	Cap'l Spending per sh	*2.00*
10.35	10.64	10.93	11.08	11.42	11.44	11.64	12.19	12.70	13.36	13.61	12.84	14.59	15.26	16.97	17.59	*18.00*	*18.45*	Book Value per sh C	*20.00*
113.40	115.11	124.86	126.80	138.88	141.19	143.01	143.01	139.34	135.02	125.89	109.34	117.66	116.72	144.97	146.26	*147.00*	*148.00*	Common Shs Outst'g D	*151.00*
8.4	10.4	9.9	11.1	12.3	16.2	9.9	9.3	9.1	9.7	14.6	13.4	10.1	9.8	14.0	14.6	Bold figures are		Avg Ann'l P/E Ratio	*13.5*
.70	.79	.74	.71	.75	.96	.65	.62	.57	.56	.76	.76	.66	.50	.76	.85	Value Line		Relative P/E Ratio	*.90*
8.8%	8.0%	8.4%	8.0%	7.3%	6.5%	8.5%	6.0%	6.1%	5.6%	3.5%	3.3%	4.2%	4.7%	4.6%	4.8%	estimates		Avg Ann'l Div'd Yield	*5.0%*

CAPITAL STRUCTURE as of 3/31/04
Total Debt $4333.5 mill. **Due in 5 Yrs** $946.6 mill.
LT Debt $3997.8 mill. **LT Interest** $249.9 mill.
Incl. $345 mill. 8¼% mand. redeem. trust pfd. sec.
(LT interest earned: 2.3x)
Pension Assets-12/03 $2.39 bill. **Oblig.** $2.14 bill.
Pfd Stock $113.5 mill. **Pfd Div'd** $5.4 mill.
456,192 shs. 3.50%-6.00%, cum., $100 par, redeemable at $100-$110; 108,706 shs. 8.0%, cum., $3.125 par. RG&E: 470,000 shs. 4.0%-7.0% cum. ($100 par), callable at $101-$105; 225,000 shs. 6.60% cum., subject to mandatory redemption.
Common Stock 146,484,753 shs. as of 4/30/04
MARKET CAP: $3.3 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
1898.9	2009.5	2059.4	2130.0	2499.4	2278.6	2959.5	3759.8	4008.9	4593.8	*4750*	*4875*	Revenues ($mill)	*5475*
187.6	196.7	188.2	184.6	202.8	225.1	237.6	235.4	199.6	212.1	*195*	*220*	Net Profit ($mill)	*260*
35.3%	37.1%	37.6%	38.9%	40.4%	36.7%	39.7%	44.2%	34.1%	37.6%	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
1.9%	1.1%	1.3%	.4%	.2%	.1%	.4%	.3%	.3%	2.0%	*2.0%*	*1.0%*	AFUDC % to Net Profit	*1.0%*
46.1%	45.3%	43.4%	42.5%	44.8%	46.6%	57.1%	60.7%	58.9%	59.8%	*59.0%*	*56.5%*	Long-Term Debt Ratio	*54.5%*
46.5%	50.0%	51.9%	52.8%	53.5%	53.0%	41.8%	38.4%	39.2%	38.5%	*40.0%*	*42.5%*	Common Equity Ratio	*44.5%*
3581.4	3490.5	3410.2	3413.0	3203.0	2649.2	4106.7	4640.8	6273.5	6681.3	*6595*	*6485*	Total Capital ($mill)	*6775*
3987.3	3963.6	3982.4	3922.3	3862.7	2139.8	3632.9	3826.4	4801.8	5778.1	*5665*	*5485*	Net Plant ($mill)	*4825*
7.0%	7.3%	7.1%	7.0%	7.9%	10.5%	7.4%	7.2%	5.1%	5.1%	*5.0%*	*5.5%*	Return on Total Cap'l	*5.5%*
9.7%	10.3%	9.8%	9.4%	11.5%	15.9%	13.5%	12.9%	7.7%	7.9%	*7.0%*	*8.0%*	Return on Shr. Equity	*8.5%*
10.1%	10.2%	10.1%	9.7%	11.3%	15.8%	13.8%	13.1%	8.0%	8.1%	*7.5%*	*8.0%*	Return on Com Equity E	*8.5%*
1.6%	4.5%	4.3%	4.4%	5.5%	8.8%	8.0%	7.1%	2.9%	3.1%	*1.5%*	*2.0%*	Retained to Com Eq	*2.5%*
86%	60%	59%	57%	54%	45%	42%	46%	65%	63%	*80%*	*73%*	All Div'ds to Net Prof	*70%*

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	+35.6	+15.6	+13.9
Avg. Indust. Use (MWH)	1393	NA	NA
Avg. Indust. Revs. per KWH (¢)	4.82	4.69	4.65
Capacity at Peak (Mw)	NMF	NMF	NMF
Peak Load, Winter (Mw)	4138	NA	NA
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	+1.2	+27.0	+1.1
Fixed Charge Cov. (%)	272	202	211

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	9.5%	12.5%	*3.0%*
"Cash Flow"	5.0%	5.5%	*6.0%*
Earnings	3.5%	4.0%	*1.0%*
Dividends	-1.0%	.6.0%	*4.0%*
Book Value	4.0%	4.5%	*3.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	1271.1	849.0	798.9	840.8	3759.8
2002	1028.6	714.9	1016.2	1249.2	4008.9
2003	1508.3	986.1	903.1	1196.3	4593.8
2004	1586.1	*1000*	*913.9*	*1250*	*4750*
2005	*1625*	*1025*	*925*	*1300*	*4875*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.98	.23	.21	.57	2.00
2002	.95	.06	.16	.37	1.50
2003	.90	.20	.01	.31	1.43
2004	.82	*.05*	*.03*	*.40*	*1.30*
2005	*.90*	*.08*	*.07*	*.45*	*1.50*

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.22	.22	.22	.22	.88
2001	.23	.23	.23	.23	.92
2002	.24	.24	.24	.24	.96
2003	.25	.25	.25	.25	1.00
2004	.26	.26			

BUSINESS: Energy East Corporation is a holding company for New York State Electric & Gas (NYSEG), Rochester Gas and Electric, Central Maine Power, Connecticut Natural Gas, & Southern Connecticut Gas. Serves 1.8 mill. elec.; 904,000 gas customers in NY & New England. Acq'd Connecticut Energy 2/00; CMP Group, CTG Resources & Berkshire Energy 9/00; RGS Energy 6/02. Elec. rev. breakdown, '03: res'l, 44%; comm'l, 22%; ind'l, 12%; other, 20%. Generating sources, '03: not available. Fuel costs: 50% of revs. '03 reported deprec. rate: 3.4%. Has 6,300 employees, 37,700 stockholders. Chairman, Pres. & CEO: Wesley W. von Schack. Inc.: NY. Address: P.O. Box 12904, Albany, NY 12212-2904. Tel.: 518-434-3049. Internet: www.energyeast.com.

Rochester Gas and Electric (a subsidiary of Energy East) has received a rate order. The decision was similar to the settlement the utility reached with the staff of the New York State Public Service Commission. Base electric and gas tariffs were frozen through year-end 2008, but RG&E was granted electric and gas surcharges of $7.4 million (1.4%) and $7.2 million (2.2%), respectively. The utility will be able to recover costs it deferred from 2003 of $36 million for an ice storm and $15 million associated with a refueling outage for the Ginna nuclear plant. The allowed returns on equity are 12.25% (electric) and 12% gas, with a mechanism *for sharing returns above these amounts* with customers. The surcharges will benefit RG&E, but it had to make significant concessions; the utility was seeking an electric rate hike of $80 million and a gas tariff increase of $21 *million.*

The order for RG&E also approved the sale of Ginna. The facility had been written down, so the company will wind up with a gain on the sale. The gain will boost Energy East's net income by $2 million a year through 2008. Of the $400 million in cash the company will receive, $110 million will be refunded to customers in various installments through 2007, and the remainder will be used for debt reduction. The deal still awaits the approval of the Nuclear Regulatory Commission. It should close around midyear.

We have cut our 2004 and 2005 earnings estimates. First-quarter earnings declined due to *higher* stock-option expense and warmer winter weather. Combined, these factors hurt the year-to-year comparison by $0.16 a share. This outweighed a $0.07 benefit of cost reductions from an ongoing program to integrate various functions among Energy East's six operating utilities. The integration program is expected to reduce annual operating expenses, capital spending, and working capital needs by $80 million, $28 million, and $13 million, respectively, by 2006. Costs of implementing this program make earnings tough to forecast for now, however. The stock is ranked 5 (Lowest) for Timeliness.

This stock's yield is above average. Total-return potential to 2007-2009 is about average, by utility standards.

Paul E. Debbas, CFA *June 4, 2004*

(A) Diluted EPS. Excl. nonrec. losses: '96, 7¢; '99, 3¢ net; '00, 40¢; '01, 39¢; '02, 6¢; gain from discont. ops.: '03, 2¢. '01 & '03 EPS don't add due to rounding, '02 due to change in shs. Next earnings report due late July. (B) Div'ds historically paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinv. plan avail. (C) Incl. intang. in '03: $25.02/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost. Rate all'd on com. eq. for NYSEG '02: 15.5% elec., 10.5% gas; RG&E '04: 12.25% elec., 12% gas; earn. on avg. com. eq., '03: 8.3%. Reg. Clim.: Avg.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	60
Earnings Predictability	80

GREEN MTN. POWER NYSE-GMP

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
25.66	12.2	(Trailing: 13.3 Median: 12.0)	0.68	3.5%	167

TIMELINESS 4 Lowered 9/26/03
SAFETY 3 Raised 9/7/01
TECHNICAL 3 Lowered 4/30/04
BETA .65 (1.00 = Market)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	36.6	31.3	28.6	29.1	26.3	20.1	14.5	13.0	19.5	21.1	23.8	26.3
Low:	30.8	23.4	23.9	22.8	17.6	10.0	7.1	6.6	11.1	15.8	19.0	22.6

Target Price Range 2007 | 2008 | 2009

2007-09 PROJECTIONS

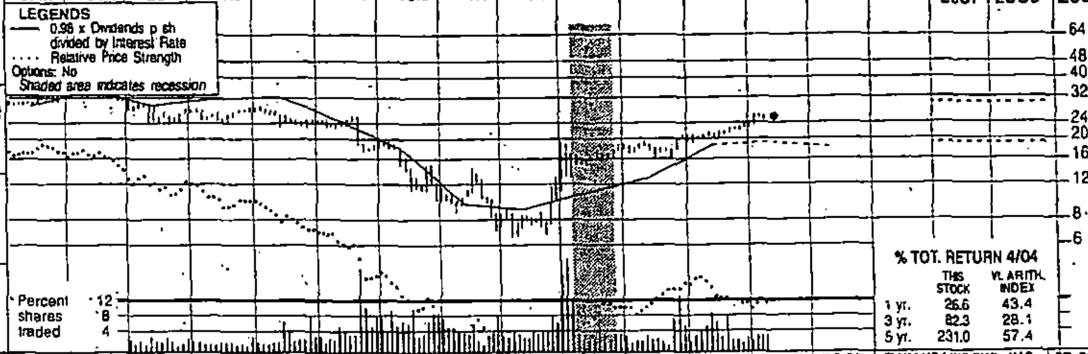
	Price	Gain	Ann'l Total Return
High	30	(+15%)	7%
Low	19	(-25%)	-2%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	1	0	2	2	0	1	5
to Sell	0	1	1	0	2	1	0	2	6

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	28	21	30
to Sell	19	27	13
Hld's(000)	1992	1842	1916



% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	26.6	43.4
3 yr.	82.3	28.1
5 yr.	231.0	57.4

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
34.79	38.83	39.06	33.33	32.91	32.46	31.66	33.30	35.54	34.52	34.69	46.41	49.82	49.86	55.42	55.72	*44.10*	*45.65*	Revenues per sh	*48.10*
3.88	3.95	4.02	3.87	4.32	4.05	4.47	5.12	5.41	4.69	2.24	3.45	2.69	4.42	5.14	4.79	*4.75*	*4.85*	"Cash Flow" per sh	*5.10*
2.41	2.36	2.29	2.45	2.54	2.20	2.23	2.26	2.22	1.57	d.80	.46	d.06	1.86	1.96	2.01	*2.10*	*2.20*	Earnings per sh (A)	*2.40*
1.89	1.95	2.00	2.04	2.08	2.11	2.12	2.12	2.12	1.61	.96	.55	.55	.55	.60	.76	*.88*	*.98*	Div'd Decl'd per sh (B)■	*1.28*
3.84	5.44	3.79	3.42	3.47	3.52	2.89	3.16	3.48	3.16	2.05	1.70	2.49	2.28	3.94	3.30	*4.25*	*3.90*	Cap'l Spending per sh	*2.85*
18.37	18.73	19.03	20.30	20.99	21.42	21.66	21.94	22.15	22.02	20.09	18.60	16.53	17.81	18.51	19.85	*20.20*	*20.85*	Book Value per sh (C)	*23.10*
3.70	3.71	3.78	4.31	4.41	4.54	4.68	4.85	5.04	5.20	5.31	5.41	5.57	5.69	4.95	5.03	*5.10*	*5.15*	Common Shs Outst'g (E)	*5.30*
10.1	10.3	10.5	10.8	12.2	15.6	12.1	11.7	11.6	14.2	--	22.6	--	8.5	9.3	10.7	*Bold figures are*		Avg Ann'l P/E Ratio	*10.0*
.84	.78	.78	.69	.74	.92	.79	.78	.73	.82	--	1.29	--	.44	.51	.62	*Value Line*		Relative P/E Ratio	*.65*
7.7%	8.0%	8.3%	7.7%	6.7%	6.2%	7.8%	8.0%	8.2%	7.2%	6.4%	5.3%	6.6%	3.4%	3.3%	3.5%	*estimates*		Avg Ann'l Div'd Yield	*5.3%*

CAPITAL STRUCTURE as of 3/31/04
Total Debt $97.9 mill. **Due in 5 Yrs** $14.0 mill.
LT Debt $97.9 mill. **LT Interest** $7.0 mill.
Incl. $4.9 mill. capitalized leases.
(LT interest earned: 3.1x)

Leases, Uncapitalized None
Pension Assets-12/03 $27.9 mill. Oblig. $34.0 mill.

Pfd Stock None

Common Stock 5,068,688 shs. as of 4/30/04
(5,205 mill. fully diluted shs.)
MARKET CAP: $125 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
148.2	161.5	179.0	179.3	184.3	251.0	277.3	283.5	274.6	280.5	*225*	*235*	Revenues ($mill)	*255*
11.0	11.5	12.0	9.4	d2.9	3.6	.7	11.8	11.4	10.3	*10.5*	*11.5*	Net Profit ($mill)	*12.5*
32.9%	32.7%	35.1%	43.2%	--	22.9%	--	37.1%	34.7%	33.1%	*34.0%*	*34.0%*	Income Tax Rate	*36.0%*
7.3%	5.0%	5.4%	7.1%	--	6.2%	72.2%	3.4%	2.9%	6.3%	*5.5%*	*5.5%*	AFUDC % to Net Profit	*3.0%*
43.6%	46.7%	44.3%	43.5%	43.9%	43.9%	42.9%	41.4%	51.7%	49.5%	*48.5%*	*47.5%*	Long-Term Debt Ratio	*48.0%*
51.8%	49.2%	47.5%	49.0%	48.7%	49.8%	50.3%	52.2%	48.3%	50.5%	*51.5%*	*52.5%*	Common Equity Ratio	*52.0%*
195.7	216.3	234.8	233.7	219.0	202.3	183.2	194.0	190.1	197.9	*200*	*205*	Total Capital ($mill)	*235*
176.0	182.0	189.9	196.7	195.6	192.9	194.7	196.9	203.5	228.9	*245*	*255*	Net Plant ($mill)	*295*
7.4%	6.8%	6.6%	5.6%	.3%	3.4%	2.2%	7.6%	7.4%	7.0%	*7.0%*	*7.0%*	Return on Total Cap'l	*7.0%*
10.0%	10.0%	9.1%	7.1%	NMF	3.2%	.7%	10.4%	12.4%	10.3%	*10.5%*	*10.5%*	Return on Shr. Equity	*10.5%*
10.1%	10.1%	9.8%	7.0%	NMF	2.4%	NMF	10.7%	12.3%	10.3%	*10.5%*	*10.5%*	Return on Com Equity (D)	*10.5%*
.5%	.6%	.5%	NMF	NMF	NMF	NMF	7.7%	6.7%	6.5%	*6.0%*	*6.0%*	Retained to Com Eq	*5.0%*
95%	94%	96%	102%	NMF	113%	NMF	34%	30%	37%	*42%*	*45%*	All Div'ds to Net Prof	*54%*

