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**BEFORE THE
PENNSYLVANIA PUBLIC SERVICE COMMISSION**

In the Matter of:)	
)	
Pennsylvania Public Utility Commission et al.)	Docket No. R-00049255
)	
vs.)	DOCKETED
)	AUG 18 2004
PPL Electric Utilities Corporation)	

**Direct Testimony
Of Kenneth L. Kincel**

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FOR

**U.S. DEPARTMENT OF DEFENSE
AND ALL FEDERAL EXECUTIVE AGENCIES**

Dated: June 28, 2004
Filing Due: June 29, 2004

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2 **PENNSYLVANIA PUBLIC SERVICE COMMISSION**
3

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8 **PPL Electric Utilities Corporation**)
9

10 **Direct Testimony of Kenneth L. Kincel**
11

12 **Q. PLEASE STATE YOUR NAME, TITLE AND OCCUPATION.**

13 A. My name is Kenneth L. Kincel. I am President of Decision Analysis Corporation of
14 Virginia, an energy consulting firm located at 8009 Snowpine Way, Suite 100, McLean,
15 Virginia. Decision Analysis Corporation of Virginia was founded in 1980 and performs
16 energy modeling and forecasting, and utility market and rate analysis services for
17 government, industry associations, utility commissions and private energy firms. In this
18 capacity, I am currently providing independent expert witness services to the U.S.
19 Department of Defense in utility rate and restructuring cases at federal and state
20 regulatory commissions.
21

22 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE**

23 A. Details of my education and experience are described in Exhibit KLK-1 which is
24 attached to my testimony. A listing of my recent submissions and testimony to various
25 government utility regulatory agencies is shown in Exhibit KLK-2.

1
2 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

3 A. I am presenting testimony on behalf of the consumer interest of the U.S. Department of
4 Defense and all other Federal Executive Agencies, hereinafter collectively referred to as
5 "DOD/FEA." In addition to representing the military establishments under his own
6 purview, the Secretary of Defense has been delegated authority by the General Services
7 Administration to also provide representation of the consumer interest of the federal
8 civilian agencies in this proceeding. DOD/FEA is deeply interested and affected by the
9 revenue and rate increases being sought in this proceeding before the Pennsylvania
10 Public Utility Commission ("PPUC" or the "Commission"), because DOD/FEA is a very
11 large consumer of electricity from PPL Electric Utilities Corporation ("PPL" or the
12 "Company").

13
14 PPL provides electric services to several major military installations including Carlisle
15 Barracks, Tobyhanna Army Depot, the US Naval Support Activity Mechanicsburg, the
16 Defense Logistics Agency at New Cumberland and the Scranton Army Ammunition
17 Plant. PPL also provides electricity to civilian federal agencies such as the United States
18 Courthouses in Harrisburg and Scranton, the Veterans Affairs Hospital and the federal
19 penitentiary. Exhibit KLK-3 summarizes the most recent billings from PPL for the last
20 12 months to the three largest military installations served by the Company, namely,
21 Carlisle Barracks, Tobyhanna Army Depot and the US Naval Support Activity
22 Mechanicsburg. These three military installations alone account for over \$8.5 million in
23 annual billings from PPL and consume over 149,000 mega-Watt-hours (mWh) of
24 electricity each year.
25

1 Carlisle Barracks takes electricity at 69,000 volts, using two primary loops. It owns and
2 maintains the substation on the base where the electricity is received, as well as the entire
3 electricity distribution system downstream of the substation. The peak electricity demand
4 at Carlisle Barracks is about 4,900 kW. As a result, the Barracks takes electricity
5 primarily on PPL rate schedule LP-5 rather than LP-6 which requires payment for a
6 minimum of 10,000 kW of billing demand each month. On LP-5, the Barracks receives
7 25,670 mWh of electricity and pays PPL \$1.5 million annually, averaging 5.86 cents per
8 kWh. The Barracks enjoys a high load factor (average to peak day of electricity
9 consumption) of 60%, which helps keep average unit electricity costs low. Carlisle
10 Barracks also receives much smaller volumes of electricity for the more remote areas
11 located on the base, particularly the golf course and Stanwix housing, which are
12 connected directly to PPL lines and therefore employ PPL rate schedule LP-4.

13
14 Tobyhanna Army Depot has a peak load of about 10,800 kW, but takes electricity on LP-
15 5 because its monthly billing demand falls slightly below 10,000 kW for several months
16 of the year. Tobyhanna consumes about 56,300 mWh each year and accounts for over \$3
17 million in billings from PPL, averaging 5.4 cents per kWh. It has a similar load factor to
18 Carlisle Barracks, about 60%. Tobyhanna Depot took advantage of the Economic
19 Development Initiative Program offered by PPL, and receives about \$385k of reduced
20 billings each year (including related PA Tax adjustment surcharges) due to EDI credits
21 for growth over historic baseline consumption. The eventual elimination of all the EDI
22 credits alone will result in an increase in PPL billings to Tobyhanna of over 12.6%.

23
24 The US Naval Support Activity Mechanicsburg is the largest military customer of PPL. It
25 has a peak load of over 12,000 kW and never drops below 10,000 kW in monthly billing

1 demand. Therefore, it takes electricity on rate schedule LP-6. It consumes 66,773 mWh
2 and pays almost \$4 million each year to PPL for electricity, averaging 5.95 cents per
3 kWh. Surprisingly, it has the highest load factor of these three military installations,
4 63.5%, and the largest demand and consumption levels, but pays the highest average unit
5 cost of electricity. This hints at a possible failing in PPL current rate design. This Naval
6 Base takes advantage of PPL's Demand Side Management Program (DSM), and now has
7 two ongoing projects.

8
9 Company Witness Oliver G. Kasper (Table D3, Page 6A included in Exhibit Future 1)
10 estimates that the Company's proposal in this case will amount to a 4.90% total billings
11 increase for customers on LP-5 (using 2004 revenues as a base and excluding any
12 savings from shopping). This would amount to an annual increase of \$73,775 for Carlisle
13 Barracks and \$168,500 for Tobyhanna Army Depot beginning in 2005. The Company
14 also proposes the elimination of the EDI credits for distribution, which would result in an
15 increase in billings of another \$3,800 per year for Tobyhanna Army Depot. Witness
16 Kasper's testimony (Table D3, Page 6A included in Exhibit Future 1) also shows a total
17 rate increase for customers on LP-6 of 4.26%. This would amount to an increase in total
18 billings for the US Naval Support Activity Mechanicsburg of \$169,200 annually. Thus,
19 for these three military installations alone, the Company is proposing to increase annual
20 billings by a total of about \$411,500 per year. Clearly, DOD/FEA has a vital interest in
21 the outcome of this case.

22
23 **Q. IS THERE ANY REASON WHY THE COMMISSION SHOULD BE**
24 **PARTICULARLY CONCERNED ABOUT THE PROPOSED ELECTRICITY**
25

1 **PRICE INCREASES TO THE MILITARY INSTALLATIONS LOCATED IN**
2 **PENNSYLVANIA?**

3 A. Yes. An independent commission, called BRAC 2005, has been formed to review all
4 DOD installations for potential base closure and functional realignment and to make
5 recommendations to be announced in May 2005. This action is authorized by Congress
6 under the Defense Base Closure and Realignment Act of 1990. The final selection
7 criteria to be used by the committee were published on February 12, 2004 in the Federal
8 Register at 69FR 6948. Although "military value" is the primary consideration, these
9 criteria call specifically for the cost of operations to be used in determining how to
10 functionally realign or where to close military installations.

11
12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

13 A. The purpose of my testimony is to address, on behalf of DOD/FEA, return on
14 equity (ROE), cost allocation and rate design issues in this proceeding. Company
15 Witness Paul R. Moul proposed an ROE for PPL of 11.50% (Direct Testimony, p. 50); I
16 propose 10.75%. Regarding cost allocation, I generally support the distribution cost of
17 service study performed by the Company, but call for a significant change in the
18 Company's customer class allocation of necessary increases in total revenue
19 requirements. The Company's proposal does not adequately redress significant cross
20 subsidies among distribution customer classes that are now occurring.

21
22 Regarding the transmission revenue requirements, I recommend that the Company's
23 proposal to recover these costs on a system-wide average kWh basis be rejected. Instead,
24 I recommend that total transmission revenue requirements be allocated by customer class
25 first using class demands provided by the PJM's Peak Load Allocation Procedure for

1 Network Integrated Transmission Service (NITS), which are based on the class
2 coincident peak demands averaged over five system peak load days each year. By doing
3 so, customer class responsibility will be fairly and justly related directly to the
4 requirement imposed by each class for transmission capacity. Given these allocated class
5 transmission revenue requirements, I propose recovery using class kWh as a basis.

6
7 Regarding distribution rate design, I generally support the Company's plan to move
8 toward greater use of demand charges, and to lesser use of energy charges wherever
9 practicable. However, I recommend that the Commission reject the Company's proposal
10 to establish a Distribution System Improvement Charge because it is flawed in design
11 and could contribute to future inequities in customer class treatment. I also recommend
12 Commission rejection of certain changes in general terms and conditions of service that
13 the Company proposes that could increase PPL billings to large military installations.

14
15 **Q. WHAT CALCULATIONS DID YOU PERFORM TO ARRIVE AT YOUR**
16 **RECOMMENDED ROE FOR PPL?**

17 **A.** I performed the three types of statistical tests that are normally used to determine the
18 market return on equity for a utility company in regulatory proceedings such as this,
19 namely, the discounted cash flow analysis (DCF), the industry risk premium (RP)
20 analysis and the capital asset pricing model (CAPM) test. I will first describe how I
21 performed these tests, and then contrast my methodology and data with that used by
22 Company Witness Paul R. Moul.

23
24 Because I have no major problems with the criteria used by Company Witness Moul for
25 selection of companies within the Electric Group, I used his group of nine companies to

1 determine the market-based ROE for PPL. I did not use Mr. Moul's Natural Gas Group,
2 because, despite similar cost-based regulation, I believe natural gas utilities are not
3 sufficiently similar to electric utilities that an investor will seek the same ROE for both.
4 Natural gas utilities face different market risks and opportunities than electric utilities,
5 deliver a very different commodity which can be used in applications that electricity
6 cannot, and enjoy a deregulated environment for its commodity that is more well-
7 established and stable throughout the country.