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	Nil	-.3	-1.1
Avg. Indust. Use (MWH)	31768	31499	25811
Avg. Indust. Revs. per KWH (¢)	7.70	7.31	7.41
Capacity at Peak (Mw)	408.0	406.9	393.9
Peak Load, Summer (Mw)	341.2	342.0	330.2
Annual Load Factor (%)	70.1	70.0	71.1
% Change Customers (yr-end)	+1.2	+.9	+1.2
Fixed Charge Cov. (%)	257	327	279

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	5.0%	9.0%	*-2.0%*
"Cash Flow"	1.5%	3.0%	*1.0%*
Earnings	-2.0%	14.5%	*3.5%*
Dividends	-11.0%	-16.5%	*12.5%*
Book Value	-1.0%	-2.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	74.8	67.5	76.0	65.2	283.5
2002	68.9	65.1	73.5	67.1	274.6
2003	72.9	64.5	72.0	71.1	280.5
2004	63.1	*50.0*	*60.0*	*51.9*	*225*
2005	*65.0*	*52.0*	*63.0*	*55.0*	*235*

Cal-endar	EARNINGS PER SHARE (A) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.51	.50	.58	.29	1.88
2002	.57	.32	.52	.55	1.96
2003	.80	.22	.59	.40	2.01
2004	.72	*.35*	*.59*	*.44*	*2.10*
2005	*.75*	*.38*	*.61*	*.46*	*2.20*

Cal-endar	QUARTERLY DIVIDENDS PAID ■ (B) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.138	.138	.138	.138	.55
2001	.138	.138	.138	.138	.55
2002	.138	.138	.138	.19	.60
2003	.19	.19	.19	.19	.76
2004	.22				

BUSINESS: Green Mountain Power Corp. supplies electricity to north-central, and parts of southern and southeastern Vermont. Rev. mix ('02): resid'l, 26.8%; small comm'l & ind'l, 28.0%; large comm'l. & ind'l., 17.7%; other utils, 26.3%; other, 1.2%. Fuel ('03): hydro, 35.4% (incl. H-Q purch.); nuclear, 37.4% (Vermont Yankee); wood, 3.5%; oil, 2.7%; gas, 1.3%; wind, .5%; mkt purch., 19.2%. Has a 28.4% interest in Vermont Electric Power Co. and a 33.6% stake in Vermont Yankee Nuclear Power Corp. Fuel and purch. pwr costs: 70.3% of revs. '03 deprec. rate: 4.1%. Has 196 employees, 5,120 stockholders of rec. Chrmn: N.L. Brue. Pres. & CEO: C.L. Dutton. Inc.: VT. Addr.: 163 Acorn Lane, Colchester, VT 05446. Tel.: 802-655-8455. Web: www.greenmountainpower.biz.

Despite a likely decline in total revenues, Green Mountain Power ought to earn its allowed return on common equity in 2004. Wholesale revenues will fall by about $64 million due to a reduction in power resales to Morgan Stanley under a fuel hedging contract in effect to the end of 2006. GMP will be purchasing less capacity from suppliers Hydro-Quebec and Vermont Yankee Nuclear Power this year than it did in 2003. Since the wholesale business is low-margined, the impact on net income will be minimal. Separately, under a three-year retail rate settlement approved by state regulators late last year, GMP will record $3 million in deferred revenues, which will support the attainment of a 10.5% rate of return. A tight cost structure and local service area economic growth of 1% to 2% will shore up earnings as well. Subject to cost-of-service requirements, the utility is permitted to raise retail rates by 1.9% next year and by another 0.9% in 2006 to maintain the allowed return on equity. We look for GMP to earn $2.10 a share in 2004 and $2.20 a share in 2005, on revenues of $225 million and $235 million, respectively.

Finances are well balanced. In 2002, via a Dutch auction, management refinanced debt under better terms and bought back common stock with the aim of achieving a 50-50 debt/equity balance, which was essentially realized in 2003. Higher retained earnings and a $14 million debt maturity (in 2006) will probably push the equity ratio over 50%. The capital structure may well be rebalanced with additional debt financing. GMP's debt ratio is in sync with those of most other stable power distribution companies. (Note: Management is unlikely to encounter any difficulty renewing undrawn short-term credit facilities this spring.)

The dividend payout is on the rise. We estimate a very modest payout of 42% this year. Given improving free cash flow, the board of directors intends to lift the dividend annually, until reaching a ratio of 50%-70%. Earnings from an investment in a new transmission line proposed by the Vermont Electric Power Company would facilitate this goal. **Still, the recent share price already reflects much of the good dividend growth prospects.**

David M. Reimer *June 4, 2004*

(A) Basic earnings. Next earnings report due late July. Excludes gain (losses) from discontinued operations: '99, ($1.25); '00, ($1.19); '01, (3¢); '03, 1¢ (B) Dividends historically paid in late Mar., June, Sep., and Dec. ■ Dividend reinvestment plan available. (C) Includes deferred charges. In '03: $11.05/sh. (D) Rate base determination: net original cost. Rate allowed on common equity in '03: 10.5%. Earned on average common equity in '03: 10.8%. Regulatory Climate: Below Average. (E) In millions.

Company's Financial Strength	B++
Stock's Price Stability	80
Price Growth Persistence	15
Earnings Predictability	15

NORTHEAST UTILITIES NYSE-NU

RECENT PRICE 19.02 | P/E RATIO 13.6 (Trailing: 14.6; Median: NMF) | RELATIVE P/E RATIO 0.76 | DIV'D YLD 3.4% | VALUE LINE 168

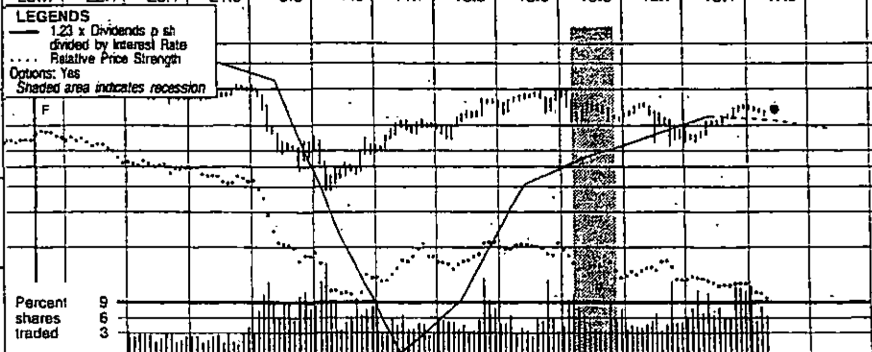
TIMELINESS 3 Raised 7/19/02

SAFETY 3 Raised 9/6/02

TECHNICAL 3 Lowered 10/3/03

BETA .70 (1.00 = Market)

High:	28.9	25.8	25.4	25.3	14.3	17.3	22.0	24.6	24.3	20.7	20.3	20.3
Low:	22.1	20.4	21.0	9.5	7.6	11.7	13.6	18.0	16.6	12.7	13.1	17.6



Target Price Range 2007 | 2008 | 2009

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+30%)	10%
Low	18	(-5%)	3%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	2	0	0	0	0	0
to Sell	0	0	0	2	1	0	0	0	1

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	72	73	101
to Sell	71	62	55
Hld's(000)	88832	88444	89943

% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	26.9	43.4
3 yr.	11.4	28.1
5 yr.	28.9	57.4

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
19.13	20.30	23.87	23.09	24.03	29.19	29.15	29.51	29.52	29.46	28.77	33.91	40.86	52.82	40.89	47.53	*54.60*	*62.25*	Revenues per sh	*85.10*
5.89	5.46	5.68	4.66	5.13	5.86	6.26	6.02	3.77	2.68	3.73	5.68	3.39	10.48	6.32	5.80	*6.25*	*6.50*	"Cash Flow" per sh	*7.75*
2.07	1.87	1.94	2.12	2.02	1.60	2.30	2.24	.01	d1.05	d.36	d1.14	d.20	1.37	1.08	1.24	*1.40*	*1.45*	Earnings per sh (A)	*2.15*
1.76	1.76	1.76	1.76	1.76	1.76	1.76	1.76	1.38	.25	--	.10	.40	.45	.53	.58	*.62*	*.66*	Div'd Decl'd per sh (B)■	*.84*
3.51	2.72	2.67	2.10	2.37	2.49	2.31	1.97	1.85	1.85	1.79	2.50	2.88	3.40	3.86	4.31	*5.70*	*5.45*	Cap'l Spending per sh	*4.45*
16.90	16.13	16.34	15.73	16.24	17.89	18.48	19.08	17.73	16.34	15.63	15.80	15.43	16.27	17.33	17.73	*18.45*	*19.20*	Book Value per sh (C)	*22.40*
108.67	108.67	109.62	119.25	133.86	124.33	124.96	127.05	128.44	130.18	130.95	131.87	143.82	130.13	127.56	127.70	*128.25*	*128.50*	Common Shs Outst'g (D)	*129.25*
9.7	11.2	10.3	10.1	12.3	16.6	10.0	10.3	NMF	--	--	--	--	14.1	16.1	13.4	*Bold figures are*		Avg Ann'l P/E Ratio	*10.5*
.81	.85	.77	.65	.75	.98	.66	.69	NMF	--	--	--	--	.72	.88	.78	*Value Line*		Relative P/E Ratio	*.70*
8.8%	8.4%	8.8%	8.3%	7.1%	6.6%	7.7%	7.6%	8.9%	2.4%	--	.6%	1.9%	2.3%	3.0%	3.5%	*estimates*		Avg Ann'l Div'd Yield	*3.7%*

CAPITAL STRUCTURE as of 3/31/04
Total Debt $4325 mill. Due in 5 Yrs $405.0 mill.
LT Debt $4247 mill. LT Interest $235.0 mill.
Incl. $1683 mill. nonrecourse rate reduction bonds.
(LT interest earned: 2.1x)

Pension Assets-12/03 $1.9 bill. Oblig. $1.9 bill.
Pfd Stock $116.2 mill. Pfd Div'd $5.6 mill.
Incl. 2,324,000 shs $1.90-$3.28 rates ($50 par) not subject to mandatory redemption.

Common Stock 127,981,582 shs.
as of 4/30/04
MARKET CAP: $2.4 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
3642.7	3749.0	3792.1	3834.8	3767.7	4471.3	5876.6	6873.8	5216.3	6069.2	*7000*	*8000*	Revenues ($mill)	*11000*
329.9	321.8	44.9	d96.1	d11.8	d127.0	d14.4	186.4	144.2	162.7	*185*	*190*	Net Profit ($mill)	*285*
45.9%	44.9%	60.9%	--	NMF	--	--	--	--	32.1%	*34.0%*	*34.0%*	Income Tax Rate	*36.0%*
20.7%	11.7%	53.7%	--	--	--	--	--	--	3.0%	*2.5%*	*2.5%*	AFUDC % to Net Profit	*2.0%*
58.5%	56.3%	57.7%	58.5%	57.9%	49.9%	45.7%	65.9%	64.3%	63.9%	*64.5%*	*64.5%*	Long-Term Debt Ratio	*63.0%*
32.9%	35.4%	34.6%	33.8%	35.2%	42.7%	48.8%	32.4%	33.9%	34.3%	*33.5%*	*33.5%*	Common Equity Ratio	*35.5%*
7027.1	6848.3	6589.8	6285.3	5821.7	4876.0	4546.6	6544.7	6513.2	6591.6	*7025*	*7300*	Total Capital ($mill)	*8175*
6603.4	7000.8	6732.2	6463.2	6170.9	3947.4	3547.2	3822.1	4728.4	5429.9	*5950*	*6450*	Net Plant ($mill)	*7675*
6.9%	7.0%	2.8%	.7%	2.1%	.0%	1.9%	4.8%	4.1%	4.2%	*4.5%*	*4.5%*	Return on Total Cap'l	*5.0%*
11.3%	10.7%	1.6%	NMF	NMF	NMF	NMF	8.3%	6.2%	6.8%	*7.5%*	*7.5%*	Return on Shr. Equity	*9.5%*
12.4%	11.7%	.1%	NMF	NMF	NMF	NMF	8.5%	6.3%	6.9%	*7.5%*	*7.5%*	Return on Com Equity (E)	*9.5%*
2.9%	2.5%	NMF	NMF	NMF	NMF	NMF	5.6%	3.2%	3.7%	*4.0%*	*4.0%*	Retained to Com Eq	*6.0%*
80%	81%	NMF	NMF	NMF	NMF	NMF	37%	51%	48%	*46%*	*47%*	All Div'ds to Net Prof	*40%*

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	+2.4	+1.2	+3.5
Avg. Indust. Use (MWH)	878	807	814
Avg. Indust. Revs. per KWH (¢)	8.10	7.75	8.26
Capacity at Peak (Mw)	N/A	N/A	N/A
Peak Load, Winter (Mw)	N/A	N/A	N/A
Nuclear Capacity Factor (%)	N/A	N/A	N/A
% Change Customers (yr-end)	+2.2	+.9	+1.1
Fixed Charge Cov. (%)	NMF	99	168

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	6.5%	10.0%	10.5%
"Cash Flow"	3.5%	17.5%	.5%
Earnings	-4.5%	--	10.0%
Dividends	-11.5%	-1.0%	8.5%
Book Value	.5%	.5%	4.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	1800.5	1583.3	1723.9	1766.1	6873.8
2002	1284.5	1141.9	1414.3	1375.6	5216.3
2003	1584.2	1330.1	1640.1	1514.8	6069.2
2004	1838.3	*1535*	*1900*	*1726.7*	*7000*
2005	*2100*	*1750*	*2170*	*1980*	*8000*

Calendar	EARNINGS PER SHARE (A) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.36	.35	.26	.38	1.37
2002	.23	.22	.27	.36	1.08
2003	.47	.21	.35	.21	1.24
2004	.53	*.22*	*.40*	*.25*	*1.40*
2005	*.53*	*.25*	*.40*	*.27*	*1.45*

Calendar	QUARTERLY DIVIDENDS PAID (B)■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.10	.10	.10	.10	.40
2001	.10	.10	.125	.125	.45
2002	.125	.125	.138	.138	.53
2003	.138	.138	.15	.15	.58
2004	.15	.15	.1625		

BUSINESS: Northeast Utilities is the parent of the NU sys, which is the largest utility in New England and serves two million electricity and gas customers. Connecticut Light & Power provides service to most of Conn; Public Service Co. of New Hampshire supplies power to three quarters of New Hampshire's population; Western Massachusetts Electric Co. serves the western half of Mass. Acq'd Yankee Energy 3/00. 2003 revs: resid'l, 32%; comm'l, 27%; ind'l, 10%; other 31%. Gen. sources: nuclear, fossil (steam), hydro, and purch. pwr. Fuel & Purch. Pwr. costs: 61.4% of '03 revs. '03 deprec. rate: 7.0%. Has 6,755 employees, 63,895 stockholders. Chmn, Pres. & CEO: Charles W. Shivery. Inc.: CT. Addr.: P.O. Box 270, Hartford, CT 06141. Tel.: 800-999-7269. Web: www.nu.com.

We are optimistic about Northeast Utilities' earnings prospects. First-quarter 2004 share net of $0.53 was measurably above our estimate of $0.47 (equal to the prior-year result). Though net income from the regulated utilities declined, compared to that in the 2003 period, profitability markedly increased at NU's competitive group, more than making up the difference. It appears that the company now has a better handle on managing the nonregulated retail and wholesale electricity, and energy service businesses. Competitive market coverage is expanding and operating margins are favorable, suggesting sustained earnings growth through 2005 and beyond. Higher depreciation and pension expenses are currently a drag on the utilities' net income performance. But added rate relief, operating cost containment, and capital spending controls ought to shore up the bottom line. Importantly, NU is expanding the regulated transmission and distribution base, which should bring in greater earnings streams over the next several years. NU may well achieve close to a full share-net recovery (to the 1994 level) by 2007-2009.

An aggressive capital spending program is under way. Over the next five years, NU will spend some $3 billion to upgrade its aging power distribution network and expand its transmission system. Too, the company plans to enlarge its regulated gas service operation. Favorable state and federal rate treatment would ensure good long-term earnings growth. Competitive businesses will be carefully expanded as well, with a close watch on operating risk. At the end of the recent March quarter, NU's long-term debt-to-total capital ratio was a reasonable 51%; this excludes nonrecourse rate reduction bonds, which are secured by regulated revenues. Rising cash flow should support the company's solid financial structure during this construction period. Indeed,

The board of directors is comfortable in raising the dividend from an annual rate of $0.60 a share, to $0.65 a share, starting with the September 30th payment. Given the low current payout ratio, we expect further increases ahead. NU stock is a worthwhile utility holding over the pull to 2007-2009.

David M. Reimer *June 4, 2004*

(A) Basic egs. Earnings may not add due to change in share count. Excl. nonrecur. items: '99, $1.40; '01, 42¢; '02, 10¢; '03, d32¢. Incl. ind. restruct. chgs: '00, $1.51. Next egs rpt in late July. (B) Div'd suspended 2Q, '97; reinstated 4Q, '99. Div'ds hist. paid in late Mar., June, Sep., and Dec. ■ Div'd reinvest. plan avail. (C) Incl. def'd chgs '03: $23.28/sh. (D) In mill. (E) Rate allowed on com. eq.: MA., '99: 11%; CT, '03: 9.85%; NH, '97: 11%. Earned on avg. com. eq.: '03, 5.2%. Reg. Clim.: CT, Avg.; MA, Avg; NH, Bel.-Avg. (F) Acq'd PSNH 6/92.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	20

NSTAR NYSE-NST

RECENT PRICE	46.98	P/E RATIO	13.2 (Trailing: 12.9; Median: 13.0)	RELATIVE P/E RATIO	0.73	DIV'D YLD	4.8%	VALUE LINE	169

TIMELINESS 4 Raised 5/7/04

SAFETY 1 Raised 6/11/99

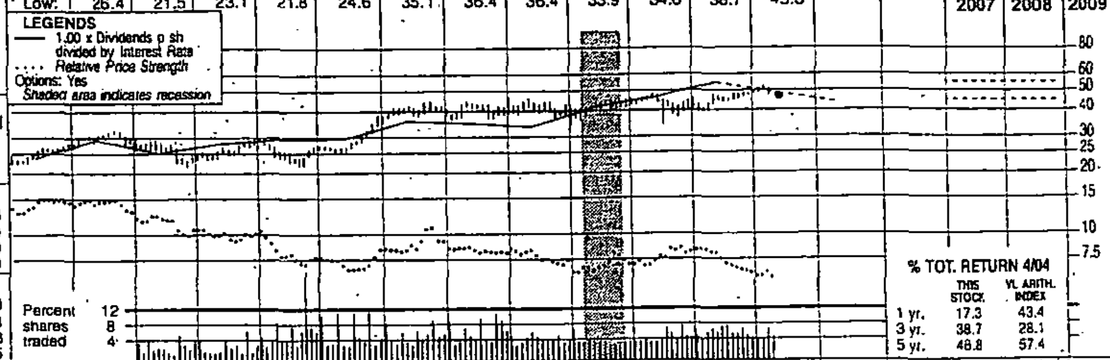
TECHNICAL 3 Raised 1/9/04

BETA .70 (1.00 = Market)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	32.6	29.9	29.5	30.1	38.4	44.9	44.6	47.0	45.2	48.2	49.0	52.8
Low:	26.4	21.5	23.1	21.8	24.6	35.1	36.4	36.4	33.9	34.0	38.7	45.3

Target Price Range

2007 | 2008 | 2009



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+15%)	8%
Low	45	(-5%)	4%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	92	96	104
to Sell	82	73	73
Hld's(000)	23926	21599	20445

% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	17.3	43.4
3 yr.	38.7	28.1
5 yr.	48.8	57.4

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
31.74	32.95	32.27	31.39	31.54	32.84	34.01	33.92	34.35	36.61	34.39	31.89	50.90	60.19	51.27	54.95	*57.05*	*60.35*	Revenues per sh	*74.00*
5.13	5.73	5.86	5.75	5.88	5.95	6.69	6.23	7.31	7.32	7.67	6.09	7.55	7.63	7.90	7.96	*8.20*	*8.40*	"Cash Flow" per sh	*9.75*
1.86	1.90	1.60	1.96	2.10	2.28	2.41	2.08	2.61	2.71	2.76	2.77	3.19	3.27	3.38	3.50	*3.55*	*3.60*	Earnings per sh A	*4.00*
1.82	1.75	1.54	1.60	1.66	1.72	1.78	1.84	1.88	1.88	1.90	1.96	2.02	2.08	2.13	2.18	*2.24*	*2.30*	Div'd Decl'd per sh B ■	*2.50*
6.47	6.12	6.56	5.09	5.16	5.63	4.85	4.15	4.25	2.46	3.14	3.06	3.56	4.43	7.00	5.89	*5.85*	*5.90*	Cap'l Spending per sh	*5.00*
19.38	16.73	17.22	17.92	18.77	19.42	20.11	20.61	21.09	21.96	22.27	26.57	25.31	23.81	24.50	25.67	*27.00*	*28.30*	Book Value per sh C	*31.50*
37.89	38.53	39.00	42.05	44.76	45.13	45.54	48.00	48.51	48.52	47.18	58.06	53.03	53.03	53.03	53.03	*53.03*	*53.03*	Common Shs Outst'g D	*53.03*
8.5	9.3	11.6	10.6	11.9	13.1	10.7	12.3	9.7	10.6	14.6	14.6	12.9	12.7	12.7	12.7	*Bold figures are*		Avg Ann'l P/E Ratio	*13.0*
.71	.70	.86	.68	.72	.77	.70	.82	.61	.61	.76	.83	.84	.65	.69	.74	*Value Line*		Relative P/E Ratio	*.85*
11.5%	9.9%	8.3%	7.7%	6.6%	5.8%	6.9%	7.2%	7.4%	6.5%	4.7%	4.8%	4.9%	5.0%	4.9%	4.9%	*estimates*		Avg Ann'l Div'd Yield	*4.8%*
						1548.6	1628.5	1666.3	1776.2	1622.5	1851.4	2699.5	3191.8	2719.1	2914.1	*3025*	*3200*	Revenues ($mill)	*3700*
						125.0	112.3	141.5	144.6	141.0	146.5	181.0	179.1	181.3	188.0	*190*	*195*	Net Profit ($mill)	*200*
						30.3%	37.2%	38.3%	36.3%	34.3%	29.1%	41.6%	41.4%	35.8%	37.5%	*39.5%*	*39.5%*	Income Tax Rate	*39.5%*
						6.0%	4.2%	1.6%	.8%	1.2%	1.5%	2.5%	2.8%	1.6%	2.4%	*1.0%*	*1.0%*	AFUDC % to Net Profit	*1.0%*
						50.1%	49.1%	46.1%	46.1%	45.5%	50.0%	59.4%	59.2%	60.9%	58.5%	*58.0%*	*52.5%*	Long-Term Debt Ratio	*45.5%*
						40.4%	41.8%	44.5%	46.5%	50.1%	47.2%	39.4%	39.5%	37.8%	40.2%	*41.0%*	*46.0%*	Common Equity Ratio	*53.0%*
						2269.4	2384.7	2296.5	2291.6	2099.5	3269.3	3409.8	3197.4	3433.7	3387.1	*3510*	*3260*	Total Capital ($mill)	*2950*
						2930.0	2955.6	2956.6	2854.1	2270.7	2550.6	2523.6	2625.4	2847.6	3216.1	*3295*	*3370*	Net Plant ($mill)	*3425*
						7.5%	7.0%	8.2%	8.3%	8.7%	6.1%	7.6%	8.1%	7.5%	7.8%	*7.0%*	*8.0%*	Return on Total Cap'l	*8.5%*
						11.0%	9.3%	11.4%	11.7%	12.3%	9.0%	13.1%	13.7%	13.5%	13.4%	*13.0%*	*12.5%*	Return on Shr. Equity	*12.5%*
						11.9%	9.8%	12.3%	12.3%	12.6%	9.1%	13.0%	13.7%	13.8%	13.7%	*13.0%*	*12.5%*	Return on Com Equity E	*13.0%*
						3.2%	1.2%	3.5%	3.7%	3.9%	2.4%	4.8%	5.0%	5.2%	5.2%	*5.0%*	*4.5%*	Retained to Com Eq	*4.5%*
						76%	89%	75%	73%	71%	74%	64%	65%	63%	62%	*63%*	*64%*	All Div'ds to Net Prof	*64%*

CAPITAL STRUCTURE as of 12/31/03
Total Debt $2451.7 mill. **Due in 5 Yrs** $679.1 mill.
LT Debt $1982.5 mill. **LT Interest** $127.9 mill.
Incl. $377.2 mill. securitized bonds.
(LT interest earned: 2.9x)
Leases, Uncapitalized Annual rentals $21.0 mill.
Pension Assets-12/03 $829.1 mill. **Oblig.** $961.0 mill.
Pfd Stock $43.0 mill. **Pfd Div'd** $2.0 mill.
430,000 shs. 4.25%-4.78%, cum., redeemable at $102.80-$103.625. Excl. redemption & issuance costs & pfd. stock due within one year.
Common Stock 53,032,546 shs. as of 3/1/04
MARKET CAP: $2.5 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	+.6	+1.2	+3.0
Avg. Indust. Use (MWH)	945	907	1018
Avg. Indust. Revs. per KWH (¢)	10.90	10.90	8.20
Capacity at Peak (Mw)	NMF	NMF	NMF
Peak Load, Summer (Mw)	4527	4501	4299
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (avg.)	+.7	+.1	+1.1
Fixed Charge Cov. (%)	238	242	270

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	5.5%	9.5%	*5.0%*
"Cash Flow"	3.0%	1.0%	*3.5%*
Earnings	5.0%	4.5%	*3.0%*
Dividends	2.5%	2.5%	*2.5%*
Book Value	3.0%	2.5%	*4.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	864.8	732.3	890.7	704.0	3191.8
2002	722.9	600.4	701.0	694.8	2719.1
2003	763.6	647.9	817.8	682.7	2912.0
2004	809.9	*665.1*	*825*	*725*	*3025*
2005	*850*	*700*	*875*	*775*	*3200*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.76	.63	1.36	.53	3.27
2002	.65	.62	1.38	.73	3.38
2003	.80	.73	1.19	.68	3.40
2004	.93	*.65*	*1.25*	*.72*	*3.55*
2005	*.80*	*.70*	*1.35*	*.75*	*3.60*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.50	.50	.50	.50	2.00
2001	.515	.515	.515	.515	2.06
2002	.53	.53	.53	.53	2.12
2003	.54	.54	.54	.54	2.16
2004	.555	.555			

BUSINESS: NSTAR is a holding company for Boston Edison Company, which supplies electricity to an area of approx. 590 sq. mi. in eastern Massachusetts, encompassing Boston and 39 surrounding towns and cities, and Commonwealth Energy (acq'd 8/99), which provides electric and gas service in eastern MA. Serves 1.1 million electric, 300,000 gas customers. Electric revenue breakdown, '03: residential, 38%; commercial, 54%; industrial, 7%; other, 1%. Sold fossil plants in '98, nuclear plant in '99. Fuel costs: 55% of revs. '03 reported deprec. rate: 3.0%. Has 3,200 employees, 26,700 common stockholders. Chairman, President & CEO: Thomas J. May. Inc.: MA. Address: 800 Boylston St., Boston, MA 02199-8003. Tel.: 617-424-2000. Internet: www.nstaronline.com.

We estimate that NSTAR will record a solid earnings increase in 2004. The year got off to a good start, thanks to a variety of factors, including colder-than-normal weather conditions. Also, in the first quarter, the company reduced the average interest rate on long-term debt by about one-third of a percentage point through the refinancing of securities. On the other hand, property taxes are higher; in fact, this shaved $0.02 a share off earnings in the March quarter. Still, the positive factors outweigh the negative ones. All told, our 2004 estimate is at the high end of NSTAR's target of $3.45-$3.55 a share.

We look for a slight bottom-line improvement in 2005. That's based on modest kilowatt-hour sales growth. We figure share net will climb by 1%-2%, to about $3.60. The company has not yet put forth any guidance for 2005.

Finances are sound. The fixed-charge coverage is solid. Earned returns on equity are very healthy. And "cash flow" covers the sum of capital spending and dividends, even though NSTAR has increased its capital budget to include its share (20%) of the cost of an underground transmission line in Massachusetts (subject to various regulatory approvals). Although the long-term debt ratio might appear on the high side at first glance, investors should note that the balance sheet includes $377 million in securitized bonds. When this debt is excluded from the year-end 2003 calculation, the long-term debt ratio falls from 58% of total capitalization to 53%, and the common-equity ratio rises from 40% to 45%. The company merits our A rating for Financial Strength, and its securities, and those of its utility subsidiaries, have solid A ratings with stable outlooks from the three rating agencies.

NSTAR stock is ranked unfavorably for Timeliness (4: Below Average), but it offers a yield that is slightly above average by utility standards. The company has a record of annual dividend increases, which we project will continue over the next 3 to 5 years. This ought to produce an average total return (for a utility) over that time. Conservative investors should note that the stock is ranked 1 (Highest) for Safety.

Paul E. Debbas, CFA *June 4, 2004*

(A) Diluted EPS. Excl. nonrecurr. gain (losses): '89, ($2.78); '90, 41¢; '01, ($3.32) net; '02, (33¢). '01 EPS don't add to full-year total due to rounding. Next earnings report due late July. (B) Dividends historically paid in early Feb., May, Aug., and Nov. ■ Dividend reinvestment plan available. (C) Incl. intangibles. In '03: $2.4 bill., $44.76/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '98: 11.75%; earned on avg. com. eq., '03: 13.5%. Regulatory Climate: Average.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	95

PPL CORPORATION NYSE-PPL

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
41.94	11.7 (Trailing: 11.5 / Median: 11.0)	0.65	4.0%	170

TIMELINESS 4 Lowered 5/7/04
SAFETY 3 Lowered 6/13/97
TECHNICAL 2 Raised 6/4/04
BETA .95 (1.00 = Market)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	31.0	27.3	26.5	26.0	24.3	28.9	32.0	46.1	62.4	39.9	44.3	47.2
Low:	26.1	18.6	17.9	21.6	19.0	20.9	20.4	18.4	31.0	26.0	31.7	39.8

Target Price Range 2007 | 2008 | 2009

2007-09 PROJECTIONS

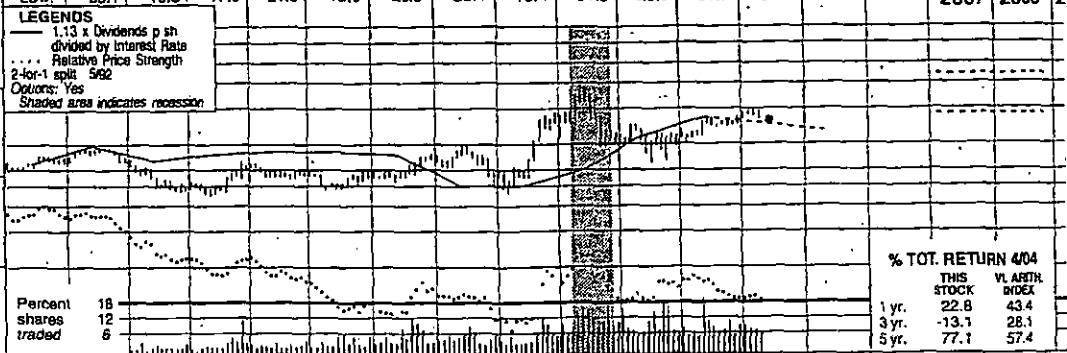
	Price	Gain	Ann'l Total Return
High	70	(+65%)	17%
Low	45	(+5%)	6%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	1	3	4	0	1	0	5	1	1
to Sell	1	4	4	0	1	0	5	7	1

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	189	161	157
to Sell	110	132	129
Hld's(000)	96970	101625	104696



% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	22.8	43.4
3 yr.	-13.1	28.1
5 yr.	77.1	57.4

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
14.71	15.62	15.79	16.88	18.07	17.93	17.53	17.26	17.89	18.34	24.05	31.94	39.18	39.06	32.76	31.50	*31.90*	*34.05*	Revenues per sh	*40.50*
3.22	3.48	3.57	3.72	3.79	3.97	3.69	4.10	4.27	4.22	4.85	5.12	6.63	7.02	6.41	7.21	*7.15*	*7.70*	"Cash Flow" per sh	*9.25*
1.67	2.03	1.98	2.01	2.02	2.07	1.67	1.93	2.05	1.98	2.23	2.01	3.28	3.57	3.07	3.68	*3.60*	*3.90*	Earnings per sh A	*4.75*
1.38	1.43	1.49	1.55	1.59	1.65	1.67	1.67	1.67	1.67	1.34	1.00	1.06	1.06	1.44	1.54	*1.64*	*1.74*	Div'd Decl'd per sh B ■	*2.04*
2.27	2.04	2.23	2.47	2.78	3.21	3.25	2.53	2.21	1.86	1.93	2.21	3.17	5.98	5.48	4.35	*3.70*	*3.75*	Cap'l Spending per sh	*4.50*
13.62	14.18	14.68	15.15	15.58	15.95	15.79	16.29	16.88	16.90	11.37	11.23	13.87	12.67	13.42	18.37	*22.65*	*24.85*	Book Value per sh C	*32.75*
150.50	150.85	151.30	151.66	151.89	152.13	155.48	159.40	162.67	166.25	157.41	143.70	145.04	146.58	165.74	177.36	*188.00*	*188.00*	Common Shs Outst'g D	*188.00*
9.5	9.5	10.6	11.4	12.9	14.1	13.0	10.8	11.4	10.8	10.9	13.4	8.9	12.4	11.1	10.6	*Bold figures are*		Avg Ann'l P/E Ratio	*12.0*
.79	.72	.79	.73	.78	.83	.85	.72	.71	.62	.57	.76	.58	.64	.61	.61	*Value Line*		Relative P/E Ratio	*.80*
7.8%	7.4%	7.1%	6.8%	6.1%	5.7%	7.7%	8.0%	7.1%	7.8%	5.5%	3.7%	3.6%	2.4%	4.2%	4.0%	*estimates*		Avg Ann'l Div'd Yield	*3.6%*