8
9 **Q. HOW WAS THE DCF ANALYSIS PERFORMED FOR ELECTRIC**
10 **OPERATIONS?**

11 A. I applied the constant growth DCF model to perform my analysis. All DCF models
12 assume that the price of a share of common stock is equal to the present value of the
13 expected cash flows derived from future dividends and changes in stock price. The
14 constant growth model further adds the constraining assumption that growth in
15 dividends, earnings and book value per share are all approximately the same. The
16 constant growth model simply states that the cost of common equity is the sum of: (1) the
17 dividend in the next period, divided by the current price per share, plus (2) the growth
18 rate in dividends. Because this model rests on the assumption that earnings and book
19 value per share both grow at nearly the same rate as dividends per share, the trends and
20 expectations of growth in these two other financial variables can also be examined to
21 estimate the constant growth rate that is needed for the model.

22
23 Exhibit KLK-5 presents average closing price over the most recent 90 days for each
24 company within the Electric Group, adjusted to eliminate the content of its dividend. I
25 use recent prices because efficient stock market theory maintains that at any given point

1 in time, the market price of a common stock represents the sum of all information that is
2 available for that stock. More dated prices would be "stale" in the sense they would not
3 be reflective of what is known about the stock and its associated market-based ROE. The
4 adjustment for dividends that I use rests on the assumption that an investor uses the last
5 paid dividend as the basis for estimating the expected dividend for the next quarter.
6 Using this assumption, the pro-rata share of the last dividend, based on the number of
7 days since the last expected dividend divided by the number of days in the current
8 quarter, is subtracted from the market price to determine the adjusted stock price in any
9 given day.

10
11 Exhibit KLK-5 also presents the sum of the last 4 dividends paid over the most recent 12
12 months for each of the comparable electric utilities. As shown in the table, dividing the
13 recent average closing price by the historic 12-month dividend provides the yield for
14 each of the companies of this group. When the nine yields are averaged, the composite
15 historic yield for the comparable electric utility group is 4.53%.

16
17 The average growth rate for this group is significantly more difficult to estimate. Exhibit
18 KLK-6 shows the historical and projected growth rates in dividends, earnings and book
19 value for each of the comparable electric utilities, as reported by *Value Line Investment*
20 *Survey*. I used the smoothed averages provided by *Value Line* because they eliminate
21 discontinuities in growth rates due to anomalous or outlier data for any given year. A
22 sharp discontinuity in growth rates expected from both the 10-year and 5-year historical
23 period to the near term is evident from Exhibit KLK-7. Dividend growth has been
24 negative for the past 5 and 10 years, but is expected by security analysts to increase to
25 4.9% over approximately the same period in the future. This is probably due to the

1 change in tax policy for dividends, which was enacted in May 2003. Earnings for the
2 group are expected to be growing at 4.3% over the next several years, which represents
3 an increase from the dismal 1.1% growth rate experienced over the past 5 years. Growth
4 in book value was negative over the past five years, and is expected to grow to 3.2%
5 annually over the next five years.

6
7 When observing these growth rates, I noticed that the ROE using the constant growth
8 model for CH Energy Group would be less than the cost of utility debt. *Value Line*
9 analysts project no growth in dividends, only a 0.5% annual growth in earnings, and a
10 1.0% annual growth in book value over the next five years. Imposing any of these growth
11 rates on the 4.69% historic dividend for this stock in order to obtain the expected yield
12 for the next period, and then adding again the growth rate would yield an ROE result that
13 would not exceed the current long term A-rated utility cost of debt. This is an
14 unreasonable ROE for PPL, and I therefore eliminated this stock from further use in
15 performing the DCF model test for ROE. Without CH Energy Group, *Value Line*
16 estimates the average annual growth rates for the remaining eight electric companies as
17 4.8% for earnings, 5.5% for dividends and 3.5% for book value, as shown in Exhibit
18 KLK-6.

19
20 I normally average the recent historical results with the near-term projected estimates to
21 calculate a growth rate for the utility group. This is because I believe that a rational
22 investor bases his purchases not only on the projections of industry analysts, but on
23 actual recent experience. However, based on Exhibit KLK-6, I don't think a rational
24 investor would purchase the stock of this group unless he heavily discounted recent past
25 results. Thus, I used only the projected estimates of growth to perform my DCF analysis.

1 The model itself assumes constant growth in earnings, dividends and book value. So, as a
2 low estimate for growth, I used the average of the three projections for the eight
3 remaining companies in the group, or 4.6%. As an upper bound on the growth estimate, I
4 used the projection for dividends alone, 5.5%. There is nothing better than hard cash
5 dividends to provide a realistic estimate of the growth rate, and the associated ROE, for a
6 group of utilities.

7
8 As a check on the reasonableness of this range in growth rates, 4.6% to 5.5%, I inspected
9 the growth rates in earnings for the Comparable Electric Group forecast by First Call and
10 Zacks. These are listed on the right side of Exhibit KKK-5. Earnings growth was
11 inspected because earnings provide the cash that can be used discriminately by each of
12 the utilities to either retain some portion, and thereby increase book value, or distribute
13 another portion as dividends. Both First Call and Zacks project earnings growth rates of
14 slightly less than 4% for the Comparable Electric Group, rendering my chosen range in
15 growth rates relatively optimistic and favorable to the Company.

16
17 On the bottom of Exhibit KKK-5, I grow the average dividend yield actually realized by
18 the comparable distribution company group (less CH Energy Group) over the past year
19 of 4.51% by each of these two growth rates to arrive at a corresponding average expected
20 dividend yield over the next twelve months. When each of these are added to the
21 corresponding growth rate, as required by the DCF constant growth model, a range for
22 the calculated ROE for the comparable company group is found, 9.30% to 10.26%. The
23 average of the upper and lower estimate is 9.78%, as shown in Exhibit KKK-4.
24
25

1 Q. HOW DID YOU APPLY THE RISK PREMIUM TEST TO DETERMINE ROE
2 FOR THE ELECTRIC UTILITY OPERATIONS OF LG&E?

3 A. I applied a historical risk premium analysis for *Moody's* (now *Mergent's*) electric utility
4 group. The result of this test is an estimated ROE of 10.44% for PPL, as calculated on
5 Exhibit KLK-4.

6
7 The expected equity risk premium is the additional return an investor expects to receive
8 to compensate for the additional risk associated with investing in equities as opposed to
9 investing in riskless assets. For the comparable group, I chose *Moody's* electric utility
10 group because data for this group are published annually, and these companies compare
11 quite reasonably closely to PPL in the nature of their business activities, the markets they
12 serve and the risks they undertake. The average risk premium over the long term
13 Government bond total return is calculated at 4.56% within Exhibit KLK-8 for the
14 longest period for which data are available, 1932 to 2002. Note that shorter time spans
15 produce smaller average risk premiums. However, I chose the longest time span for
16 which data are available, because it is most consistent with the premiums I will later
17 employ when I apply the CAPM model test for ROE.

18
19 Some financial analysts, in particular those performing research at Ibbotson Associates,
20 argue that when historic risk premia are calculated, the income return on the long term
21 Government bond should be used instead of the total return because "it represents the
22 truly riskless portion of the return" (see *Stocks, Bonds, Bills and Inflation, Valuation*
23 *Edition, 2004 Yearbook*, p. 69-70). To entertain this notion, I also calculated the risk
24 premium using the income return of the long term Government bond, as shown on
25 Exhibit KLK-9. The result is higher at 5.23%. Regardless of which basis is used, the

1 appropriate forward-looking measure of the riskless rate is the yield to maturity of the
2 long-term Government bond. I used the average yield to maturity of 20-year bonds
3 reported for the last 12 Friday closings (week ending 12/26/2003 through 3/12/2004) by
4 the *Federal Reserve Statistical Release*, or 5.21%, as shown in Exhibit KKK-7. Adding
5 the historic risk premium of 5.23%, using the income return series, to the current long
6 term Government bond yield of 5.21%, results in an expected ROE required by investors
7 of 10.44%, as shown in Exhibit KKK-4.

8
9 **Q. HOW DID YOU APPLY THE CAPM TEST FOR ROE FOR ELECTRIC**
10 **OPERATIONS OF LG&E?**

11 A. I relied on Ibbotson Associates for the methodology used to apply the capital asset
12 pricing model (CAPM). The principle feature of the CAPM model is that the expected
13 return is related to the risks taken by the investor, as measured by beta, a statistical
14 measure of the relative movement of the price for an equity to the overall market. The
15 simple formula is $k = r + b \times (R_m - R_f)$, where k is the cost of equity, r is the expected
16 return of the riskless asset, b is the beta of the stock, R_m is the total return of the market
17 and R_f is the riskless rate of return.

18
19 As a proxy for the market, I used the historical returns of the S&P 500 group of equities.
20 Ibbotson Associates provides an average historical market risk premium, ($R_m - R_f$), of
21 7.19% for the S&P 500 over the very long period of 1926-2003, using the income return
22 of 20-year Treasury bonds as the riskless asset. I used betas for each firm within the
23 comparable group of electric utilities, as published by *Value Line Investment Survey*, as
24 shown in Exhibit KKK-10.
25

1 By multiplying the beta for each of these companies times the historical market risk
2 premium, and then averaging the result for all companies in the group, the long term
3 average equity risk premium for the electric utility group is determined. However, this
4 result must be adjusted because most of the members of the comparable group of utilities
5 fall within the small or mid-cap market capitalization category. The size adjustment
6 simply means that small companies require a larger ROE because they are inherently
7 more risky than accounted for by the statistical beta. As shown on Exhibit KLK-10, the
8 average ROE for the group, based on historical returns, and when properly adjusted for
9 firm size, is 11.78%.

10
11 **Q. DID YOU PERFORM A CAPM ANALYSIS BASED ON PROJECTED RETURNS**
12 **FOR THE ELECTRIC OPERATIONS OF LG&E?**

13 A. Yes I did, but I have less faith in the results. When the most recent estimate of projected
14 earnings growth of the total stock market over the next five years from First Call (11.4%)
15 is added to the current dividend rate for the S&P Super-Composite 1500 (1.63%), total
16 returns are estimated at 13.03%. By subtracting the recent average yield on long term
17 bonds (5.21%), a market risk premium of 7.82% can be derived, as shown on Exhibit
18 KLK-10. Applying then the same methodology as used for the historical CAPM analysis,
19 an estimated ROE of 12.12% is obtained, as shown in Exhibit KLK-10.