CAPITAL STRUCTURE as of 3/31/04
Total Debt $8566.0 mill. **Due in 5 Yrs** $5318.0 mill.
LT Debt $7963.0 mill. **LT Interest** $518.0 mill.
Incl. 23 mill. units 7.75%, $25 liq. value; 82,000 units 8.23%, $1000 face value.
(LT interest earned: 3.3x)
Leases, Uncapitalized Annual rentals $79.0 mill.
Pension Assets-12/03 $3.82 bill. **Oblig.** $4.25 bill.
Pfd Stock *$51.0 mill.* *Pfd Div'd $3.0 mill.*
505,189 shs. 3.35%-6.75%, $100 par, cum., callable $102.00-$110.00.
Common Stock 177,820,831 shs.
as of 4/30/04
MARKET CAP: $7.5 billion (Large Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
2725.1	2751.8	2910.0	3049.0	3786.0	4590.0	5683.0	5725.0	5429.0	5587.0	*6000*	*6400*	Revenues ($mill)	*7625*
284.3	330.1	357.0	348.0	393.0	332.0	500.0	576.0	536.0	667.0	*670*	*740*	Net Profit ($mill)	*895*
42.9%	44.5%	41.5%	41.5%	40.7%	33.5%	36.3%	29.7%	25.7%	27.1%	*28.0%*	*29.0%*	Income Tax Rate	*32.0%*
4.6%	3.7%	3.1%	2.0%	2.3%	2.1%	4.0%	4.3%	3.4%	1.2%	*1.0%*	*1.0%*	AFUDC % to Net Profit	*1.0%*
50.2%	49.2%	48.0%	46.1%	59.1%	65.7%	65.4%	64.8%	66.5%	71.1%	*65.5%*	*64.5%*	Long-Term Debt Ratio	*57.0%*
41.9%	43.1%	44.4%	48.0%	34.2%	28.2%	29.5%	23.7%	25.1%	28.5%	*34.0%*	*35.0%*	Common Equity Ratio	*42.5%*
5861.6	6030.8	6179.0	5854.0	5229.0	5716.0	6826.0	7845.0	8868.0	11455	*12525*	*13350*	Total Capital ($mill)	*14500*
7194.5	7178.9	6960.0	6820.0	4480.0	5644.0	5948.0	6135.0	9566.0	10446	*10600*	*10725*	Net Plant ($mill)	*11100*
6.7%	7.2%	7.5%	7.6%	9.5%	7.9%	9.7%	9.6%	8.8%	7.6%	*7.5%*	*7.5%*	Return on Total Cap'l	*8.0%*
9.7%	10.8%	11.1%	11.0%	18.4%	16.9%	21.2%	20.8%	18.1%	20.2%	*15.5%*	*15.5%*	Return on Shr. Equity	*14.5%*
10.4%	11.6%	12.0%	11.5%	20.6%	19.0%	23.6%	28.2%	21.1%	19.6%	*15.5%*	*15.5%*	Return on Com Equity E	*14.5%*
--	1.6%	2.2%	1.6%	6.4%	9.4%	16.1%	20.2%	12.4%	11.7%	*8.5%*	*8.5%*	Retained to Com Eq	*8.5%*
100%	88%	83%	86%	71%	54%	35%	35%	49%	43%	*46%*	*45%*	All Div'ds to Net Prof	*43%*

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	+2.3	+1.2	+1.1
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	5.08	5.25	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw)	6433	6906	*7100*
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+2.2	+.8	+1.7
Fixed Charge Cov. (%)	231	190	*248*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	7.0%	11.5%	*2.5%*
"Cash Flow"	6.0%	9.0%	*5.0%*
Earnings	5.5%	10.5%	*5.5%*
Dividends	-1.5%	-3.0%	*7.0%*
Book Value	-.5%	-.5%	*14.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	1566	1409	1438	1312	5725.0
2002	1351	1288	1476	1314	5429.0
2003	1490	1341	1457	1299	5587.0
2004	1520	*1410*	*1610*	*1460*	*6000*
2005	*1650*	*1500*	*1700*	*1550*	*6400*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	1.52	.80	1.04	.22	3.57
2002	1.06	.46	.95	.65	3.07
2003	1.06	.67	.97	.98	3.68
2004	1.03	*.69*	*1.04*	*.84*	*3.60*
2005	*1.15*	*.75*	*1.10*	*.90*	*3.90*

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.25	.265	.265	.265	1.05
2001	.265	.265	.265	.265	1.06
2002	.265	.36	.36	.36	1.35
2003	.36	.385	.385	.385	1.52
2004	.385	.41			

BUSINESS: PPL Corporation (formerly PP&L Resources, Inc.) is a holding company for PPL Utilities (formerly Pennsylvania Power & Light Company), *which distributes electricity to about 1.3 million* customers in a 10,000-square-mile area in eastern & central Pennsylvania. Distributes gas to 80,000 customers. Also has subs. in power generation & marketing, foreign electricity distribution in U.K. (2.5 mill. customers) and Latin America (1.0 mill. customers). Electric revenue breakdown and generating sources not provided. *Fuel costs: 29% of revenues. '03 depr. rate: 3.6%.* Has 12,300 employees, 83,800 common stockholders. Chairman, President & CEO: William F. Hecht. Inc.: PA. Address: Two North Ninth St., Allentown, PA 18101-1179. Tel.: 800-345-3085. Internet: www.pplweb.com.

PPL Corporation's electric-utility subsidiary has filed a general rate case. PPL Electric Utilities is seeking a base rate hike of $164 million (6.0%), plus recovery of $57 million of transmission-related charges, for a total increase of $221 million (8.1%). PPL is basing its request *on an 11.5% return on a common-equity ratio of 47%.* The utility hasn't had a rate increase since 1995, and for the past six years it has been operating under a rate freeze that expires at the end of 2004. Due to higher expenses, it's earning a low-single-digit return on equity, and PPL has added more than $1 billion of distribution capital since 1995. We think the poor profitability of the company's distribution business should help PPL justify its need for *higher rates, and the fact that customer* service has remained good is another point in its favor. An order is due by yearend.

PPL's utility in the United Kingdom is facing a rate review. It appears as if a rate reduction is the likely outcome. A decision should come by yearend, with new rates taking effect at the start of April, 2005.

Earnings might decline a bit this year, but we expect a solid increase in 2005. Higher expenses, lower pension income, and a rise in average shares outstanding are negative factors in 2004. Our estimate is at the midpoint of PPL's guidance of $3.45-$3.75 a share. Next year, we figure that the tariff hike in Pennsylvania will *outweigh the rate reduction in the U.K.* PPL shares are ranked 4 (Below Average) for Timeliness.

Finances are showing signs of improvement. The fixed-charge coverage rose in 2003. The common-equity ratio is still low but should climb this year thanks in part to the issuance of some 11 million shares for the conversion of securities. And "cash flow" exceeds the sum of capital spending and dividends.

This stock's yield is average, by utility standards. The board of directors declared hefty dividend increases in 2003 and 2004, and the combination of improving cash flow and a low payout ratio points to continued dividend hikes through 2007-2009. Combined with solid bottom-line growth over that time, this should produce decent total returns.

Paul E. Debbas, CFA *June 4, 2004*

(A) Diluted EPS. Excl. nonrecur. gains (losses): '95, 12¢; '97, (18¢); '98, ($5.69); '99, 83¢; '00, 16¢; '01, ($2.35) net; '02, ($1.78); '03, 47¢ net; 1Q '04, (4¢); 2Q '04, 12¢; loss on disc. ops.: '03, 11¢. '01 EPS don't add due to rounding, '02 due to change in shs. Next egs. report due late-July. (B) Div'ds historically paid in early Jan., April, July, and Oct. ■ Div'd reinv. plan avail. (C) Incl. intang. In '03: $16.83/sh. (D) In mill., adj. for split. (E) Rate base: Fair value. Rate all'd on com. eq.: None spec.; earned on avg. com. eq., '03: 22.5%. Regul. Climate: Avg.

Company's Financial Strength	B+
Stock's Price Stability	70
Price Growth Persistence	50
Earnings Predictability	65

PEPCO HOLDINGS NYSE-POM

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
18.20	12.1	(Trailing: 12.6) (Median: NMF)	0.67	5.7%	171

High:	21.9	20.8	21.7		
Low:	18.3	16.1	16.9		

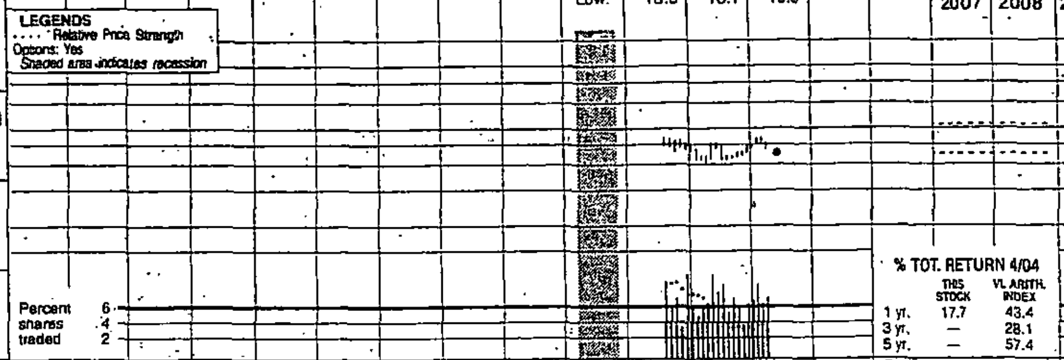
Target Price Range 2007 | 2008 | 2009

TIMELINESS — G

SAFETY 3 Lowered 6/6/03

TECHNICAL — G

BETA NMF (1.00 = Market)



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+35%)	13%
Low	18	(Nil)	6%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	1	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	109	103	113
to Sell	88	86	80
Hld's(000)	57932	63161	64287

% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	17.7	43.4
3 yr.	—	28.1
5 yr.	—	57.4

Pepco Holdings, Inc. (PHI) was formed on August 1, 2002, upon the merger of Potomac Electric Power Co. (PEPCO) and Conectiv. In the $2.2 billion deal, PEPCO common stockholders received one common share in PHI for each of their shares, and Conectiv investors exchanged each of their common shares for $25 worth of PHI stock and cash, prorated 50/50. An initial pro rata dividend of $0.1658 a share was paid on 9/30/02 to stockholders of record 9/10/02.

1994	1995	1996	1997	1998	1999	F2000	F2001	F2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
--	--	--	--	--	--	45.87	50.20	41.11	42.33	41.15	41.80	Revenues per sh	44.55
--	--	--	--	--	--	4.56	4.87	3.12	3.80	4.10	4.30	"Cash Flow" per sh	5.15
--	--	--	--	--	--	1.51	2.16	1.79	1.35	1.50	1.65	Earnings per sh A	2.20
--	--	--	--	--	--	--	--	.42	1.00	1.02	1.04	Div'd Decl'd per sh B ■	1.14
--	--	--	--	--	--	--	5.35	3.06	3.48	2.35	2.35	Cap'l Spending per sh	2.10
--	--	--	--	--	--	17.75	18.41	18.17	17.48	17.65	18.00	Book Value per sh C	19.95
--	--	--	--	--	--	165.50	158.70	164.85	171.77	175.00	177.00	Common Shs Outst'g D	184.00
--	--	--	--	--	--	--	--	11.3	13.4	Bold figures are		Avg Ann'l P/E Ratio	10.0
--	--	--	--	--	--	--	--	.62	.78	Value Line		Relative P/E Ratio	.65
--	--	--	--	--	--	--	--	2.1%	5.5%	estimates		Avg Ann'l Div'd Yield	5.2%
--	--	--	--	--	--	7590.7	7966.5	6777.3	7271.3	7200	7400	Revenues ($mill)	8200
--	--	--	--	--	--	288.3	368.0	294.9	245.2	265	290	Net Profit ($mill)	405
--	--	--	--	--	--	47.6%	36.8%	17.0%	18.3%	30.0%	32.0%	Income Tax Rate	35.0%
--	--	--	--	--	--	--	4.5%	--	6.0%	4.0%	3.5%	AFUDC % to Net Profit	2.5%
--	--	--	--	--	--	52.1%	53.1%	58.7%	63.1%	61.5%	59.5%	Long-Term Debt Ratio	52.0%
--	--	--	--	--	--	41.0%	41.0%	36.4%	35.6%	37.5%	39.5%	Common Equity Ratio	46.5%
--	--	--	--	--	--	7167.9	7123.0	8226.9	8439.3	8270	8125	Total Capital ($mill)	7865
--	--	--	--	--	--	6060.2	6352.0	6798.0	6964.9	7235	7500	Net Plant ($mill)	8275
--	--	--	--	--	--	6.0%	6.8%	4.6%	4.8%	5.0%	5.5%	Return on Total Cap'l	6.5%
--	--	--	--	--	--	8.4%	11.0%	8.7%	7.9%	8.0%	9.0%	Return on Shr. Equity	10.5%
--	--	--	--	--	--	9.8%	12.6%	9.2%	7.7%	8.5%	9.0%	Return on Com Equity E	11.0%
--	--	--	--	--	--	9.8%	12.6%	5.3%	2.0%	2.5%	3.5%	Retained to Com Eq	5.0%
--	--	--	--	--	--	--	--	46%	75%	69%	64%	All Div'ds to Net Prof	52%

CAPITAL STRUCTURE as of 3/31/04
Total Debt $7035.0 mill. **Due in 5 Yrs** $2800 mill.
LT Debt $5299.9 mill. **LT Interest** $300 mill.
(LT interest earned: 2.1x)

Pension Assets-12/03 $1.46 bill. **Oblig.** $1.6 bill.
Pfd Stock $108.2 mill. **Pfd Div'd** $2.8 mill.
Incl. 900,000 shs $3.40 manditorily redeemable preferred; 705,292 shs $2.28-$2.46 serial pfd, $51.00 redem. price; 279,003 shs 3.70%-6.75% redeem. subsidiary pfd, $100.00 par val.

Common Stock 172,171,604 shs.
MARKET CAP: $3.1 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	N/A	N/A	N/A
Avg. Resid'l Use (KWH)	N/A	N/A	N/A
Avg. Resid'l Revs. per KWH(¢)	N/A	N/A	N/A
Capacity at Peak (Mw)	N/A	4273	N/A
Peak Load, Summer (Mw)	N/A	N/A	N/A
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (yr-end)	N/A	N/A	N/A
Fixed Charge Cov. (%)	236	214	158

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	--	--	Nil
"Cash Flow"	--	--	4.5%
Earnings	--	--	3.5%
Dividends	--	--	16.0%
Book Value	--	--	1.5%

Calendar	QUARTERLY REVENUES ($ mill.)F Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	2117.9	2023.9	2368.4	1456.3	7966.5
2002	1441.0	1601.1	2127.7	1607.5	6777.3
2003	1928.7	1698.4	2130.6	1513.6	7271.3
2004	1764.1	1735	2160	1540.9	7200
2005	1825	1775	2225	1575	7400

Calendar	EARNINGS PER SHARE AF Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	--	--	--	--	2.16
2002	.24	.51	.88	.16	1.79
2003	.20	.31	.66	.18	1.35
2004	.30	.33	.69	.18	1.50
2005	.28	.40	.75	.22	1.65

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	--	--	--	--	--
2001	--	--	--	--	--
2002	--	--	.17	.25	.42
2003	.25	.25	.25	.25	1.00
2004	.25				

BUSINESS: Pepco Holdings, Inc. consists mainly of two electric utilities, Potomac Electric Power Co., serving Washington, D.C. and adjoining areas of Maryland, and Conectiv, which serves the peninsula area of Delaware, Maryland and Virginia through its Delmarva Power & Light subsidiary and a southern New Jersey area through Atlantic City Electric. Electricity customers total 1.7 million; gas customers, 113,000. Other nonregulated units include: Conectiv Energy, Pepco Energy Services, and Potomac Cap'l Inv. Corp. 2003 deprec. rate: 3.9%. Has about 6,080 employees, 60,000 common stockholders. Chairman, Pres. & CEO: Dennis R. Wraase. Inc.: DE. Address: 701 Ninth St., N.W., Wash., D.C. 20068. Tel.: 202-872-2000. Internet: www.pepcoholdings.com.