20
21 The reason that I have less faith in this test result is that I believe the stock market
22 industry tends to be biased on the high side when projecting earnings results, primarily
23 because the analysts are generally housed in the same firms that are selling the stocks.
24 My understanding is that the industry is now working to increase the independence of
25 stock analysts, thereby reducing or eliminating the upward bias in market forecasts. I

1 previously did not include this CAPM test at all, but have reluctantly added this test
2 result in order to be able to report and discuss it during cross-examination.

3
4 **Q. HOW DID YOU ARRIVE AT YOUR ESTIMATED REASONABLE RANGE FOR**
5 **ROE AND YOUR RECOMMENDED ROE FOR PPL?**

6 A. As shown in Exhibit KLK-4, the average provided by all three types of tests (CAPM, risk
7 premium and DCF) in my analysis is 10.72%. For the low end of my recommended
8 reasonable range, I look to the results of the DCF test, because this model provided a
9 lower range of ROE estimates than the other two models. When the price-to-book value
10 ratio of a stock is greater than 1.0, the DCF test result using the constant growth model
11 tends to be less reliable (i.e., a greater probability of error). This occurs because it
12 becomes less possible for the key assumption underlying that model to be realistic, that
13 is, that the growth in earnings, dividends and book value can be approximately the same
14 in the future.

15
16 Under these circumstances, the estimate of ROE produced by the DCF model can be
17 expected to be lower than the expected ROE because an investor purchasing the stock is
18 undertaking a greater risk that the price will actually decline in the near future to
19 approach book value. On the right side of Exhibit KLK-5, the average price-to-book
20 value for the Comparable Electric Group (minus CH Energy Group) is calculated at 1.45.
21 Although this ratio is not extremely high, like those observed when I performed similar
22 analyses during 1998-2000, it is still quite far above 1.0. Thus, the low estimate of ROE
23 which is based on the average of growth rates in earnings, dividends and book value, can
24 be considered low, and outside of a reasonable range for the estimate of ROE for PPL.

25 The high side of the range of results from the DCF model, however, is based on dividend

1 growth alone, which is the basis of the DCF model before adding more constraints for
2 the derivation of the constant growth model. This result therefore can be considered a
3 sounder estimate of ROE. Therefore, I choose the high estimate from the DCF model
4 test, 10.26%, rounded to the nearest quarter percentage, namely 10.25%, as the low side
5 of my recommended reasonable range for the ROE of PPL.

6
7 For the high side of my recommended reasonable range, I look to the high ROE
8 estimates provided by the CAPM test. I ignore the CAPM test result based solely on
9 projections of earnings by stock market analysts because of the inherent upward bias in
10 this result as I discussed above. This leaves one to question the applicability to PPL of
11 the test result produced using the historical CAPM test as applied to the Comparable
12 Electric Group. The primary factor that resulted in a high ROE test result from this
13 model is the firm size adjustment, as shown in Exhibit KKK-10. Without the average size
14 premium, the ROE result would have been only 10.1%, instead of 11.8%. The average
15 size adjustment was 1.6%. However, if PPL itself had common stock, and it was selling
16 this stock at the average price-to-book value of the Comparable Electric Group, PPL
17 would fall into the mid-cap range for purposes of computing a size adjustment. (Book
18 common equity is about \$1.2 billion; 1.45 times book would yield \$1.74 billion; and the
19 range of market capitalization for a mid-cap stock is \$1.17 billion to \$4.79 billion,
20 according to Ibbotson Associates' *Valuation Edition 2004 Yearbook*.) Thus, the
21 applicable ROE from the results of the historical CAPM model is the average ROE of the
22 Comparable Electric Group before size adjustment, namely 10.1%, plus the size
23 premium for a mid-cap stock, or 0.9%, summing to 11.0%. This ROE is what I conclude
24 to be the high end of a reasonable range of ROE estimates applicable to PPL.
25

1 Thus, my recommended reasonable range for ROE for PPL is 10.25% to 11.0%. I do not
2 recommend that the Commission consider an ROE for PPL outside of this reasonable
3 range.

4
5 In order to arrive at a point estimate for my recommendation to the Commission within
6 this reasonable range, I look to the mid-point of this range as well as the result from the
7 remaining ROE model, the historical risk premium model. As shown in Exhibit KLK-4,
8 using the average yield on 20-year Treasury bonds over the last 90 days, the historical
9 risk premium model provides an estimated ROE of 10.44% for electric utilities.

10 However, as shown in Exhibit KLK-7, there is a clear upward trend in Treasury bond
11 yields over this period. Inserting the most recent Treasury bond yield of 5.52% would
12 result in an estimated ROE from the historical risk premium model of 10.75% (5.23%
13 plus 5.52%). I believe this to be a credible ROE test result for two reasons: (1) because I
14 have no reason to believe that the risk premium in the near future will deviate from
15 historical averages; and (2) because I do not believe that Treasury bond yields can be
16 forecast with sufficient accuracy. The latter judgment is based on my firm's experience
17 in providing macroeconomic forecast support to the US Department of Energy over the
18 last 18 years by running the DRI Macroeconomic Model of the Economy. When a
19 variable, like Treasury bond yields, cannot be forecast with accuracy, statistically
20 speaking, the last observation becomes the best estimate of the future value of the
21 variable. Thus, instead of choosing the mid-point of my reasonable range for ROE, I
22 recommend to the Commission that the ROE for PPL be approved at 10.75%.

23 Coincidentally, this is also very close to the average of the three ROE model test results,
24 10.72%, as shown in Exhibit KLK-4. (Note that all my workpapers in support of my
25 ROE analysis are contained in Exhibit KLK-16.)

1
2
3 **Q. HOW DID YOUR METHODOLOGY AND DATA USED FOR ESTIMATING**
4 **ROE FOR PPL DIFFER FROM THE COMPANY'S?**

5 A. In my judgment, Company Witness Paul R. Moul did a professional, thorough and
6 relatively unbiased analysis of ROE for the Company. However, he and I do have
7 fundamental differences in data, methodology and judgment that were applied. I will
8 discuss the differences that have a major effect on the results.

9
10 As stated previously, I used only his Comparable Electric Utility Group and not his
11 Comparable Gas Utility Group in my analysis, because I do believe gas utilities serve
12 different markets and confront different risks, and therefore are not directly comparable
13 to PPL for purposes of computing a market-based ROE. I used only three tests, the DCF,
14 CAPM and Risk Premium tests, instead of four, in determining my recommended ROE. I
15 did not apply the Comparable Earnings Test because I submit that this test employs a
16 grouping of companies that is just too broad and disparate to be truly considered directly
17 comparable to an electric utility for purposes of computing a market-based ROE.

18
19 Regarding the DCF analysis, I adjusted prices for the pro rata accumulation of the
20 quarterly dividend since the last ex-dividend rate, as did Company Witness Moul.

21 However, in determining expected dividend yields for the next period, I adjusted the
22 dividends for the most recent 12-month period simply by applying the full estimated
23 annual growth rate. I did not apply the more complicated formulas shown in Attachment
24 E to the Direct Testimony of Mr. Moul, because, although academically accurate, I do
25 not believe that most investors resort to the use of such complicated formulas to produce

1 minor adjustments in expected dividend yields to account for details such as the time
2 value of quarterly payments over the next year. The small changes in expected dividend
3 yields produced by these academic refinements are so dwarfed by the huge uncertainty
4 involved in selecting the appropriate growth rate that they are not worth the additional
5 complexity in the calculations.

6
7 I do not agree with the use of the "Leverage Adjustment" applied by Mr. Moul to both
8 the DCF test and the betas used in the CAPM model test for ROE. The prices of a stock
9 over time, and the statistical variance in the price of a stock as measured by the beta, are
10 a result of the combined estimates of the value of a company by investors as determined
11 by employing all the data and information about the company that are available.

12 Investors, at least those that survive in the market, understand the greater risks that are
13 accompanied by greater leverage, and by a price level that is higher than book value, and
14 these risks are already reflected in stock prices as they vary over time. There is no need
15 for a further adjustment, as if the market value of a stock was determined with no
16 recognition of its relationship to book value, the leverage of the company, or the manner
17 in which state commissions set ROE for purposes of computing rates during regulatory
18 treatment.

19
20 For the CAPM and Risk Premium model tests, I employed the average of the last 90 days
21 for Treasury bond yields rather than the projections of "50 noted expert economists" like
22 Mr. Moul did, because, as I stated earlier in my testimony, my firm's experience in
23 executing one of the largest and reputed macroeconomic models in the country indicates
24 that Treasury bond yields cannot be forecast with sufficient statistical accuracy.

1 Regarding the Risk Premium test for ROE, I used the equity premium as measured by the
2 difference in total returns for electric utilities as published by *Mergent* (previously
3 *Moody's*) and 20-year Treasury bond income returns over the period 1931 to 2002. Mr.
4 Moul used a risk premium measured as the difference in utility stock and bond returns. I
5 believe that use of a riskless asset, like Treasury bond income returns, as a basis provides
6 more confidence that the risk premium being measured will be relatively stable over
7 time.

8
9 When comparing the CAPM test results, one of the apparent major differences in results
10 is that I applied the size adjustment to all firms within the Comparable Electric Group,
11 and then determined the average ROE, while Mr. Moul applied the size adjustment using
12 the average market capitalization of the Group (Direct Testimony, p. 47). This difference
13 appears more important than it actually is, however, because in determining my
14 reasonable range for ROE, I apply the size adjustment to the CAPM test results for the
15 expected market capitalization of common stock of PPL, if it traded, which
16 coincidentally is the mid-cap category for size adjustment, the very same category as the
17 average market capitalization of the Comparable Electric Group.

18
19 **Q. WHY DO YOU GENERALLY SUPPORT THE DISTRIBUTION COST OF**
20 **SERVICE METHODOLOGY EMPLOYED BY THE COMPANY?**

21 A. The Company uses the class maximum demand method, which is based on the highest
22 annual non-coincident peak (NCP) demand imposed by each rate class on its distribution
23 system, to allocate its demand-related distribution costs (Company Witness Joseph M.
24 Kleha, Direct Testimony, p. 16). Distribution facilities are separated between primary
25 and secondary voltages, and secondary investment is further classified as customer-

1 related and demand-related using the "minimum size system" method. Costs considered
2 customer-related are then allocated on the basis of the numbers of customers in each
3 class. The Company also provides for comparison a cost of service study based on the
4 average and excess allocation method (Exhibit JMK-1, Section V and Exhibit JMK-2,
5 Section VI).