Pressures on Pepco Holdings' cash flow bear watching. In 2000, Pepco sold much of its generation base to Mirant Corp., a merchant company now in bankruptcy. Last October, Mirant won price concessions on related standard offer supply contracts from Pepco in a settlement. That agreement will pressure Pepco's free cash flow into early 2005. The merchant generator is also attempting to get out of long-term purchase power contracts with Pepco. In light of a previous federal court ruling, though, we do not believe that Mirant will be successful in this endeavor. (If Mirant were to prevail, Pepco would be exposed to significant unhedged purchase power obligations under contracts with FirstEnergy and Panda-Brandywine.) In addition, Pepco's cash flow is under pressure due to higher capital spending needed to ensure distribution system reliability and other costs, which cannot be fully recovered at subsidiaries still operating under rate freeze regulation. This regulation will, however, expire over the next few years. Our estimates and projections consider the likely scenario of an easing of the pressures on free cash flow.

Management is striving to firm up the common equity-to-total capital ratio. Pepco is striving to maximize integration benefits from the 2002 merger of regulated Potomac Electric Power Company and Conectiv assets. Operating savings are coming from work process redesign, more efficient materials purchasing, and staff reductions. Management is continuing with its plan to cut debt by $1 billion over the 2003-2007 period. A further firming of results at the company's unregulated energy businesses and favorable regulatory rulings in a few upcoming rate cases would support this effort. We expect Pepco to be able to raise its common equity ratio by some 10 percentage points (into the low 40% range) within the next three years. This would support an improved Financial Strength grade.

The high stock yield adequately reflects Pepco's operating risk in our opinion. Recently, the issue's share price fell due to investor concerns over the cash flow pressures and possible Federal Reserve credit tightening. Pepco's risk profile should strengthen ahead.

David M. Reimer *June 4, 2004*

(A) Based on diluted shs. Excl. nonrecur. items: '00, 96¢; '01, 30¢; '03, d69¢. Next egs rpt due late July. (B) Div'ds hist. paid in late Mar., June, Sep., and Dec. ■ Div'd reinvest. plan. (C) Incl. def'd charges: '03, $9.05/sh. (D) In mill. (E) Rate allowed on com. eq. in MD: N/A; DC: 11.1% ('95); DEL: 11.5% ('95); NJ: 12.5% ('91); earned on '03 avg. com. eq., 7.7%. Reg. climate: Avg. (F) 2000, 2001, and 2002 results are consolidated, pro forma data. (G) No Time. or Tech. ranks due to short trading history.

Company's Financial Strength	B
Stock's Price Stability	NMF
Price Growth Persistence	NMF
Earnings Predictability	NMF

UIL HOLDINGS NYSE-UIL

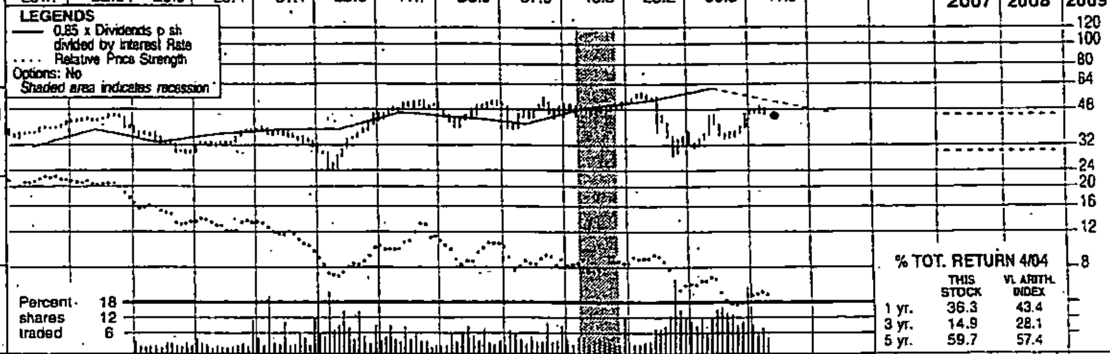
RECENT PRICE 44.81 | P/E RATIO 17.9 (Trailing: 21.5 / Median: 12.0) | RELATIVE P/E RATIO 0.99 | DIV'D YLD 6.4% | VALUE LINE 177

TIMELINESS 3 Raised 5/7/04
SAFETY 3 Lowered 12/6/02
TECHNICAL 1 Raised 5/14/04
BETA .75 (1.00 = Market)

High:	45.9	40.0	38.6	40.0	46.0	54.2	53.6	56.0	53.0	58.9	48.1	50.8	
Low:	38.5	28.8	29.4	31.1	23.8	41.7	38.9	37.9	43.8	28.2	30.8	41.8	

Target Price Range 2007 | 2008 | 2009

LEGENDS
— 0.85 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: No
Shaded area indicates recession



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(Nil)	6%
Low	30	(-35%)	-2%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	1	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	1	0	2
to Sell	0	1	0	0	0	0	0	0	1

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	53	47	58
to Sell	37	42	41
Hld's(000)	5964	5881	5719

% TOT. RETURN 4/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	36.3	43.4
3 yr.	14.9	28.1
5 yr.	59.7	57.4

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
37.37	38.25	42.75	48.33	47.55	46.37	46.62	48.97	51.49	51.07	48.89	48.35	62.58	76.92	79.25	67.32	71.05	75.15	Revenues per sh	87.00
10.68	10.25	7.02	7.98	8.16	8.17	7.94	8.19	8.01	8.99	8.89	7.78	9.21	11.02	9.82	7.81	6.70	6.95	"Cash Flow" per sh	7.50
7.54	5.31	3.55	3.22	3.17	3.13	3.19	3.64	3.16	3.27	3.00	3.71	4.26	4.21	3.09	2.07	2.50	2.60	Earnings per sh A	2.75
2.32	2.32	2.32	2.44	2.56	2.66	2.76	2.82	2.88	2.88	2.88	2.88	2.88	2.88	2.88	2.88	2.88	2.88	Div'd Decl'd per sh B ■	2.88
6.03	5.55	4.61	4.53	4.73	6.73	4.48	4.21	3.35	2.40	2.71	2.47	3.85	3.36	4.02	3.65	5.05	4.70	Cap'l Spending per sh	3.95
34.11	26.11	27.35	28.84	30.12	30.06	30.39	31.20	31.20	31.56	31.74	32.59	34.03	35.42	33.80	34.42	33.60	33.30	Book Value per sh C	32.80
13.89	13.89	13.89	13.93	14.03	14.08	14.09	14.10	14.10	13.91	14.03	14.06	14.08	14.12	14.27	14.31	14.50	14.50	Common Shs Outst'g E	14.60
3.0	5.3	8.3	10.6	11.9	13.6	10.5	9.3	11.4	10.1	16.3	12.6	10.8	11.5	15.0	18.0	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	14.0
.25	.40	.62	.68	.72	.80	.69	.62	.71	.58	.85	.72	.70	.59	.82	1.04			Relative P/E Ratio	.95
10.2%	8.2%	7.9%	7.2%	6.8%	6.2%	8.2%	8.3%	8.0%	8.8%	5.9%	6.2%	6.2%	5.9%	6.2%	7.7%			Avg Ann'l Div'd Yield	7.5%

CAPITAL STRUCTURE as of 12/31/03
Total Debt $597.4 mill. Due in 5 Yrs. $152.1 mill.
LT Debt $495.5 mill. LT Interest $25.6 mill.
(LT interest earned: 3.4x)
Leases, Uncapitalized: Ann. rentals $11.6 mill.

Pension Assets-12/03 $259 mill. Oblig. $309 mill.

Pfd Stock None

Common Stock 14,487,295 shs.

MARKET CAP: $650 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
656.8	690.4	726.0	710.3	686.2	680.0	880.9	1085.8	1131.0	963.7	1030	1090	Revenues ($mill)	1270
48.2	50.4	43.1	45.8	42.2	52.2	59.9	59.4	44.0	29.5	36.0	38.0	Net Profit ($mill)	40.0%
48.3%	54.3%	55.2%	47.4%	56.0%	56.0%	44.5%	44.8%	45.2%	53.1%	45.0%	45.0%	Income Tax Rate	45.0%
7.2%	5.5%	5.5%	3.5%	1.1%	4.3%	4.4%	3.2%	5.1%	8.5%	3.0%	3.0%	AFUDC % to Net Profit	2.0%
60.6%	62.8%	60.8%	57.3%	57.7%	50.5%	52.2%	49.9%	45.0%	50.1%	50.5%	50.5%	Long-Term Debt Ratio	56.5%
35.7%	32.7%	35.1%	38.0%	37.7%	44.6%	47.8%	50.1%	55.0%	49.9%	49.5%	49.5%	Common Equity Ratio	43.5%
1198.9	1346.2	1254.2	1154.8	1180.8	1026.5	1001.3	998.6	877.8	988.2	980	980	Total Capital ($mill)	875
1357.3	1345.7	1322.3	1273.6	1226.4	521.5	550.7	546.4	517.1	548.8	560	565	Net Plant ($mill)	570
7.1%	6.1%	6.1%	6.7%	5.4%	7.1%	7.9%	8.1%	7.3%	4.3%	5.0%	5.0%	Return on Total Cap'l	6.0%
10.2%	10.1%	8.7%	9.3%	8.4%	10.3%	12.5%	11.9%	9.1%	6.0%	7.5%	8.0%	Return on Shr. Equity	8.5%
10.4%	11.0%	9.7%	10.4%	9.4%	11.4%	12.5%	11.9%	9.1%	6.0%	7.5%	8.0%	Return on Com Equity D	8.5%
1.4%	2.0%	.5%	1.2%	.4%	2.5%	4.0%	3.8%	.6%	NMF	NMF	NMF	Retained to Com Eq	NMF
88%	82%	95%	89%	96%	78%	68%	68%	93%	NMF	115%	111%	All Div'ds to Net Prof	104%

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	+1.2	+1.0	-.3
Avg. Indust. Use (MWH)	634	627	597
Avg. Indust. Revs. per KWH (¢)	8.80	8.92	8.62
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.4	+.3	+.2
Fixed Charge Cov. (%)	313	320	304

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	4.5%	8.0%	2.5%
"Cash Flow"	1.5%	2.0%	-4.0%
Earnings	--	--	-2.0%
Dividends	1.0%	--	Nil
Book Value	1.5%	2.0%	-1.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	242.2	262.5	313.6	267.5	1085.8
2002	258.3	284.3	321.1	267.3	1131.0
2003	234.2	230.6	269.6	229.3	963.7
2004	249.4	250	285	245.6	1030
2005	265	265	300	260	1090

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.67	1.08	1.77	.69	4.21
2002	.67	.64	1.53	.25	3.09
2003	.39	.35	1.16	.17	2.07
2004	.40	.45	1.35	.30	2.50
2005	.42	.47	1.38	.33	2.60

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.72	.72	.72	.72	2.88
2001	.72	.72	.72	.72	2.88
2002	.72	.72	.72	.72	2.88
2003	.72	.72	.72	.72	2.88
2004	.72	.72			

BUSINESS: UIL Holdings, parent of The United Illuminating Company, provides electricity to 320,000 customers in largely urban and suburban southern Connecticut. Revenue distribution: residential, 45%; commercial, 40%; industrial, 13%; other, 2%. Largest industrial customers: primary metals, fabricated metal products, transportation equipment. Has two primary nonregulated business units: American Payment Systems and Xcelecom. Fuel costs: 41% of revenues; labor costs, 13%. '03 deprec. rate: 4.5%. Est'd plant age: 11 years. Has 2,912 employees, 10,760 stockholders. Chairman, CEO & President: Nathaniel D. Woodson. Inc.: Connecticut. Address: 157 Church Street, P.O. Box 1564, New Haven, Connecticut 06506-0901. Tel.: 203-499-2394. Internet: www.uil.com.

UIL Holdings has contracted to sell its wholly owned American Payment Systems (APS) subsidiary, a leading provider of electronic bill payment services in the U.S. Though APS' revenues have grown steadily since 1999, the last year it made money was in 2000. Since then, its cost of sales has increased, and additional expenses have been incurred for legal services to meet regulatory requirements. As a result, UIL agreed to sell the outstanding stock of APS to CheckFree for $110 million in cash. The deal does not include APS' prepaid telephone business, which UIL plans to sell separately. Proceeds from the sale will be applied to pay down short-term debt. The transaction is expected to close shortly.

The other noncore enterprises are beginning to show slight improvement. Xcelecom, a supplier of voice-data-video services, was unprofitable in 2003 because of contract cancelations and increased competition for fewer jobs. But an increased backlog of orders indicates it may contribute about $0.10 a share to corporate net this year. The United Bridgeport Energy plant, in which UIL has a one-third interest, was hurt in 2003 by low energy prices and high costs. A restructuring of debt should reduce the loss this year. Cross-Sound Cable operations remain an unknown factor, due to a dispute between the state of Connecticut and the federal Department of Energy.

Earnings are on an upward path this year. Pension costs will be lower because of a $45 million contribution to the fund at the end of 2003. Too, the company will benefit from increased conservation and load management allowances and from reduced short-term debt after the sale of APS. Based on these positives, we estimate a 21% rise in 2004 earnings, to $2.50 a share. Further gains in nonutility operations point to an uptick next year.

The high yield is the stock's chief attraction. But we think a dividend reduction would be advisable, since the payout probably won't be earned in the next 3 to 5 years. Still, unless adverse events materially affect cash flow, the directors plan to maintain the disbursement. We're not sure they'll be able to do so. Thus, we'd avoid investing here, for now.

Arthur H. Medalie *June 4, 2004*

(A) EPS basic. Excl. nonrecur. gains (losses): '88 net, ($2.51); '89, ($11.22); '91, 45¢; '92, 59¢; '93, (56¢); '94, (10¢); '96, 28¢; '00, net 6¢; '03, (44¢). Next egs. report due late July. (B) Div'ds historically paid in early Jan., early April, early July, and early Oct. ■ Div'd reinvest. plan avail. (C) Incl. deferred chgs. & regul. assets. In '03: $50.81/sh. (D) Rate base: orig. cost. Rate allowed on common equity in '02: 10.45%. Earned on average common equity in '02: 6.1%. Regul. Clim.: Average. (E) In millions.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	70

PPL Electric
Cross Examination
Exhibit 2
8/10/04 Hbg tx

R-00049255

Earnings per Share Growth Rates
using OCA witness Kahal's procedure

	2004	2008	Growth Rate
C.H. Energy	$ 2.85	$ 2.75	-0.89%
Consolidated Ed.	$ 2.60	$ 2.80	1.87%
Duquesne Light	$ 1.10	$ 1.60	9.82%
Energy East	$ 1.30	$ 1.75	7.71%
Northeast Utilities	$ 1.40	$ 2.15	11.32%
NSTAR	$ 3.55	$ 4.00	3.03%
PEPCO Holdings	$ 1.50	$ 2.20	10.05%
UIL	$ 2.50	$ 2.75	2.41%
Average			5.67%

Central Vermont	$ 1.65	$ 2.00	4.93%
Green Mountain	$ 2.10	$ 2.40	3.39%
Average			5.36%

DOCKETED

PPL Cross Ex No 3
8/10/04 Hbg

AUG 18 2004

R-00049255

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month			Latest Q	3Q	4Q	1Q	2Q	3Q	4Q
Interest Rates	July 23	July 16	July 9	July 2	June	May	Apr.	2Q 2004	2004	2004	2005	2005	2005	2005
Federal Funds Rate	1.25	1.25	1.28	1.11	1.03	1.00	1.00	1.00	1.4	1.9	2.3	2.7	3.2	3.6
Prime Rate	4.25	4.25	4.00	4.00	4.00	4.00	4.00	4.00	4.4	4.9	5.3	5.7	6.2	6.6
LIBOR, 3-mo.	1.63	1.61	1.58	1.60	1.49	1.25	1.15	1.28	1.7	2.2	2.6	3.0	3.4	3.8
Commercial Paper, 1-mo.	1.31	1.26	1.25	1.26	1.13	1.00	1.00	1.03	1.5	2.0	2.4	2.8	3.3	3.6
Treasury bill, 3-mo.	1.36	1.34	1.30	1.32	1.29	1.04	0.96	1.09	1.5	1.9	2.4	2.8	3.2	3.6
Treasury bill, 6-mo.	1.70	1.68	1.65	1.69	1.64	1.33	1.11	1.34	1.8	2.2	2.6	3.0	3.4	3.8
Treasury bill, 1 yr.	2.12	2.07	2.04	2.14	2.12	1.78	1.43	1.76	2.2	2.6	3.0	3.4	3.7	4.1
Treasury note, 2 yr.	2.66	2.58	2.56	2.71	2.76	2.53	2.07	2.45	2.8	3.2	3.5	3.9	4.1	4.4
Treasury note, 5 yr.	3.67	3.64	3.65	3.81	3.93	3.85	3.39	3.73	3.9	4.3	4.5	4.7	5.0	5.1
Treasury note, 10 yr.	4.46	4.47	4.49	4.63	4.73	4.72	4.35	4.61	4.7	5.0	5.2	5.4	5.6	5.7
Treasury note, 20 yr.	5.20	5.22	5.24	5.35	5.45	5.46	5.20	5.37	5.4	5.6	5.8	5.9	6.0	6.1
Corporate Aaa bond	5.78	5.81	5.83	5.92	6.01	6.04	5.73	5.94	6.0	6.2	6.4	6.6	6.8	6.9
Corporate Baa bond	6.58	6.60	6.63	6.71	6.78	6.75	6.46	6.67	6.8	7.0	7.2	7.4	7.5	7.6
State & Local bonds	4.84	4.85	4.81	4.98	5.05	5.07	4.82	4.98	5.0	5.2	5.4	5.5	5.7	5.8
Home mortgage rate	5.98	6.00	6.01	6.21	6.29	6.27	5.83	6.13	6.2	6.5	6.7	6.9	7.1	7.2

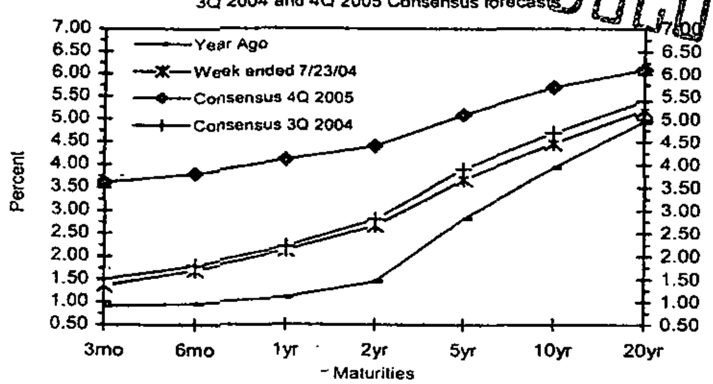
	History								Consensus Forecasts-Quarterly Avg.					
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Key Assumptions	2002	2002	2003	2003	2003	2003	2004	2004	2004	2004	2005	2005	2005	2005
Major Currency Index	100.0	100.0	95.1	90.8	90.7	87.8	85.3	88.0	87.3	87.3	87.3	87.3	87.4	87.6
Real GDP	2.6	0.7	1.9	4.1	7.4	4.2	4.5	3.0	4.3	4.2	3.8	3.7	3.5	3.4
GDP Price Index	1.7	2.0	2.7	1.1	1.4	1.6	2.8	3.2	2.1	2.0	2.1	2.1	2.2	2.1
Consumer Price Index	2.2	2.0	3.8	0.7	2.4	0.7	3.5	4.8	2.6	2.3	2.3	2.4	2.5	2.4

[1]Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Definitions reported here are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the U.S. Federal Reserve Board's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

DOCUMENT

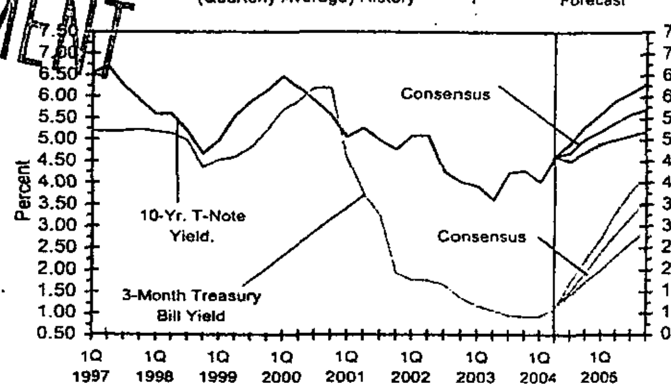
U.S. Treasury Yield Curve

Week ended July 23, 2004 and Year Ago vs. 3Q 2004 and 4Q 2005 Consensus forecasts



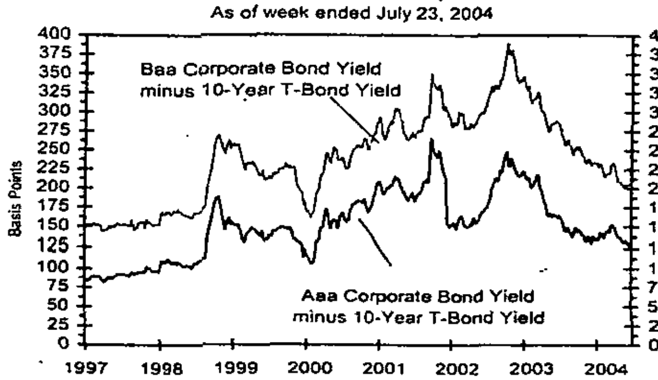
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History | Forecast



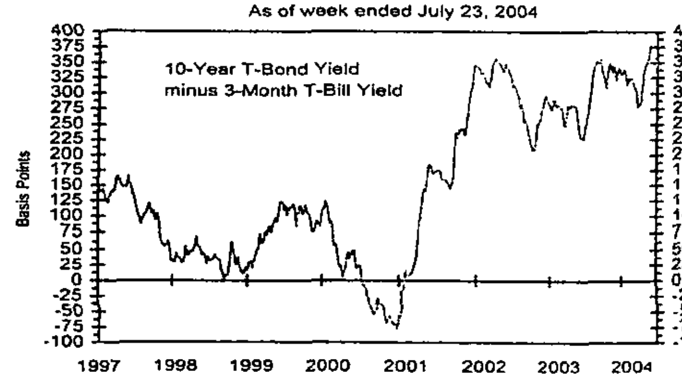
Corporate Bond Spreads

As of week ended July 23, 2004



U.S. Treasury Yield Curve

As of week ended July 23, 2004



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New Business Profile Scores Assigned for U.S. Utility and Power Companies; Financial Guidelines Revised

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Standard & Poor's Ratings Services has assigned new business profile scores to U.S. utility and power companies to better reflect the relative business risk among companies in the sector. Standard & Poor's also has revised its published risk-adjusted financial guidelines. The new business scores and financial guidelines do not represent a change to Standard & Poor's ratings criteria or methodology, and no ratings changes are anticipated from the new business profile scores or revised financial guidelines.

New Business Profile Scores and Revised Financial Guidelines

Standard & Poor's has always monitored changes in the industry and altered its business risk assessments accordingly. This is the first time since the 10-point business profile scale for U.S. investor-owned utilities was implemented that a comprehensive assessment of the benefits and the application of the methodology has been made. The principal purpose was to determine if the methodology continues to provide meaningful differentiation of business risk. The review indicated that while business profile scoring continues to provide analytical benefits, the complete range of the 10-point scale was not being utilized to the fullest extent.

Standard & Poor's has also revised the key financial guidelines that it uses as an integral part of evaluating the credit quality of U.S. utility and power companies. These guidelines were last updated in June 1999. The financial guidelines for three principal ratios (funds from operations (FFO) interest coverage, FFO to total debt, and total debt to total capital) have been broadened so as to be more flexible. *Pretax interest coverage as a key credit ratio was eliminated.*

Finally, Standard & Poor's has segmented the utility and power industry into sub-sectors based on the dominant corporate strategy that a company is pursuing. Standard & Poor's has published a new U.S. utility and power company ranking list that reflects these sub-sectors.

There are numerous benefits to the reassessment. Fuller utilization of the entire 10-point scale provides a superior relative ranking of qualitative business risk. A simultaneous revision of the financial guidelines supports the goal of not causing rating changes from the recalibration of the business profiles. Classification of companies by sub-sectors will ensure greater comparability and consistency in ratings. The use of industry segmentation will also allow more in-depth statistical analysis of ratings distributions and rating changes.

The reassessment does not represent a change to Standard & Poor's criteria or methodology for determining ratings for utility and power companies. Each business profile score should be considered as the assignment of a new score; these scores do not represent improvement or deterioration in our assessment of an individual company's business risk relative to the previously assigned score. The financial guidelines continue to be risk-adjusted based on historical utility and industrial medians. Segmentation into industry sub-sectors does not imply that specific company characteristics will not weigh heavily into the assignment of a company's business profile score.

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Results

Previously, 83% of U.S. utility and power business profile scores fell between '3' and '6', which clearly does not reflect the risk differentiation that exists in the utility and power industry today. Since the 10-point scale was introduced, the industry has transformed into a much less homogenous industry, where the divergence of business risk--particularly regarding management, strategy, and degree of competitive market exposure--has created a much wider spectrum of risk profiles. Yet over the same period, business profile scores actually converged more tightly around a median score of '4'. The new business profile scores, as of the date of this publication, are shown in Chart 1. The overall median business profile score is now '5'.

Chart 1

Distribution of Business Profile Scores

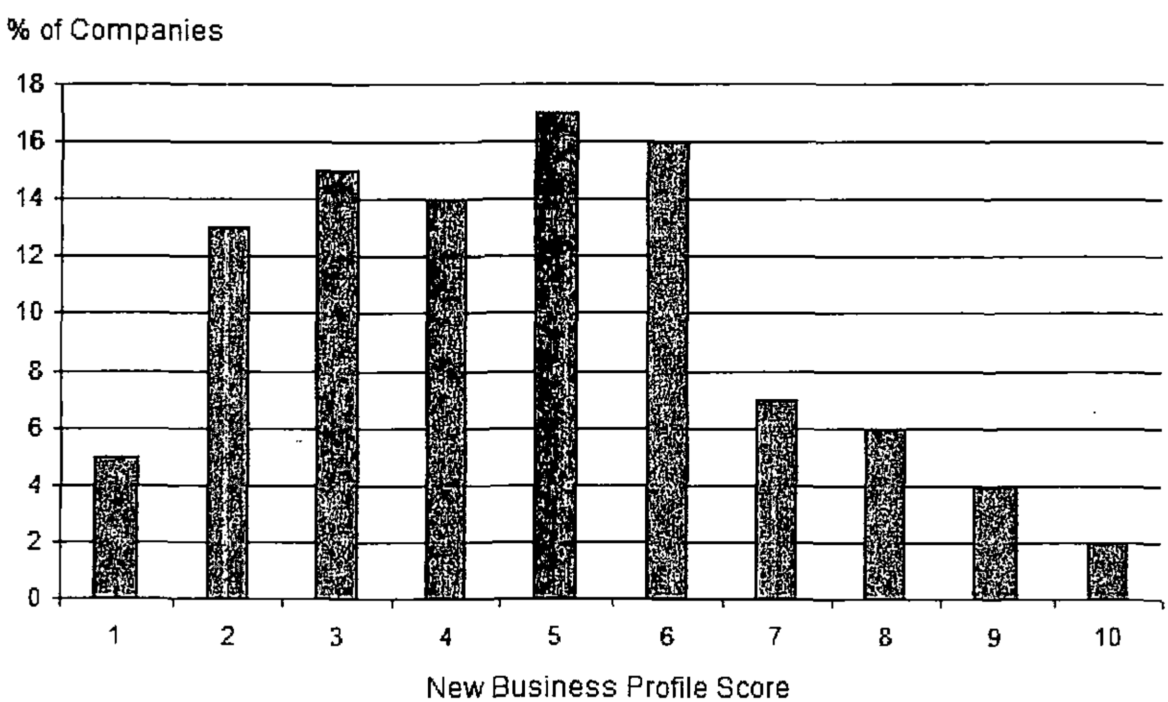


Table 1 contains the revised financial guidelines. It is important to emphasize that these metrics are only guidelines associated with expectations for various rating levels. Although credit ratio analysis is an important part of the ratings process, these three statistics are by no means the only critical financial measures that Standard & Poor's uses in its analytical process. We also analyze a wide array of financial ratios that do not have published guidelines for each rating category.

Table 1 Revised Financial Guidelines

Funds from operations/interest coverage (x)

Business Profile	AA		A		BBB		BB	
1	3	2.5	2.5	1.5	1.5	1		
2	4	3	3	2	2	1		
3	4.5	3.5	3.5	2.5	2.5	1.5	1.5	1
4	5	4.2	4.2	3.5	3.5	2.5	2.5	1.5
5	5.5	4.5	4.5	3.8	3.8	2.8	2.8	1.8
6	6	5.2	5.2	4.2	4.2	3	3	2
7	8	6.5	6.5	4.5	4.5	3.2	3.2	2.2
8	10	7.5	7.5	5.5	5.5	3.5	3.5	2.5
9			10	7	7	4	4	2.8
10			11	8	8	5	5	3

Funds from operation/total debt (%)

Business Profile	AA		A		BBB		BB	
1	20	15	15	10	10	5		
2	25	20	20	12	12	8		
3	30	25	25	15	15	10	10	5
4	35	28	28	20	20	12	12	8
5	40	30	30	22	22	15	15	10
6	45	35	35	28	28	18	18	12
7	55	45	45	30	30	20	20	15
8	70	55	55	40	40	25	25	15
9			65	45	45	30	30	20
10			70	55	55	40	40	25

Total debt/total capital (%)

Business Profile	AA		A		BBB		BB	
1	48	55	55	60	60	70		
2	45	52	52	58	58	68		
3	42	50	50	55	55	65	65	70
4	38	45	45	52	52	62	62	68
5	35	42	42	50	50	60	60	65

6	32	40	40	48	48	58	58	62
7	30	38	38	45	45	55	55	60
8	25	35	35	42	42	52	52	58
9			32	40	40	50	50	55
10			25	35	35	48	48	52

Again, ratings analysis is not driven solely by these financial ratios, nor has it ever been. In fact, the new financial guidelines that Standard & Poor's is incorporating for the specified rating categories reinforce the analytical framework whereby other factors can outweigh the achievement of otherwise acceptable financial ratios. These factors include:

- Effectiveness of liability and liquidity management;
- Analysis of internal funding sources;
- Return on invested capital;
- The record of execution of stated business strategies;
- Accuracy of projected performance versus actual results, as well as the trend;
- Assessment of management's financial policies and attitude toward credit; and
- Corporate governance practices.

Charts 2 through 6 show business profile scores broken out by industry sub-sector. The five industry sub-sectors are:

- Transmission and distribution--Water, gas, and electric;
- Transmission only--Electric, gas, and other;
- Integrated electric, gas, and combination utilities;
- Diversified energy and diversified nonenergy; and
- Energy merchant/power developer/trading and marketing companies.