6
7 In the Company's Response to Interrogatories of the Office of Trial Staff, Set 13, dated
8 May 4, 2004, the Company justifies its use of the maximum demand method as the most
9 appropriate method for the allocation of distribution costs for two reasons: (1) because
10 the Commission has traditionally accepted this method in all of its previous base cases;
11 and (2) because the NARUC Electric Cost Allocation Manual deems it to be the most
12 appropriate method when distribution-related facilities are generally sized to meet the
13 maximum load requirements of customers. I agree with and support both of these
14 reasons. The NARUC Manual elaborates further (p. 97):

15 There are several factors to consider when allocating the demand components of
16 distribution plant. Distribution facilities, from a design and operational
17 perspective, are installed primarily to meet localized area loads. Distribution
18 substations are designed to meet the maximum load from the distribution feeders
19 emanating from the substation. Similarly, when designing primary and secondary
20 distribution feeders, the distribution engineer ensures that sufficient conductor and
21 transformer capacity is available to meet the customer's loads at the primary- and
22 secondary-distribution service levels. Local area loads are the major factors in
23 sizing distribution equipment. Consequently, customer-class non-coincident
24 demands (NCPs) and individual customer maximum demands are the load
25 characteristics that are normally used to allocate the demand component of
distribution facilities.

22 I believe that the most important criterion to be considered in selecting an appropriate
23 methodology is that the methodology should be consistent with the utility's planning
24 process. The factors which primarily influence the utility's capacity expansion plan
25 should also serve as the basis for developing allocation factors. Otherwise costs will not

1 be assigned to the classes in the same manner in which the costs are incurred. In a
2 distribution utility, the most significant factor influencing the Company's expansion plan
3 is the level of peak demand projected for the system. The use of NCP demands as a basis
4 for allocating demand-related distribution plant, as the Company proposes, is consistent
5 with this principle.

6
7 In contrast, the use of the average and excess allocation method allocates a greater
8 portion of demand-related costs to customer groups with higher load factors. This
9 methodology rests on the assumption that while system peak demands establish the level
10 of capacity, providing continuous service creates additional incentive for such capacity
11 costs. This is not the case with distribution plant. The provision of continuous service,
12 that is, more throughput at a given peak demand level, does not cause a need for
13 additional capacity. The sole determination of the need for additional distribution
14 capacity is greater peak load requirements on the system. Thus, to burden higher load
15 factor customers with higher costs of distribution plant would be grossly inequitable.

16
17 I also support the Company's proposal to use the minimum-size system method for
18 determining the demand and customer components of secondary distribution facilities.
19 The minimum-size system method requires less data to employ and is easier to
20 understand and apply. It is also less prone than the alternative method, the minimum-
21 intercept method, to produce anomalies caused by statistically unreliable results.

22
23 **Q. DO YOU ALSO SUPPORT THE COMPANY'S PROPOSAL FOR THE**
24 **ALLOCATION OF INCREASED REVENUE REQUIREMENTS BY**
25 **CUSTOMER CLASS?**

1 A. No I do not. The Company proposes three criteria for allocating increased revenue
2 requirements: (1) that the residential class incur a total billings rate increase of less than
3 10%; (2) that the increase on a total bill basis to all other rate schedules be below 10%;
4 and (3) that the relative rate of return for each rate schedule move closer to the system
5 average rate of return. As shown in Exhibit KLK-11, column 4, enormous customer class
6 subsidies now exist. For example, the Company is earning six times its average system
7 return from customers taking service under LP-5 and over 20 times the system average
8 return from customers taking service under LP-6. Meanwhile, the Company is earning
9 only 41% of its system average return from residential customers.

10
11 The Company can continue to operate only if it receives an adequate system return from
12 all its customers combined. Thus, if some customer groups are allowed to pay less than
13 their share of total cost of service (including return), then other customer groups must
14 pay more. This is what is occurring now. This is not only patently unfair, but it leads to
15 inefficiencies. Customers paying less than their cost of service will value electricity
16 delivered by PPL at the price they are paying for it, not the higher cost of delivering it to
17 them. Thus, they will tend to limit their use of conservation measures and undervalue
18 end-use equipment technology that is more efficient in electricity use, as compared to the
19 behavior they would employ if they were receiving the proper pricing signals for
20 electricity. Meanwhile, customers paying more than the cost of service of delivering
21 electricity to them will tend to overvalue the commodity and to substitute other fuels
22 when in fact it would be cheaper to use electricity. Both customer groups are reducing
23 the general welfare of the society.

1 Optimal efficiency occurs when each customer class is paying the average system return
2 to the Company in its rates. However, the class cross subsidies currently are so large, and
3 involve so many rate schedules, that a one-step movement to unitized system returns
4 would lead to sudden and huge impacts on several customer classes, particularly the
5 residential, residential thermal storage and lighting classes. This calls for "gradualism,"
6 the principle whereby several steps are taken to approach unitized class returns.

7
8 As illustrated in column (7) of Exhibit KLK-11, the Company proposes to slightly
9 increase the percentage of total return paid by these three classes. However, the
10 Company does not go far enough in redressing the egregious gross inequities that now
11 exist. For example, as shown in column (6), the overall increase in distribution revenue
12 requirements proposed by the Company is 32.8%, but the Company is proposing only a
13 27.5% increase for the residential class, despite the fact that this class is now paying the
14 Company a return of only 41% of the system average.

15
16 I recommend that the Commission reject outright the Company's proposed criteria for
17 allocation of increased distribution and transmission revenue requirements. Instead, the
18 Commission should examine distribution revenue class allocation and transmission
19 revenue class allocation separately. By doing so, the Commission can establish the
20 appropriate price signals for transmission service during shopping, an activity that must
21 increase in the future if deregulation will ultimately be successful. And by focusing
22 separately and independently on distribution customer class allocation, the Commission
23 could move more aggressively to mitigate, and eventually eliminate, the unfair customer
24 class subsidies that now exist in distribution rates.

1 Specifically, I propose that the Commission adopt the following criteria for allocating
2 any increased distribution revenue requirement that is found in this proceeding. First, set
3 rates for all customer classes that are now unfairly burdened by paying the Company
4 more than 150% of the system average return, so that the return paid by these customers
5 falls to 150% of the newly approved system average return from this proceeding.
6 Secondly, adjust rates to all other customer classes such that they pay an equal
7 percentage of the distribution system average return.

8
9 The result of applying these criteria with the Company's proposed increase in
10 distribution revenue requirements is shown in columns 10 through 12 of Exhibit KLK-
11 11. The Company's proposed rate of return is 8.8%. All but four customer classes will
12 pay a return of 13.2%, and the remaining four will incur rate increases such that they will
13 pay the Company 80% of the system average return. Under these criteria, as expected if
14 the existing gross inequities are to be mitigated, the residential customers will receive an
15 increase in distribution billings greater than the system average increase, 40.9% versus
16 32.8%, as shown in column 12. Many of the customer classes now paying significant
17 cross subsidies will receive reductions in revenue requirements. However, no customer
18 class will be forced to pay the Company more than 150% of the system average return.

19
20 This should be considered only the first of three steps in the "gradual" process of moving
21 all customer classes to unitized class returns. In the next general rate case for PPL, I
22 recommend that the classes now set at 150% of the system average return in this
23 proceeding, be reduced to 125% of the system average return. And finally, in the
24 subsequent general rate case for PPL, all customer classes should be brought to the
25

1 system average return. I recommend that the Commission explicitly establish this multi-
2 step process within its final order in this case.

3
4 **Q. HOW DO YOU PROPOSE THAT INCREASES IN TRANSMISSION REVENUE**
5 **REQUIREMENTS BY ALLOCATED BY CUSTOMER CLASS?**

6 A. I propose that the principle of aligning cost recovery with cost causation be applied to the
7 allocation of transmission revenue requirements as well. The Company is proposing that
8 expected increases in transmission revenue requirements be collected on a system-wide
9 average kWh basis, making no distinction by customer class. This proposal should be
10 rejected because it ignores cost causation and will result in customer class cross subsidies
11 similar in perversity to those that now exist in distribution rates. Instead I propose that all
12 transmission revenue requirements, both existing and expected next year, be allocated
13 proportional to the average summer and winter, 5-day peak load for each customer class.
14 This average peak load can be determined using the existing method for the allocation of
15 peak load responsibility for Network Integration Transmission Service (NITS). After all,
16 this is how the network determines peak load responsibility by customer class, which is
17 directly related to the need for transmission capacity. Applying the principle of cost
18 causation, the same methodology should then be applied for the customer class allocation
19 of transmission revenue requirements. Subsequent to class allocation, recovery of these
20 costs can be billed on an average kWh basis within each customer class in order to
21 facilitate ease of shopping.

22
23 The results of this allocation method are shown in Exhibit KLK-12, where new
24 transmission rates for each customer class are calculated based on the Company's
25

1 projected transmission revenue requirement and the 5-day average peak loads for NITS
2 calculated for 2003 (summer peak) and 2004 (winter peak).

3
4 Exhibit KKK-13 shows the combined impact on total PPL billings to each customer class
5 using my proposed distribution and transmission revenue requirements allocation
6 procedures and Company-proposed levels of total revenue requirements in each category.
7 The residential class will incur a 14.5% overall billings increase, and both the residential
8 thermal storage and street lighting classes will incur larger total billings increases. But
9 rates to the latter two classes must increase substantially if customer class subsidies are
10 to be mitigated.

11
12 If distribution revenue requirements approved in this proceeding are less than the
13 Company's requested increase, the impact on total billings for all customer classes will
14 also be less using my customer class allocation procedure. Thomas Prisco, the other
15 DOD/FEA witness in this case, has reviewed the distribution revenue requirements
16 proposed by the Company and he is recommending several changes, which result in a
17 needed revenue requirements increase of only \$131,574 annually. Using my
18 recommended ROE for PPL of 10.75%, Mr. Prisco calculates the necessary system
19 average return to be 8.46%. When these two numbers are substituted for the
20 corresponding Company proposed values, the required increase in distribution revenue
21 requirements by customer class is computed as shown in Exhibit KKK-14, and associated
22 total billings impact by customer class is computed as shown in Exhibit KKK-15. The
23 needed overall billings increase to residential customers falls to 12.3%, and the needed
24 percentage increases in billings to residential thermal storage and lighting customers are
25 also reduced.

1
2 **Q. WHAT CHANGES IN RATE DESIGN ARE YOU RECOMMENDING?**

3 A. I generally support the Company's proposal to move toward greater use of demand and
4 customer charges for recovery of revenue requirements, and lesser use of kWh blocks.
5 This is consistent with the principle of aligning cost responsibility with cost causation
6 wherever practicable, which I presented earlier.