Chart 2

Transmission and Distribution--Water, Gas, and Electric

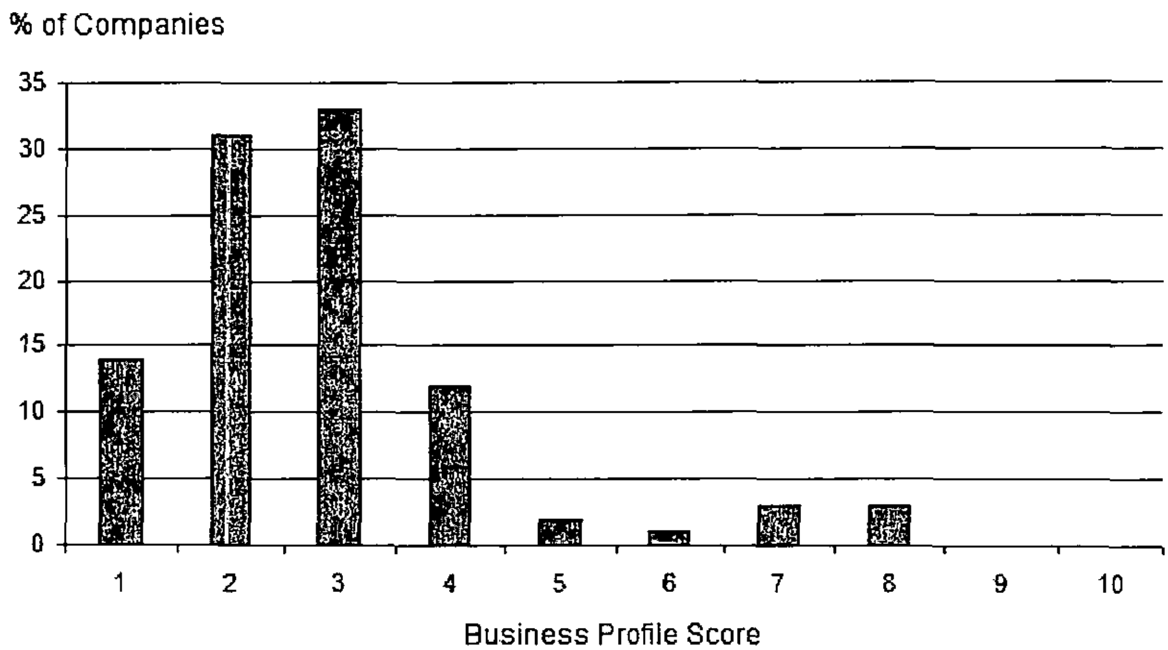


Chart 3

Transmission Only--Electric, Gas, and Other

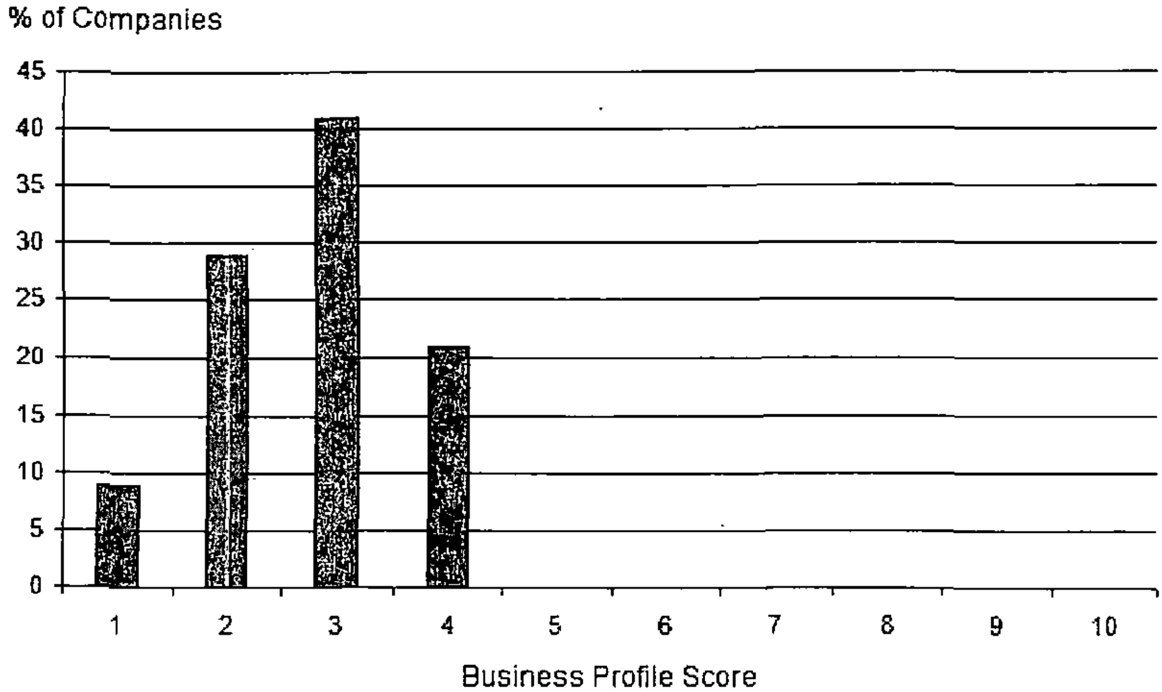


Chart 4

Integrated Electric, Gas, and Combination Utilities

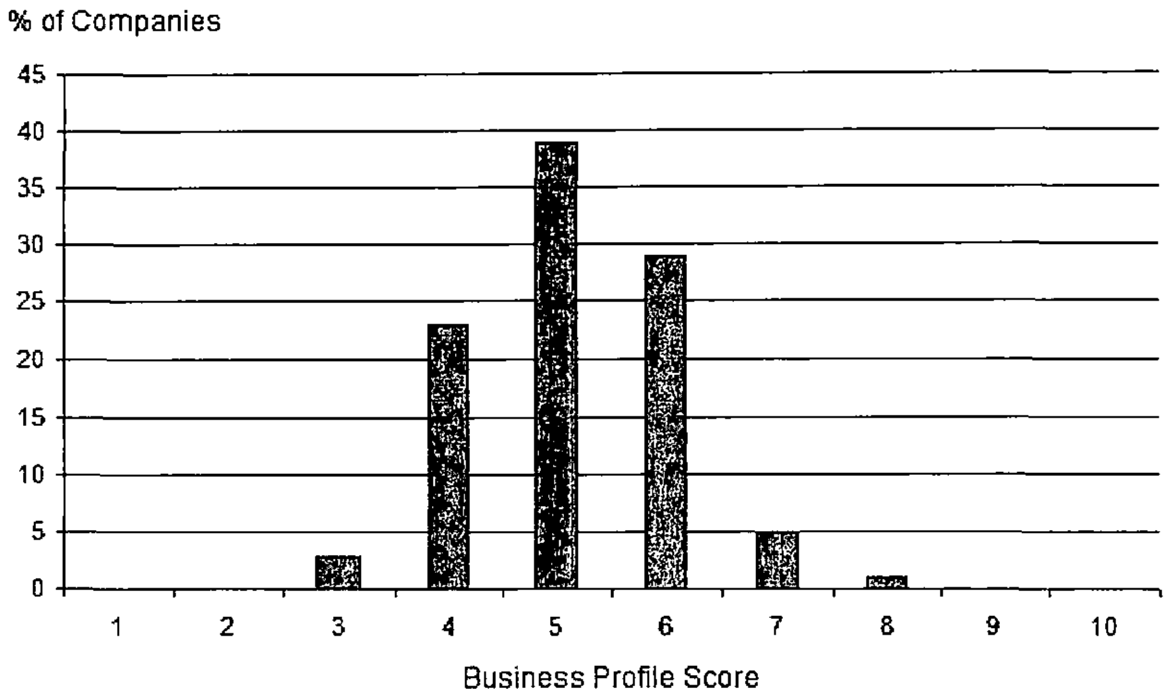


Chart 5

Diversified Energy and Diversified Non-Energy

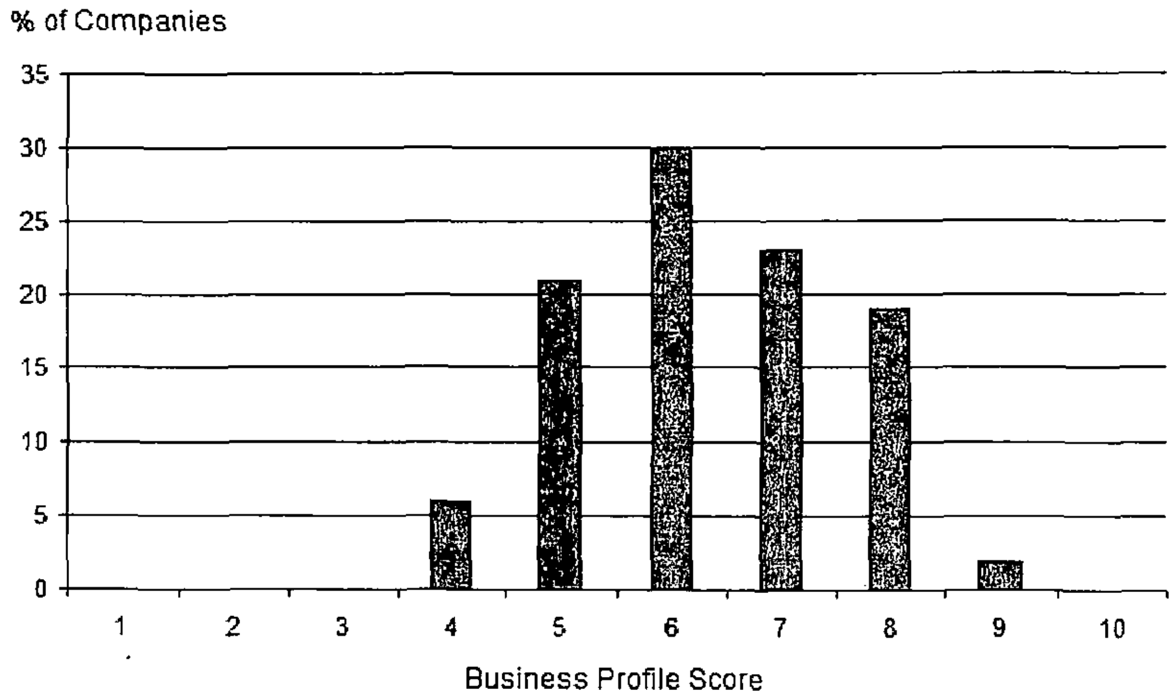
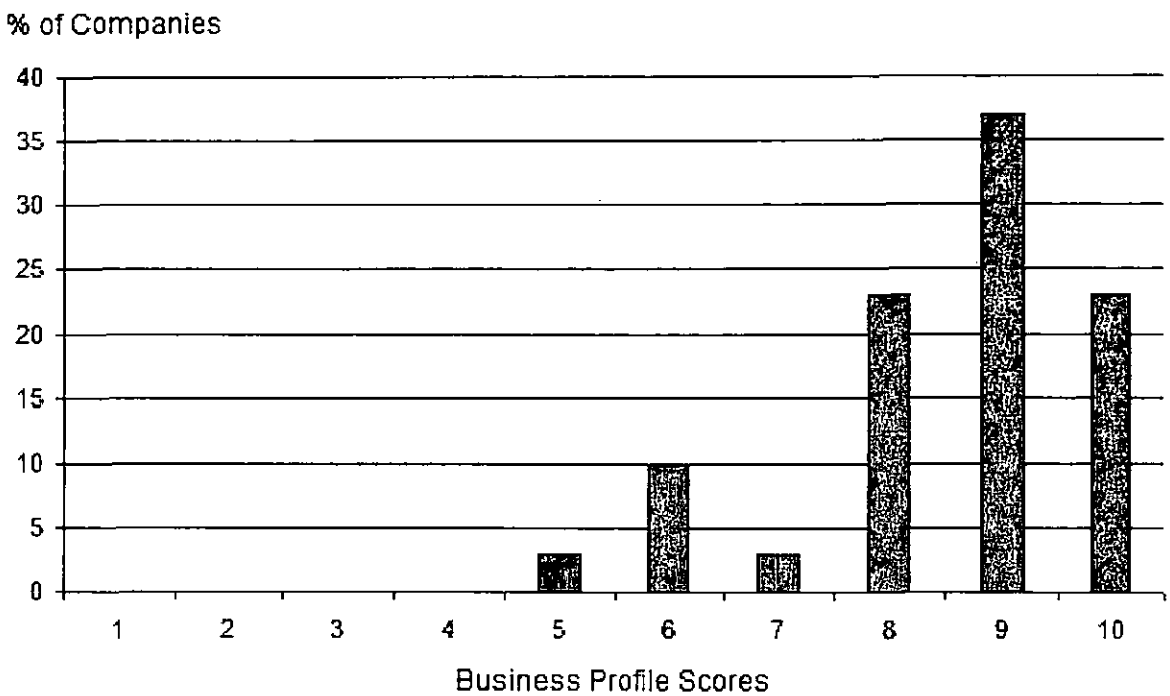


Chart 6

Energy Merchant/Developers/Trading and Marketing



The average business profile scores for transmission and distribution companies and transmission-only companies are lower on the scale than the previous averages, while the average business profile scores for integrated utilities, diversified energy, and energy merchants and developers are higher.

The Appendix provides the company list of business profile scores segmented by industry sub-sector and ranked in order of credit rating, outlook, business profile score, and relative strength.

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Business Profile Score Methodology

Standard & Poor's methodology of determining corporate utility business risk is anchored in the assessment of certain specific characteristics that define the sector. We assign business profile scores to each of the rated companies in the utility and power sector on a 10-point scale, where '1' represents the lowest risk and '10' the highest risk. Business profile scores are assigned to all rated utility and power companies, whether they are holding companies, subsidiaries or stand-alone corporations. For operating subsidiaries and stand-alone companies, the score is a bottom-up assessment. Scores for families of companies are a composite of the operating subsidiaries' scores. The actual credit rating of a company is analyzed, in part, by comparing the business profile score with the risk-adjusted financial guidelines.

For most companies, business profile scores are assessed using five categories; specifically, regulation, markets, operations, competitiveness, and management. The emphasis placed on each category may be influenced by the dominant strategy of the company or other factors. For example, for a regulated transmission and distribution company, regulation may account for 30% to 40% of the business profile score because regulation can be the single-most important credit driver for this type of company. Conversely, competition, which may not exist for a transmission and distribution company, would provide a much lower proportion (e.g., 5% to 15%) of the business profile score.

For certain types of companies, such as power generators, power developers, oil and gas exploration and production companies, or nonenergy-related holdings, where these five components may not be appropriate, Standard & Poor's will use other, more appropriate methodologies. Some of these companies are assigned business profile scores that are useful only for relative ranking purposes.

As noted above, the business profile score for a parent or holding company is a composite of the business profile scores of its individual subsidiary companies. Again, Standard & Poor's does not apply rigid guidelines for determining the proportion or weighting that each subsidiary represents in the overall business profile score. Instead, it is determined based on a number of factors. Standard & Poor's will analyze each subsidiary's contribution to FFO, forecast capital expenditures, liquidity requirements, and other parameters, including the extent to which one subsidiary has higher growth. The weighting is determined case-by-case.

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Appendix: U.S. Utility and Power Company Ranking List

U.S. Utility and Power Company Ranking List		
Company	**Corporate Credit Rating**	**Business Profile**
1. Regulated Transmission and Distribution - Electric, Gas, and Water		
Baton Rouge Water Works Co. (The)	AA/Stable/--	1
Nicor Gas Co.	AA/Stable/A-1+	2
Nicor Inc.	AA/Stable/A-1+	3
Washington Gas Light Co.	AA-/Stable/A-1+	2
WGL Holdings Inc.	AA-/Stable/A-1+	3
New Jersey Natural Gas Co.	A+/Stable/A-1	1
Aqua Pennsylvania	A+/Stable/--	2
KeySpan Energy Delivery Long Island	A+/Negative/--	1
KeySpan Energy Delivery New York	A+/Negative/--	1
Elizabethtown Water Co.	A+/Negative/--	2
California Water Service Co.	A+/Negative/--	3
Questar Gas Co.	A+/Negative/--	3
Southern California Gas Co.	A/Stable/A-1	1
Boston Edison Co.	A/Stable/A-1	1

Commonwealth Electric Co.	A/Stable/--	1
Cambridge Electric Light Co.	A/Stable/--	1
NSTAR	A/Stable/A-1	1
Massachusetts Electric Co.	A/Stable/A-1	1
Narragansett Electric Co.	A/Stable/A-1	1
Northwest Natural Gas Co.	A/Stable/A-1	1
Connecticut Water Service Inc.	A/Stable/ --	2
Connecticut Water Co. (The)	A/Stable/ --	2
Aquarion Co.	A/Stable/--	2
Aquarion Water Co. of Connecticut	A/Stable/--	2
NSTAR Gas Co.	A/Stable/--	2
Piedmont Natural Gas Co. Inc.	A/Stable/A-1	2
National Grid USA	A/Stable/A-1	2
Consolidated Edison Co. of New York Inc.	A/Stable/A-1	2
Orange and Rockland Utilities Inc.	A/Stable/A-1	2
Rockland Electric Co.	A/Stable/--	2
Consolidated Edison Inc.	A/Stable/A-1	2
Laclede Gas Co.	A/Stable/A-1	3
Laclede Group Inc.	A/Stable/--	3
Atlantic City Sewerage Co.	A/Stable/--	3
Niagara Mohawk Power Corp.	A/Stable/--	3
Central Hudson Gas & Electric Co.	A/Stable/--	3
American Water Capital Corp.	A/Negative/	2
Boston Gas Co.	A/Negative/--	2
Colonial Gas Co.	A/Negative/--	2
Middlesex Water Co.	A/Negative/--	3
York Water Co. (The)	A-/Stable/--	2
Alabama Gas Corp.	A-/Stable/--	2
Atlanta Gas Light Co.	A-/Stable/--	2
Public Service Co. of North Carolina Inc.	A-/Stable/A-2	2
Wisconsin Gas Co.	A-/Stable/A-2	2
North Shore Gas Co.	A-/Stable/A-2	2
Peoples Gas Light & Coke Co.	A-/Stable/A-2	2
ONEOK Inc.	A-/Stable/A-2	6
Indiana Gas Co. Inc.	A-/Negative/--	1
Southern California Water Co.	A-/Negative/--	3
American States Water Co.	A-/Negative/--	3
United Water New Jersey	A-/Negative/--	4