7
8 I do recommend that the Commission reject the Company's proposal to establish a
9 Distribution System Improvement Charge. There are several accounting problems with
10 this proposal, which are discussed on behalf of DOD/FEA by Mr. Tom Prisco, the other
11 witness in this case. However, from a rate design standpoint, such a charge would tend to
12 further increase customer class inequities in distribution rates. The Company proposes
13 recovery of these capital costs between rate cases on a system-wide kWh basis. In reality,
14 large portions of these capital costs might relate directly to certain customer classes and
15 not at all to other customer classes. A general rate case, with an updated cost of service
16 study, continues to be the most appropriate mechanism to properly assign such additional
17 capital costs (and associated return) to the customer classes that are benefiting by the
18 attendant Company investment.

19
20 **Q. WHAT ARE YOUR RECOMMENDATIONS REGARDING THE COMPANY'S**
21 **PROPOSED CHANGES IN GENERAL TERMS AND CONDITIONS?**

22 A. On behalf of DOD/FEA, I take strong exception to the Company's proposed change in
23 Tariff Rule 8- Measurement of Service. Specifically, Company Witness Oliver G. Kasper
24 (direct testimony, p. 18) states that this section of the tariff must be revised to "clarify"
25 that measurement from separate points of delivery are not combined for billing purposes.

1 Carlisle Barracks informs me that two meters are now read and combined to determine
2 maximum billing kW for a specific time interval each month. By treating each meter
3 effectively as a separate account, PPL billings to Carlisle Barracks, and possibly to other
4 large military installations served by PPL, will be significantly increased. Such increases
5 in billings are not justified by any additional costs incurred by the Company. In addition,
6 the Company has not included any estimate of increased revenues from this change in the
7 tariff within its proposed cost of service in this proceeding. For all of these reasons, I
8 recommend Commission rejection of this change in the tariff.

9
10 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

11 **A. Yes it does.**
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1 Commonwealth of Virginia

2

3 County of Fairfax

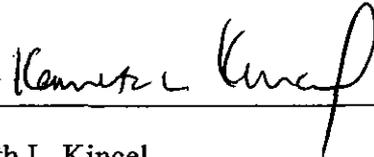
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5 Before me, the undersigned Notary Public, personally appeared Kenneth L. Kincel, who being
6 duly sworn on oath deposes and says that the foregoing prepared direct testimony and statement
7 of facts contained therein are true and correct to the best of his knowledge, information and
8 belief.

9

10

11



12

Kenneth L. Kincel

13

President, Decision Analysis Corporation of Virginia

14

15 Subscribed to and sworn before me on this 28th day of June 2004.

16

17

18

19



20

Notary Public

21

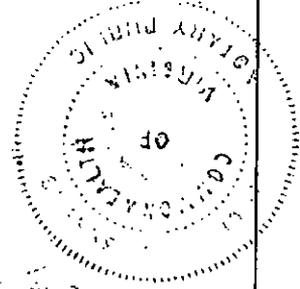
My Commission Expires: 10/31/07

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Exhibit KLK-1

AUG 1 2 2004

Education and Qualifications of Kenneth L. Kincaid
SECRETARY'S BUREAU

PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

My name is Kenneth L. Kincaid. My business mailing address is Decision Analysis Corporation of Virginia, 8009 Snowpine Way, Suite 100, McLean, Virginia 22102.

DOCUMENT

WHAT IS YOUR OCCUPATION?

I am an energy consultant in the field of energy modeling, forecasting and economic analysis, and I perform these services as President and Chief Executive Officer of Decision Analysis Corporation of Virginia, an energy and environmental analysis consulting firm.

PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

I was awarded a Bachelor of Science Degree in Engineering by Rensselaer Polytechnic Institute (RPI) in 1967, and a Master of Science in Business Management in 1968, also from RPI. Subsequently, I served as Project Manager at Computer Sciences Corporation where I performed management consulting services until the summer of 1972. From July 1972 through June 1974, I served in several capacities performing industry economic analysis for the Cost of Living Council of the Federal Government during the period of wage and price controls. Following the oil embargo of 1973 -1974, I joined the Federal Energy Administration in the capacity of Director, Office of Energy Demand Policy and Special Projects, and was later promoted to Director, Office of Conservation and Resource Development Policy.

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1 During this period, I testified in several natural gas import cases before the Federal
2 Energy Regulatory Commission as to the economic benefits to the nation of limiting liquefied
3 natural gas imports. I also appeared before several committees of the U.S. Senate and the U.S.
4 House of Representatives on issues such as the availability of winter fuels, the domestic supply
5 and price of natural gas and horizontal oil company divestiture. I headed the Interagency Natural
6 Gas Emergency Task Force, the Synthetic Natural Gas Task Force and the Interagency Liquefied
7 Natural Gas Task Force for FEA. When the Department of Energy (DOE) was formed in 1977, I
8 joined the Energy Information Administration of DOE, and ultimately became the Deputy
9 Assistant Administrator for Energy Applied Analysis (Modeling and Forecasting). In this
10 capacity, I managed over 200 professional economists, energy analysts and computer scientists
11 in the conduct of energy modeling and forecasting services to produce the *Short Term Energy*
12 *Outlook, the Annual Energy Outlook* and the *International Energy Outlook*, the major energy
13 forecasting publications of the Federal Government.

14
15 In August 1980 I left the Federal Government and founded Decision Analysis
16 Corporation of Virginia (DAC). DAC performs energy and environmental modeling, forecasting
17 and analysis services for utilities, industry associations, utility commissions, private firms and
18 several agencies of the Federal Government, including DOD, Commerce and Energy. Since
19 1980, DAC has performed over 600 projects involving analysis of energy issues, and I have
20 served as Project Manager for most of these projects.

21
22 Since 1994 and to the present, DAC has assisted DOE in the development of the National
23 Energy Modeling System. Since the mid-1980's and to the present, DAC has also provided
24 energy analysis and expert witness services to DOD on utility rate cases and cases involving the
25 restructuring of the natural gas or electric utility industry for competition. I, myself, have

1 testified on cost of capital, revenue requirements, deregulation/industry restructuring policy
2 and/or rate design issues before the Georgia Public Service Commission (natural gas and
3 electricity), the New York State Public Service Commission (electricity), the Federal Energy
4 Regulatory Commission (natural gas), the Kentucky Public Service Commission (electricity), the
5 Public Utility Commission of Texas (electricity), the North Carolina Utilities Commission
6 (natural gas), the New Jersey Office of Administrative Law (electricity) and the Public Service
7 Commission of Maryland (gas and electricity), as listed in Exhibit KLK-2. This is the first time
8 that I have testified before the Pennsylvania Public Utility Commission.

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Recent Testimony and Regulatory Submissions of Kenneth L. Kincl

Regulatory Commission	Date	On Behalf Of	Submission Type	Docket No.	Utility	Issues	Topics Covered
Georgia Public Service Commission	October 18, 1996	US Dept. of Defense/FEA	Direct Testimony	6691-U	United Cities Gas Company	Natural gas rate increase	Revenue requirements, ROE
Federal Energy Regulatory Commission	December 13, 1996	US Dept. of Defense/FEA	Direct Testimony	RP96-190-00	Colorado Interstate Gas Co.	Interstate gas transportation rates	Cost allocation, rate design
New York Public Service Commission	January 7, 1987	US Dept. of Defense/FEA	Direct Testimony	96-E-0134	Niagara Mohawk Power Co.	Electric rate increase	Revenue requirements
Georgia Public Service Commission	October 23, 1997	US Dept. of Defense/FEA	Direct Testimony	8044-U	GPSC NOPR	Implementation of gas retail dereg.	Comments on marketers' certification
Georgia Public Service Commission	October 23, 1997	US Dept. of Defense/FEA	Direct Testimony	8053-U	GPSC NOPR	Implementation of gas retail dereg.	Comments on random assignment of customers
Georgia Public Service Commission	January 23, 1998	US Dept. of Defense/FEA	Formal Comments	8346-U	GPSC NOPR	Implementation of gas retail dereg.	Formal recommendations on unbundling methods
Maryland Public Service Commission	February 12, 1998	US Dept. of Defense/FEA	Direct Testimony	8780	Baltimore Gas & Electric Co.	Gas base rate increase	ROE, rate design
Georgia Public Service Commission	March 31, 1998	US Dept. of Defense/FEA	Direct Testimony	8390-U	Atlanta Gas Light Co.	Unbundling, Restructuring	ROE, rate design, performance rates
Georgia Public Service Commission	October 1, 1998	US Dept. of Defense/FEA	Direct Testimony	9355-U	Georgia Power Company	Base rate increase, earnings sharing	ROE, earnings sharing mechanism
Kentucky Public Service Commission	March 18, 1999	US Army	Direct Testimony	98-474	Kentucky Utilities	Electric performance based rates	Performance based rates, earnings sharing mechanism
Kentucky Public Service Commission	March 18, 1999	US Army	Direct Testimony	98-426	Louisville Gas & Electric Co.	Electric performance based rates	Performance based rates, earnings sharing mechanism
Maryland Public Service Commission	December 18, 1998	US Dept. of Defense/FEA	Direct Testimony	8784	Baltimore Gas & Electric Co.	Electric restructuring	Stranded costs, cost unbundling, rate design
Maryland Public Service Commission	February 3, 1999	US Dept. of Defense/FEA	Direct Testimony	8804	Baltimore Gas & Electric Co.	Base rates	ROE, rate design
Texas Public Utility Commission	September 15, 2000	US Army	Affidavit	23040	TXU Electric Company	Wholesale electric purchaser status	Information in support of petition for Fort Hood
Texas Public Utility Commission	February 2, 2001	US Army	Direct Testimony	22350	TXU Electric Company	Unbundling, Restructuring	Rate design
Georgia Public Service Commission	October 12, 2001	US Dept. of Defense/FEA	Direct Testimony	14000-U	Georgia Power Company	Base rate increase, earnings sharing	ROE, earnings sharing mechanism
North Carolina Utilities Commission	August 23, 2002	US Dept. of Defense/FEA	Direct Testimony	G21 Sub 431	North Carolina Natural Gas Corp.	Base rate rebalancing and increase	Rate design
New Jersey Office of Administrative Law	December 20, 2002	US Dept. of Defense/FEA	Direct Testimony	ER02080506-7 PUC7983,4-02	Jersey Central Power & Light Co.	Base rate increase, surcharges	ROE, ROI, rate design
Kansas State Corporation Commission	July 10, 2003	US Dept. of Defense/FEA	Direct Testimony	03-KGSG-602-RTS	Kansas Gas Division, ONEOK, Inc.	NG base rate increase, rate design	ROE, rate design
North Carolina Utilities Commission	August 12, 2003	US Dept. of Defense/FEA	Direct Testimony	G21 Sub 442	North Carolina Natural Gas Corp.	NG base rate increase, rate design, terms and conditions.	ROE, revenue requirements, rate design, terms and conditions for sales and transportation service
Kentucky Public Service Commission	March 19, 2004	US Dept. of Defense/FEA	Direct Testimony	2003-00433	Louisville Gas & Electric Company	NG and electric base rate increases	ROE, cost allocation, rate design, terms and conditions

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Carlisle Barracks Billings from PPL
PPL Rate Schedule LP-5

Cost Item/Month	Apr '04	Mar '04	Feb '04	Jan '04	Dec '03	Nov '03	Oct '03	Sep '03	Aug '03	Jul '03	Jun '03	May '04	Total
Electricity Consumed (kWh)	2,053,000	2,251,000	2,178,000	2,234,000	2,175,000	1,792,000	1,854,000	2,355,000	2,380,000	2,259,000	2,090,000	2,049,000	25,870,000
Demand (kW)	3,694	3,849	4,013	3,868	3,872	3,564	3,750	4,890	4,730	4,575	4,100	4,497	49,200
kWh Used													
Billing kW	3,694	3,849	4,013	3,868	3,872	3,564	3,750	4,890	4,730	4,575	4,100	4,497	49,200
First 200 kWh per kilowatt of the Billing kW	738,800	769,800	802,800	773,200	734,400	712,800	750,000	978,000	948,000	915,000	820,000	899,400	9,840,000
Next 200 kWh per kilowatt of the Billing kW	738,800	769,800	802,800	773,200	734,400	712,800	750,000	978,000	948,000	915,000	820,000	899,400	9,840,000
Additional kWh	577,400	711,400	570,800	687,600	708,200	368,400	354,000	399,000	488,000	429,000	450,000	250,200	5,990,000
Distribution Charges													
Distribution Charge (cents/kWh)	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90
Distribution Charge (\$)	1,068	1,112	1,160	1,117	1,081	1,030	1,084	1,413	1,387	1,322	1,185	1,300	14,219
Transmission Charges													
Transmission Charge (cents/kWh)	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304
Transmission Charge (\$)	6,247	8,643	6,815	6,791	6,612	5,448	5,638	7,159	7,235	6,867	6,354	6,229	78,037
Competitive Transition Charge													
Competitive Transition Charge (cents/kWh)	28.00	26.00	26.00	27.03	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00
Charge (\$)	960	1,001	1,043	1,045	1,028	998	1,050	1,369	1,324	1,281	1,148	1,189	13,418
Competitive Transition Charge (cents/kWh)	0.249	0.249	0.249	0.258	0.268	0.268	0.268	0.268	0.268	0.268	0.268	0.249	0.249
Charge (\$)	1,840	1,917	1,998	2,001	1,968	1,910	2,010	2,621	2,535	2,452	2,198	2,240	25,690
Competitive Transition Charge (cents/kWh)	0.213	0.213	0.213	0.221	0.229	0.229	0.229	0.229	0.229	0.229	0.229	0.229	0.213
Charge (\$)	1,574	1,640	1,710	1,711	1,682	1,632	1,718	2,240	2,166	2,095	1,878	1,916	21,960
Competitive Transition Charge (cents/kWh)	0.185	0.185	0.185	0.182	0.199	0.199	0.199	0.199	0.199	0.199	0.199	0.185	0.185
Charge (\$)	1,068	1,316	1,058	1,322	1,405	729	794	971	854	896	463	463	11,578
Total Comp Trans Charge	5,442	5,873	5,807	6,079	6,083	5,270	5,482	7,024	6,997	6,682	6,119	5,787	72,646
Intangible Transition Charge													
Intangible Transition Charge (\$/kW)	0.911	0.911	0.911	0.893	0.876	0.876	0.876	0.876	0.876	0.876	0.876	0.911	0.911
Charge (\$)	3,365	3,506	3,656	3,452	3,217	3,122	3,285	4,284	4,143	4,008	3,592	4,097	43,727
Intangible Transition Charge (cents/kWh)	0.861	0.861	0.861	0.850	0.839	0.839	0.839	0.839	0.839	0.839	0.839	0.861	0.861
Charge (\$)	6,361	6,628	6,910	6,569	6,182	5,980	6,293	8,205	7,937	7,677	6,880	7,744	83,348
Intangible Transition Charge (cents/kWh)	0.734	0.734	0.734	0.725	0.718	0.718	0.718	0.718	0.718	0.718	0.718	0.734	0.734
Charge (\$)	5,423	5,650	5,891	5,603	5,258	5,104	5,370	7,062	6,773	6,551	5,871	6,802	71,100
Intangible Transition Charge (cents/kWh)	0.639	0.639	0.639	0.631	0.623	0.623	0.623	0.623	0.623	0.623	0.623	0.639	0.639
Charge (\$)	3,690	4,546	3,647	4,337	4,400	2,283	2,205	2,486	3,040	2,873	2,804	1,599	37,708
Total Intangible Transition Charge	18,839	20,331	20,105	19,962	19,036	16,489	17,153	21,977	21,894	20,909	19,146	20,041	235,881
Generation Charge													
Capacity and Energy (\$/kW)	4.431	4.431	4.431	4.405	4.381	4.381	4.381	4.381	4.381	4.381	4.381	4.431	4.431
Charge (\$)	16,398	17,055	17,782	17,030	16,087	15,814	16,429	21,423	20,722	20,043	17,962	19,926	218,441
Capacity and Energy (cents/kWh)	3.909	3.909	3.909	3.861	3.855	3.855	3.855	3.855	3.855	3.855	3.855	3.909	3.909
Charge (\$)	28,880	30,091	31,374	30,009	28,311	27,478	28,913	37,702	36,468	35,273	31,611	35,158	381,268
Capacity and Energy (cents/kWh)	3.288	3.288	3.288	3.265	3.243	3.243	3.243	3.243	3.243	3.243	3.243	3.288	3.288
Charge (\$)	24,292	25,311	26,389	25,243	23,817	23,116	24,323	31,717	30,679	29,673	26,593	29,572	320,724
Capacity and Energy (cents/kWh)	2.823	2.823	2.823	2.802	2.783	2.783	2.783	2.783	2.783	2.783	2.783	2.823	2.823
Charge (\$)	18,300	20,083	18,114	19,269	19,854	10,197	9,852	11,104	13,581	11,939	12,524	7,063	167,879
Total Generation Charges	85,840	92,540	91,656	91,552	87,888	78,405	79,518	101,946	101,450	98,929	88,689	91,719	1,086,112
Surcharges													
PA Tax Adjustment Surcharge (%)	1.16	1.16	1.16	1.21	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.16	1.16
Surcharge (\$)	1,382	1,470	1,454	1,521	1,520	1,318	1,372	1,758	1,751	1,672	1,531	1,451	18,180
Total Electric Billings (\$)	118,797	128,169	128,799	127,021	122,182	105,960	110,242	141,277	140,694	134,381	123,024	126,527	1,505,074
Average cents per kWh	5.78	5.89	5.83	5.69	5.62	5.91	5.95	6.00	5.91	5.95	5.89	6.18	5.86
Load Factor (Average to Peak Day)													59.9%

DOCUMENT
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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DOCUMENT
AUG 18 2004