United Waterworks	A-/Negative/--	4
PPL Electric Utilities Corp.	A-/Negative/--	4
Commonwealth Edison Co.	A-/Negative/A-2	4
PECO Energy Co.	A-/Negative/A-2	4
Central Illinois Public Service Co.	A-/CW-Neg/--	3
Western Massachusetts Electric Co.	BBB+/Stable/--	1
Cascade Natural Gas Corp.	BBB+/Stable/--	2
South Jersey Gas Co.	BBB+/Stable/--	2
Baltimore Gas & Electric Co.	BBB+/Stable/A-2	3
Connecticut Natural Gas Corp.	BBB+/Negative/--	3
Southern Connecticut Gas Co.	BBB+/Negative/--	3
Central Maine Power Co.	BBB+/Negative/--	3
Atlantic City Electric Co.	BBB+/Negative/A-2	3
Potomac Electric Power Co.	BBB+/Negative/A-2	3
Delmarva Power & Light Co.	BBB+/Negative/A-2	3
Yankee Gas Services Co.	BBB+/Negative/--	3
Connecticut Light & Power Co.	BBB+/Negative/--	3
UGI Utilities Inc.	BBB+/Negative/--	4
Bay State Gas Co.	BBB/Stable/--	2
AEP Texas Central Co.	BBB/Stable/--	2
AEP Texas North Co.	BBB/Stable/--	2
Southwest Gas Corp.	BBB-/Stable/--	3
Columbus Southern Power Co.	BBB/Stable/--	3
Ohio Power Co.	BBB/Stable/--	3
Public Service Electric & Gas Co.	BBB/Stable/A-2	3
Oncor Electric Delivery Co.	BBB/Negative/--	2
Southern Union Co.	BBB/Negative/--	3
Centerpoint Energy Houston Electric LLC	BBB/Negative/--	3
CenterPoint Energy Resources Corp.	BBB/Negative/--	3
Duquesne Light Co.	BBB/Negative/	4
Duquesne Light Holdings Inc.	BBB/Negative/ --	5
TXU Gas Co.	BBB/CW-Dev/--	3
Jersey Central Power & Light Co.	BBB-/Stable/--	4
Metropolitan Edison Co.	BBB-/Stable/--	4
Pennsylvania Electric Co.	BBB-/Stable/--	4
Texas-New Mexico Power Co.	BB+/Stable/--	4
AmeriGas Partners L.P.	BB+/Stable/--	7
NUI Utilities Inc.	BB/CW-Dev/--	4

Suburban Propane Partners L.P.	BB-/Stable/--	8
Star Gas Partners L.P.	BB-/Stable/--	8
SEMCO Energy Inc.	BB-/Negative/--	5
Ferrellgas Partners L.P.	BB-/Negative/--	8
Potomac Edison Co.	B/Stable/--	3
West Penn Power Co.	B/Stable/--	3
Illinova Corp.	B/Negative/--	7
NorthWestern Corp.	D/NM/--	7
2. Transmission Only - Electric, Gas, and Other		
Questar Pipeline Co.	A+/Negative/--	3
Mid-West Independent Transmission System Operator Inc.	A/Stable/--	1
American Transmission Co.	A/Stable/A-1	1
New England Power Co.	A/Stable/A-1	1
Colonial Pipeline Co.	A/Stable/A-1	3
Dixie Pipeline Co.	--/--/A-1	3
Plantation Pipeline Co.	--/--/A-1	3
Explorer Pipeline Co.	A/Stable/A-1	4
Northern Natural Gas Co.	A-/Positive/--	2
Buckeye Partners L.P.	A-/Stable/--	4
Kern River Gas Transmission Co.	A-/Negative/--	3
Northern Border Pipeline Co.	A-/CW-Neg/--	2
Texas Gas Transmission LLC	BBB+/Stable/--	3
Iroquois Gas Transmission System L.P.	BBB+/Stable/--	3
Florida Gas Transmission Co.	BBB/Stable/--	2
International Transmission Co.	BBB/Stable	2
ITC Holding Corp.	BBB/Stable	2
Texas Eastern Transmission L.P.	BBB/Stable/--	3
PanEnergy Corp.	BBB/Stable/--	3
TE Products Pipeline Co. L.P.	BBB/Stable/--	4
TEPPCO Partners L.P.	BBB/Stable/--	4
Panhandle Eastern Pipeline LLC	BBB/Negative/--	3
Noark Pipeline Finance LLC	BBB/Negative/--	4
Southern Star Central Gas Pipeline Inc.	BB/Stable/--	3
Transwestern Pipeline Co.	BB/CW-Dev/--	4
Transcontinental Gas Pipe Line Corp.	B+/Negative/--	2
Northwest Pipeline Corp.	B+/Negative/--	2
Colorado Interstate Gas Co.	B-/Negative/--	2
Southern Natural Gas Co.	B-/Negative/--	2

ANR Pipeline Co.	B-/Negative/--	3
Tennessee Gas Pipeline Co.	B-/Negative/--	3
El Paso Tennessee Pipeline Co.	B-/Negative/--	3
El Paso Natural Gas Co.	B-/Negative/--	4
Gas Transmission-Northwest Corp.	CC/CW-Pos/--	2
3. Integrated Electric, Gas, and Combination Utilities		
Wisconsin Public Service Corp.	AA-/Stable/A-1+	4
Madison Gas & Electric Co.	AA/Negative/A-1+	4
Southern Co.	A/Stable/A-1	4
Georgia Power Co.	A/Stable/A-1	4
Alabama Power Co.	A/Stable/A-1	4
Mississippi Power Co.	A/Stable/A-1	4
Gulf Power Co.	A/Stable/--	4
Savannah Electric & Power Co.	A/Stable/--	4
San Diego Gas & Electric Co.	A/Stable/A-1	5
MidAmerican Energy Co.	A/Stable/A-1	5
Questar Corp.	--/--/A-1	6
Equitable Resources Inc.	A/Stable/A-1	6
Florida Power & Light Co.	A/Negative/A-1	4
South Carolina Electric & Gas Co.	A-/Stable/A-2	4
SCANA Corp.	A-/Stable/--	4
Wisconsin Electric Power Co.	A-/Stable/A-2	4
AGL Resources Inc.	A-/Stable/A-2	4
Virginia Electric & Power Co. (Dominion Virginia)	A-/Stable/A-2	5
Idaho Power Co.	A-/Stable/A-2	5
IDACORP Inc.	A-/Stable/A-2	5
Energen Corp.	A-/Stable/--	6
Vectren Utility Holdings Inc.	A-/Negative/A-2	3
Wisconsin Power & Light Co.	A-/Negative/A-2	4
Atmos Energy Corp.	A-/Negative/A-2	4
Southern Indiana Gas & Electric Co.	A-/Negative/--	5
Montana-Dakota Utilities Co.	A-/Negative/--	5
PacifiCorp	A-/Negative/A-2	5
Northern Border Partners L.P.	A-/CW-Neg/--	4
Central Illinois Light Co.	A-/CW-Neg/--	5
CILCORP	A-/CW-Neg/--	5
Union Electric Co.	A-/CW-Neg/A-2	5
Ameren Corp.	A-/CW-Neg/A-2	5

Cincinnati Gas & Electric Co.	BBB+/Stable/A2-	4
Oklahoma Gas & Electric Co.	BBB+/Stable/A-2	4
Northern States Power Wisconsin	BBB+/Stable /A-2	5
Kentucky Utilities Co.	BBB+/Stable/A-2	5
Louisville Gas & Electric Co.	BBB+/Stable/A-2	5
Allete Inc.	BBB+/Stable/A-2	5
Wisconsin Energy Corp.	BBB+/Stable/A-2	5
PSI Energy Inc.	BBB+/Stable/A-2	5
Union Light Heat & Power Co.	BBB+/Stable/--	5
Hawaiian Electric Co. Inc.	BBB+/Stable/A-2	6
Enogex Inc.	BBB+/Stable/--	6
National Fuel Gas Co.	BBB+/Stable/A-2	7
Energy East Corp.	BBB+/Negative/--A2	3
RGS Energy Group Inc.	BBB+/Negative/--	4
Rochester Gas & Electric Corp.	BBB+/Negative/--	4
Michigan Consolidated Gas Co.	BBB+/Negative/A-2	4
Interstate Power & Light Co.	BBB+/Negative/A-2	5
Public Service Co. of New Hampshire	BBB+/Negative/--	5
Kaneb Pipe Line Operating Partnership L.P.	BBB+/Negative/--	5
Consolidated Natural Gas Co.	BBB+/Negative/A-2	6
Detroit Edison Co.	BBB+/Negative/A-2	6
Questar Market Resources Inc.	BBB+/Negative/--	8
Portland General Electric Co.	BBB+/CW-Neg./A-2	5
Columbia Energy Group	BBB/Stable/--	3
NiSource Inc.	BBB/Stable/--	4
Xcel Energy Inc.	BBB/Stable/A-2	5
Public Service Co. of Colorado	BBB/Stable /A-2	5
Northern States Power Co.	BBB/Stable /A-2	5
Southwestern Public Service Co.	BBB/Stable /A-2	5
Appalachian Power Co.	BBB/Stable/--	5
Kentucky Power Co.	BBB/Stable/--	5
Public Service Co. of Oklahoma	BBB/Stable/--	5
Southwestern Electric Power Co.	BBB/Stable/--	5
Northern Indiana Public Service Co.	BBB/Stable/--	5
Entergy Arkansas Inc.	BBB/Stable/--	5
Entergy Louisiana Inc.	BBB/Stable/--	5
Progress Energy Florida	BBB/Stable/--	5
Progress Energy Carolinas Inc.	BBB/Stable/A-2	5

Kansas City Power & Light Co.	BBB/Stable/A-2	6
PNM Resources Inc.	BBB/Stable/--	6
Southern California Edison Co.	BBB/Stable/A-2	6
Empire District Electric Co.	BBB/Stable/A-2	6
Entergy Mississippi Inc.	BBB/Stable/--	6
Entergy New Orleans Inc.	BBB/Stable/--	6
Duke Energy Field Services LLC	BBB/Stable/A-2	6
Arizona Public Service Co.	BBB/Negative/A-2	5
TXU U.S. Holdings Co.	BBB/Negative/--	5
Pinnacle West Capital Corp.	BBB/Negative/A-2	6
Cleco Power LLC	BBB/Negative/A-3	6
Puget Sound Energy Inc.	BBB-/Positive/A-3	5
Puget Energy Inc.	BBB-/Positive/--	5
Green Mountain Power Corp.	BBB-/Stable/--	5
Public Service Co. of New Mexico	BBB-/Stable/A-2	6
Pacific Gas & Electric Co.	BBB-/Stable/ --	6
Cleveland Electric Illuminating Co.	BBB-/Stable/--	6
Ohio Edison Co.	BBB-/Stable/--	6
Toledo Edison Co.	BBB-/Stable/--	6
Pennsylvania Power Co.	BBB-/Stable/--	6
El Paso Electric Co.	BBB-/Stable/--	6
Central Vermont Public Service Corp.	BBB-/Stable/--	6
Entergy Gulf States Inc.	BBB-/Stable/--	6
System Energy Resources Inc.	BBB-/Stable/--	7
Tampa Electric Co.	BBB-/Negative/A-3	4
Black Hills Power Inc.	BBB-/Negative/--	6
Westar Energy Inc.	BB+/Positive/--	5
Kansas Gas & Electric Co.	BB+/Positive/--	6
Indianapolis Power & Light Co.	BB+/Stable/--	4
IPALCO Enterprises Inc.	BB+/Stable/--	4
Enterprise Products Operating L.P.	BB+/Stable/--	6
Enterprise Products Partners L.P.	BB+/Stable/--	6
GulfTerra Energy Partners L.P.	BB+/CW-Neg/--	6
Consumers Energy Co.	BB/Negative/--	6
Tucson Electric Power Co.	BB/CW-Neg/--	6
Dayton Power & Light Co.	BB-/CW-Neg/ -	7
Monongahela Power Co.	B/Stable/--	5
Nevada Power Co.	B+/Negative/--	7
Sierra Pacific Power Co.	B+/Negative/--	7

Sierra Pacific Resources	B+/Negative/--	7
4. Diversified Energy and Diversified Non-Energy		
WPS Resources Corp.	A/Stable/A-1	5
KeySpan Corp.	A/Negative/A-1	4
FPL Group Inc.	A/Negative/--	6
Peoples Energy Corp.	A-/Stable/A-2	5
Vectren Corp.	A-/Negative/--	4
PacifiCorp Holdings Inc.	A-/Negative/--	5
Exelon Corp.	A-/Negative/A-2	7
MDU Resources Group Inc.	A-/Negative/A-2	7
Centennial Energy Holdings Inc.	A-/Negative/A-2	8
Otter Tail Corp.	A-/Negative/--	8
Kinder Morgan Energy Partners L.P.	BBB+/Stable/A-2	4
Northeast Utilities	BBB+/Stable/--	5
OGE Energy Corp.	BBB+/Stable/A-2	6
LG&E Energy Corp.	BBB+/Stable/--	6
Cinergy Corp.	BBB+/Stable/A-2	6
Constellation Energy Group Inc.	BBB+/Stable/A-2	7
Sempra Energy	BBB+/Stable/A-2	7
Pepco Holdings Inc.	BBB+/Negative/A-2	5
Conectiv	BBB+/Negative/--	5
Alliant Energy Corp.	BBB+/Negative/A-2	6
DTE Energy Co.	BBB+/Negative/A-2	6
Dominion Resources Inc.	BBB+/Negative/A-2	7
Kinder Morgan Inc.	BBB/Stable/A-2	5
American Electric Power Co. Inc.	BBB/Stable/A-2	6
Entergy Corp.	BBB/Stable/--	6
Hawaiian Electric Industries Inc.	BBB/Stable/A-2	6
Progress Energy Inc.	BBB/Stable/A-2	6
PPL Corp.	BBB/Stable/--	7
Public Service Enterprise Group Inc.	BBB/Stable/A-2	7
Great Plains Energy Inc.	BBB/Stable/--	7
Duke Energy Corp.	BBB/Stable/A-2	7
Duke Capital Corp.	BBB/Stable/A-2	8
TXU Corp.	BBB/Negative/--	5
Centerpoint Energy Inc.	BBB/Negative/--	5
Cleco Corp.	BBB/Negative/A-3	6
Potomac Capital Investment Corp.	BBB/Negative/--	8
MidAmerican Energy Holdings Co.	BBB-/Positive/--	5

FirstEnergy Corp.	BBB-/Stable/--	6
TECO Energy Inc.	BBB-/Negative/A-3	5
Black Hills Corp.	BBB-/Negative/--	8
Avista Corp.	BB+/Stable/--	6
Edison International	BB+/Stable/--	6
TNP Enterprises	BB+/Stable/--	6
New York Water Service Corp.	BB/Stable	7
CMS Energy Corp.	BB/Negative/--	7
DPL Inc.	BB- /CW-Neg/--	8
Williams Companies Inc. (The)	B+/Negative/--	8
Allegheny Energy Inc.	B/Stable/--	7
Dynegy Inc.	B/Negative/--	8
Dynegy Holdings Inc.	B/Negative/--	9
El Paso CGP Corp.	B-/Negative/--	6
Aquila Inc.	B-/Negative/--	8
El Paso Corp.	B-/Negative/--	8
5. Energy Merchants/Power Developers/Trading and Marketing		
Entergy-Koch L.P.	A/Stable/--	9
KeySpan Generation LLC	A/Negative/--	5
FPL Group Capital	A/Negative/A-1	8
Exelon Generation Co.	A-/Negative/A-2	8
AmerenEnergy Generating Co.	A-/CW-Neg/--	8
Southern Power Co.	BBB+/Stable/--	6
LG&E Capital Corp.	BBB+/Stable/A-2	9
Alliant Energy Resources Inc.	BBB+/Negative/--	9
American Ref-Fuel Co. LLC	BBB/Stable/--	6
PSEG Power LLC	BBB/Stable/--	8
PPL Energy Supply LLC	BBB/Stable/--	8
TXU Energy Co. LLC	BBB/Negative/--	7
Duke Energy Trading and Marketing LLC	BBB-/Negative/--	10
Northeast Generation Company	BB+/Negative/--	9
Cogentrix Energy	BB-/Stable/--	6
PSEG Energy Holdings Inc.	BB-/Stable/--	9
AES Corp.	B+/Stable/--	9
NRG Energy Inc.	B+/Stable	9
Allegheny Energy Supply Co. LLC	B/Stable/--	8
Reliant Resources Inc.	B/Negative/--	8
Calpine Corp	B/Negative/--	9
Edison Mission Energy	B/Negative/--	. 9

Orion Power Holdings Inc	B/Negative/--	9
Reliant Energy Mid-Atlantic Power Holdings LLC	B/Negative/--	9
Mirant Americas Generation Inc.	D/--/--	10
Mirant Americas Energy Marketing L.P.	D/--/--	10
Mirant Corp.	D/--/--	10
NEGT Energy Trading Holdings Corp	D/--/--	10
PG&E National Energy Group	D/--/--	10
USGen New England Inc.	D/--/--	10

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