Tobychanna Army Depot Billings from PPL
PPL Rate Schedule LP-5

Cost Item/Month	Apr '04	Mar '04	Feb '04	Jan '04	Dec '03	Nov '03	Oct '03	Sep '03	Aug '03	Jul '03	Jun '03	May '04	Total
Electricity Consumed (KWh)	5,078,000	5,338,000	4,988,000	4,887,000	4,848,000	4,356,000	4,242,000	4,680,000	4,484,000	4,417,000	4,368,000	4,878,000	56,346,000
Demand (kW)	10,161	10,355	10,588	10,446	9,883	9,528	9,500	10,809	10,538	10,108	9,435	10,355	121,883
KWh Used													
Billing kW	10,161	10,355	10,588	10,446	9,883	9,528	9,500	10,809	10,538	10,108	9,435	10,355	121,883
First 200 kWh per kilowatt of the Billing kW	2,032,200	2,071,000	2,117,600	2,089,200	1,972,800	1,905,200	1,900,000	2,161,800	2,107,200	2,021,800	1,887,600	2,071,000	24,336,800
Next 200 kWh per kilowatt of the Billing kW	2,032,200	2,071,000	2,117,600	2,089,200	1,972,800	1,905,200	1,900,000	2,161,800	2,107,200	2,021,800	1,887,600	2,071,000	24,336,800
Additional kWh	1,011,600	1,196,000	750,800	688,600	902,600	548,800	442,000	368,400	289,000	373,400	592,000	634,000	7,672,800
Distribution Charges													
Distribution Charge (cents/kWh)	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90	28.90
Distribution Charge (\$)	2,957	2,993	3,080	3,019	2,850	2,783	2,746	3,124	3,045	2,922	2,727	2,983	35,158
KWh Billing Credit (\$)	-90	-90	-84	-87	-76	-72	-59	-84	-84	-66	-62	-62	-803
KWh Billing Credit (\$)	-281	-300	-267	-258	-258	-218	-195	-246	-215	-198	-202	-249	-2,860
Total Distribution Charge (\$)	2,586	2,612	2,709	2,674	2,519	2,488	2,482	2,784	2,746	2,659	2,463	2,662	31,372
Transmission Charges													
Transmission Charge (cents/kWh)	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304
Transmission Charge (\$)	15,431	16,228	15,157	14,796	14,738	13,242	12,898	14,258	13,631	13,428	13,273	14,215	171,282
Competitive Transition Charge													
Competitive Transition Charge (cents/kWh)	28.00	28.00	28.00	28.97	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00
Charge (\$)	2,842	2,892	2,753	2,817	2,762	2,667	2,660	3,027	2,950	2,831	2,642	2,692	33,134
Competitive Transition Charge (cents/kWh)	0.249	0.249	0.249	0.249	0.259	0.259	0.259	0.259	0.259	0.259	0.259	0.259	0.249
Charge (\$)	5,090	5,157	5,273	5,394	5,287	5,106	5,082	5,704	5,647	5,418	5,057	5,157	63,442
Competitive Transition Charge (cents/kWh)	0.213	0.213	0.213	0.221	0.229	0.229	0.229	0.229	0.229	0.229	0.229	0.229	0.213
Charge (\$)	4,329	4,411	4,610	4,612	4,517	4,363	4,351	4,825	4,825	4,630	4,321	4,411	54,232
Competitive Transition Charge (cents/kWh)	0.185	0.185	0.185	0.192	0.199	0.199	0.199	0.199	0.199	0.199	0.199	0.199	0.185
Charge (\$)	1,871	1,918	1,989	1,921	1,797	1,698	1,698	1,918	1,918	1,871	1,797	1,918	23,730
KWh Billing Credit (\$)	-321	-321	-321	-353	-313	-287	-286	-381	-346	-275	-258	-327	-3,623
KWh Billing Credit (\$)	-1,046	-1,200	-1,089	-1,047	-1,048	-884	-798	-1,007	-882	-803	-826	-998	-11,805
Total Comp Trans Charge (\$)	12,535	12,952	12,522	12,744	13,091	12,041	11,898	13,102	12,730	12,543	12,114	11,925	150,109
Intangible Transition Charge													
Intangible Transition Charge (cents/kWh)	0.911	0.911	0.911	0.894	0.876	0.876	0.876	0.876	0.876	0.876	0.876	0.876	0.911
Charge (\$)	9,257	9,433	9,548	9,350	8,940	8,345	8,322	9,469	9,230	8,955	8,295	9,433	108,234
Intangible Transition Charge (cents/kWh)	0.861	0.861	0.861	0.850	0.839	0.839	0.839	0.839	0.839	0.839	0.839	0.839	0.861
Charge (\$)	17,487	17,831	18,233	17,788	16,950	16,885	16,841	18,138	17,870	18,883	18,832	17,831	208,245
Intangible Transition Charge (cents/kWh)	0.734	0.734	0.734	0.725	0.718	0.718	0.718	0.718	0.718	0.718	0.718	0.718	0.734
Charge (\$)	14,918	15,201	15,043	15,153	14,124	13,841	13,804	15,478	15,065	14,478	13,511	15,201	178,037
Intangible Transition Charge (cents/kWh)	0.639	0.639	0.639	0.631	0.623	0.623	0.623	0.623	0.623	0.623	0.623	0.623	0.639
Charge (\$)	6,464	7,442	6,899	6,831	6,624	6,389	6,389	7,254	7,253	6,980	6,389	7,442	88,417
KWh Billing Credit (\$)	-1,567	-1,564	-1,630	-1,728	-1,535	-1,456	-1,400	-1,915	-1,706	-1,250	-1,283	-1,562	-18,706
KWh Billing Credit (\$)	-5,045	-5,788	-5,157	-5,104	-5,183	-4,263	-3,935	-4,961	-4,343	-3,957	-4,070	-4,908	-58,684
Total Intangible Transition Charge (\$)	41,522	42,756	41,432	39,775	38,240	35,581	35,286	38,491	37,827	37,313	35,962	39,479	483,444
Generation Charge													
Capacity and Energy (\$/kW)	4.431	4.431	4.431	4.407	4.381	4.381	4.381	4.381	4.381	4.381	4.381	4.381	4.431
Charge (\$)	45,023	45,883	46,915	46,033	43,210	41,733	41,620	47,264	46,159	44,288	41,335	45,883	535,438
Capacity and Energy (cents/kWh)	3.909	3.909	3.909	3.883	3.855	3.855	3.855	3.855	3.855	3.855	3.855	3.855	3.909
Charge (\$)	79,435	80,955	82,777	81,121	76,044	73,446	73,245	83,337	81,233	77,840	72,744	80,955	943,238
Capacity and Energy (cents/kWh)	3.288	3.288	3.288	3.288	3.243	3.243	3.243	3.243	3.243	3.243	3.243	3.243	3.288
Charge (\$)	66,819	68,084	69,627	68,236	63,871	61,788	61,817	70,107	68,336	65,507	61,196	68,084	783,452
Capacity and Energy (cents/kWh)	2.823	2.823	2.823	2.804	2.783	2.783	2.783	2.783	2.783	2.783	2.783	2.783	2.823
Charge (\$)	28,557	33,763	21,195	19,206	25,125	15,184	12,301	10,197	7,503	10,362	16,475	15,075	215,073
KWh Billing Credit (\$)	-6,087	-6,057	-6,310	-6,504	-6,620	-6,230	-6,127	-7,010	-6,248	-4,944	-4,825	-6,184	-70,004
KWh Billing Credit (\$)	-19,788	-22,702	-20,227	-19,491	-19,063	-18,098	-14,552	-18,348	-16,081	-14,834	-15,032	-18,857	-214,861
Total Generation Charges (\$)	193,883	199,937	193,877	188,744	183,036	170,721	169,104	185,036	180,924	178,909	172,072	184,987	2,202,332
Surcharges													
PA Tax Adjustment Surcharge (%)	1.16	1.16	1.16	1.21	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.16	1.16
Surcharge (\$)	3,088	3,184	3,063	3,126	3,177	2,949	2,819	3,204	3,120	3,081	2,972	2,838	36,841
Total Electric Billings (\$)	289,153	277,889	268,881	261,857	255,311	236,980	234,584	257,478	250,778	247,834	238,857	258,206	3,085,389
Average cents per kWh	5.30	5.20	5.39	5.38	5.27	5.44	5.63	5.49	5.59	5.81	5.47	5.48	5.42
Load Factor (Average to Peak Day)													56.5%
Total EDI Credits	34,178	30,012	36,076	34,530	33,104	28,704	28,262	33,970	29,884	28,228	26,858	33,074	379,478
Associated PA Tax Adjustment Surcharge	396	441	407	417	417	382	332	428	377	330	354	423	4,823
Total EDI Credits with Related Tax Surcharge	34,574	30,453	36,483	34,947	33,521	29,086	28,594	34,398	30,261	28,558	27,212	33,497	384,301
EDI Credits % of Billings	12.8%	13.8%	13.6%	13.3%	13.1%	12.3%	11.4%	13.4%	12.1%	10.7%	11.2%	13.1%	12.6%
EDI Credit Related to Distribution Service Only	1,387	1,520	1,403	1,400	1,381	1,180	1,084	1,387	1,229	1,079	1,084	1,323	15,429
Associated PA Tax Adjustment Surcharge	18	18	16	17	17	15	14	15	14	14	14	15	189
Total EDI Credits for Distribution With Tax Effect	1,383	1,538	1,419	1,417	1,378	1,195	1,098	1,415	1,245	1,093	1,098	1,338	16,618
EDI Credits for Distribution as % of Billings	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%	0.5%

US Navy at Mechanicsburg Billings from PPL
PPL Rate Schedule LP-6

<u>Cost Item/Month</u>	Apr '04	Mar '04	Feb '04	Jan '04	Dec '03	Nov '03	Oct '03	Sep '03	Aug '03	Jul '03	Jun '03	May '04	Total
Electricity Consumed (kWh)	5,295,000	5,757,000	5,840,000	5,845,000	5,295,000	5,780,000	5,033,000	5,753,000	5,691,000	5,723,000	5,533,000	5,248,000	66,773,000
Demand (kW)	10,822	11,189	11,864	11,750	10,822	10,827	10,174	11,428	12,010	11,794	11,686	11,382	135,326
kWh Used													
Billing kW	10,822	11,189	11,864	11,750	10,822	10,827	10,174	11,428	12,010	11,794	11,686	11,382	135,326
First 400 kWh per kilowatt of the Billing kW	4,328,800	4,475,600	4,665,600	4,700,000	4,328,800	4,250,800	4,089,600	4,570,400	4,804,000	4,717,600	4,674,400	4,544,800	54,130,400
Next 200 kWh per kilowatt of the Billing kW	966,200	1,281,400	1,174,400	1,145,000	966,200	1,509,200	963,400	1,182,600	887,000	1,005,400	858,600	703,200	12,642,600
Additional kWh	0	0	0	0	0	0	0	0	0	0	0	0	0
Distribution Charges													
Distribution Charge (cents/kWh)	30.50	30.50	30.50	30.50	30.50	30.50	30.50	30.50	30.50	30.50	30.50	30.50	
Distribution Charge (\$)	3,301	3,413	3,558	3,584	3,301	3,241	3,103	3,485	3,663	3,597	3,584	3,465	41,274
Transmission Charges													
Transmission Charge (cents/kWh)	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	0.304	
Transmission Charge (\$)	16,097	17,501	17,754	17,788	16,097	17,510	15,300	17,489	17,301	17,398	16,820	15,954	202,990
Competitive Transition Charge													
Competitive Transition Charge (cents/kWh)	3.30	3.30	3.30	3.30	7.70	7.70	7.70	7.70	7.70	7.70	7.70	3.30	
Charge (\$)	357	389	385	388	833	818	783	880	925	908	900	375	7,921
Competitive Transition Charge (cents/kWh)	0.025	0.025	0.025	0.025	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.025	
Charge (\$)	1,082	1,119	1,168	1,175	2,597	2,550	2,442	2,742	2,882	2,831	2,805	1,136	24,528
Competitive Transition Charge (cents/kWh)	0.015	0.015	0.015	0.015	0.038	0.038	0.038	0.038	0.038	0.038	0.038	0.015	
Charge (\$)	145	192	176	172	348	543	347	426	319	382	308	105	3,445
Competitive Transition Charge (cents/kWh)	0.012	0.012	0.012	0.012	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.012	
Charge (\$)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Comp Trans Charge	1,584	1,660	1,727	1,735	3,778	3,912	3,572	4,048	4,128	4,101	4,014	1,617	35,894
Intangible Transition Charge													
Intangible Transition Charge (\$/kW)	1.348	1.348	1.348	1.348	1.353	1.353	1.353	1.353	1.353	1.353	1.353	1.348	
Charge (\$)	14,566	15,080	15,700	15,818	14,842	14,378	13,785	15,459	16,250	15,957	15,811	15,283	182,699
Intangible Transition Charge (cents/kWh)	1.104	1.104	1.104	1.104	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.104	
Charge (\$)	47,790	49,411	51,508	51,888	47,817	48,759	44,786	50,274	52,844	51,894	51,418	50,175	598,343
Intangible Transition Charge (cents/kWh)	0.687	0.687	0.687	0.687	0.685	0.685	0.685	0.685	0.685	0.685	0.685	0.687	
Charge (\$)	6,938	8,603	8,068	7,866	6,818	10,338	8,599	8,101	6,076	6,887	5,881	4,831	66,707
Intangible Transition Charge (cents/kWh)	0.555	0.555	0.555	0.555	0.553	0.553	0.553	0.553	0.553	0.553	0.553	0.555	
Charge (\$)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Intangible Transition Charge	68,964	73,274	75,276	75,570	68,677	71,475	65,130	73,835	75,169	74,738	73,111	70,299	885,749
Generation Charge													
Capacity and Energy (\$/kW)	4.305	4.305	4.305	4.305	4.255	4.255	4.255	4.255	4.255	4.255	4.255	4.305	
Charge (\$)	46,589	48,169	50,214	50,584	46,048	45,218	43,290	48,818	51,103	50,183	49,724	48,913	578,651
Capacity and Energy (cents/kWh)	3.588	3.588	3.588	3.588	3.558	3.558	3.558	3.558	3.558	3.558	3.558	3.588	
Charge (\$)	155,317	160,565	167,402	168,636	154,019	151,243	144,796	162,615	170,928	167,852	168,315	163,067	1,932,774
Capacity and Energy (cents/kWh)	2.119	2.119	2.119	2.119	2.100	2.100	2.100	2.100	2.100	2.100	2.100	2.119	
Charge (\$)	20,474	27,153	24,898	24,293	20,290	31,693	20,231	24,835	18,827	21,113	18,031	14,901	286,496
Capacity and Energy (cents/kWh)	1.653	1.653	1.653	1.653	1.638	1.638	1.638	1.638	1.638	1.638	1.638	1.653	
Charge (\$)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Generation Charges	222,380	235,908	242,501	243,482	220,357	228,155	208,318	236,067	240,658	239,149	234,070	228,882	2,777,821
Surcharges													
PA Tax Adjustment Surcharge (%)	1.16	1.16	1.16	1.16	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.16	
Surcharge (\$)	3,623	3,649	3,953	3,969	3,636	4,086	3,722	4,220	4,296	4,271	4,178	3,691	47,795
Total Electric Billings (\$)*	315,979	335,823	344,789	346,108	316,346	328,380	299,148	339,144	345,211	343,254	335,757	321,908	3,971,624
Average cents per kWh	5.97	5.83	5.90	5.92	5.97	5.70	5.94	5.90	6.07	6.00	6.07	6.13	5.95
Load Factor (Average to Peak Day)													63.5%

* These billings do not include charges for DSM projects, which are shown separately on the monthly invoices.

**Summary of Tests Results to Determine the Appropriate Regulatory Return on Common Equity
For PPL Electric Utilities Corporation**

<u>DCF Test Result</u>		
Range of DCF Test Results	9.30% to 10.26%	
Average DCF Test Result	9.78%	Exhibit KLK-5
<u>Historical Industry Equity Risk Premium Analysis</u>		
Equity Risk Premium for the Electric Utility Industry	5.23%	Exhibit KLK-9
Yield on 20-Year Treasury Bonds	5.21%	Exhibit KLK-7
ROE	10.44%	
<u>CAPM</u>		
Historical CAPM Estimated ROE	11.78%	Exhibit KLK-10
Projected CAPM Estimated ROE	12.12%	Exhibit KLK-10
Average CAPM Test Result	11.95%	
Average of CAPM, Risk Premium and DCF Test Results	10.72%	
Reasonable Range*	10.25% to 11.0%	
KLK RECOMMENDED ROE	10.75%	

* Based on test results and applying judgment of K. Kincel

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**ROE Based on Discounted Cash Flow Model
For Comparable Electric Utilities**

<u>Firm Name</u>	<u>Average Adjusted Closing Price March 19, 2004 through June 18, 2004 (\$)</u>	<u>Latest 12 Months Dividend (\$)</u>	<u>Historic Yield</u>
CH Energy Group*	46.01	2.1600	4.69%
Central Vermont Public Service Corporation	20.20	0.9000	4.46%
Consolidated Edison	40.56	2.2500	5.55%
Duquesne Light Holdings, Inc.	18.81	1.0000	5.32%
Energy East Corp.	23.77	1.0200	4.29%
Green Mountain Power Corporation	25.27	0.8200	3.24%
Northeast Utilities	18.39	0.6125	3.33%
NSTAR	47.85	2.1900	4.58%
Pepee Holdings, Inc.	18.81	1.0000	5.32%
Average of Comparable Companies			4.53%
Average of Comparable Companies Without CH Energy Group*			4.51%
KLK Low Growth Rate Estimate for Comparable Companies Without CH Energy Group from Exhibit KLK-6			4.58%
Expected Dividend Yield Next 12 Months Over Average Price at Growth Rate for Comparable Companies Without CH Energy Group**			4.72%
Lower Bound Estimate of DCF ROE for Comparable Companies Without CH Energy Group			9.30%
KLK High Growth Rate Estimate for Comparable Companies Without CH Energy Group from Exhibit KLK-6			5.50%
Expected Dividend Yield Next 12 Months Over Average Price at Growth Rate for Comparable Companies Without CH Energy Group**			4.76%
Upper Bound Estimate of DCF ROE for Comparable Companies Without CH Energy Group			10.26%

Source: Dividend values from Value Line Investment Survey, dated June 4, 2004; updated by Yahoo Finance for most recent dividend.
Source: For Average Closing Prices, Yahoo Finance, Historical Quotes Database, adjusted for dividends by K. L. Kinzel.

* CH Energy Group would have a DCF ROE less than the public utility cost of debt, and therefore it has been eliminated from this group for the DCF test.
** Expected Dividend = historic dividend yield plus historic dividend yield times growth estimate.

Other Important Data for Estimating DCF ROE

<u>End CY03 Book Value \$ per Share</u>	<u>Ratio Price to Book</u>	<u>First Call 5-Yr. Earnings Forecast</u>	<u>Zacks 3-5 Yr. Earnings Forecast</u>
30.80	1.49	NA	NA
17.89	1.13	NA	NA
28.44	1.43	2.00%	2.80%
7.63	2.47	4.00%	5.00%
17.59	1.35	4.00%	4.50%
19.85	1.27	NA	NA
17.73	1.04	4.50%	4.00%
25.67	1.86	5.00%	4.30%
17.48	1.08	3.50%	3.20%
20.34	1.46	3.83%	3.97%
19.04	1.45	3.83%	3.97%

Sources:
Book Value per Share from Value Line Investment Survey, June 4, 2004
First Call 5-Yr. Earnings Forecast from First Call Earnings Evaluation Report, June 21, 2004
Zacks 3-5 Yr. Earnings Forecast from www.Fidelity.com, Research:Earnings, June 24, 2004

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Historic and Projected Growth in Dividends, Earnings and Book Value For Comparable Electric Utility Companies

Firm Name	Past 10 Years Growth Rates			Past 5 Years Growth Rates			Projected '01-'03 to '07-'09		
	Earnings	Dividends	Book Value	Earnings	Dividends	Book Value	Earnings	Dividends	Book Value
CH Energy Group	-0.5%	1.0%	2.5%	-2.0%	0.0%	2.0%	0.5%	0.0%	1.0%
Central Vermont Public Service Corporation	-2.5%	-4.5%	1.5%	6.0%	0.5%	1.0%	7.5%	3.5%	4.0%
Consolidated Edison	2.0%	1.5%	3.0%	0.5%	1.0%	2.0%	-1.5%	1.0%	2.5%
Duquesne Light Holdings, Inc.	-7.0%	2.5%	-6.5%	-18.5%	-0.5%	-16.5%	11.0%	-4.0%	5.0%
Energy East Corp.	3.5%	-1.0%	4.0%	4.0%	6.0%	4.5%	1.0%	4.0%	3.0%
Green Mountain Power Corporation	-2.0%	-11.0%	-1.0%	14.5%	-16.5%	-2.5%	3.5%	12.5%	3.5%
Northeast Utilities	-4.5%	-11.5%	0.5%	0.0%	-1.0%	0.5%	10.0%	8.5%	4.5%
NSTAR	5.0%	2.5%	3.0%	4.5%	2.5%	2.5%	3.0%	2.5%	4.0%
Pepco Holdings, Inc.	-	-	-	-	-	-	3.5%	16.0%	1.5%
Mean of Comparable Companies Average Mean Earnings, Dividends, Book Value Growth	-0.8%	-2.6%	0.9%	1.1%	-1.0%	-0.8%	4.3%	4.9%	3.2%
Median of Comparable Companies Average Median Earnings, Dividends, Book Value Growth	-1.3%	0.0%	2.0%	2.3%	0.3%	1.5%	3.5%	3.5%	3.5%
Mean of Comparable Companies Without CH Energy* Average Mean Earnings, Dividends, Book Value Growth Without CH Energy*	-0.8%	-3.1%	0.6%	1.6%	-1.1%	-1.2%	4.8%	5.5%	3.5%
Median of Comparable Companies Without CH Energy* Average Median Earnings, Dividends, Book Value Growth Without CH Energy*	-2.0%	-1.0%	1.5%	4.0%	0.5%	1.0%	3.5%	3.8%	3.8%

KLK Growth Rate for Comparable Companies Without CH Energy Group

Low Estimate - Projected Average Mean Earnings, Dividends and Book Value Growth
High Estimate - Average Mean Projected Dividend Growth

4.58%
5.50%

Source for values used in computing growth rates: Value Line Investment Survey, Annual Rates of Growth box within individual utility evaluation sheets, June 4, 2004

* CH Energy Group would have a DCF ROE less than the public utility cost of debt, and therefore it has been eliminated from this group for the DCF test.

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Exhibit KLK-7
PPL Electric Utilities Corporation
PPUC Docket No. R-00049255
Testimony of K. L. Kincel for DOD/FEA
June 28, 2004

Yields on 20-Year Treasury Bonds

Week Ending	Yield
11-Jun-04	5.52
4-Jun-04	5.47
28-May-04	5.41
21-May-04	5.49
14-May-04	5.56
7-May-04	5.39
30-Apr-04	5.28
23-Apr-04	5.24
16-Apr-04	5.18
9-Apr-04	5.03
2-Apr-04	4.82
26-Mar-04	4.65
19-Mar-04	4.65
Average	5.21

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Source: Federal Reserve Statistical Release

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Annual Long Term Risk Premium Analysis
For Electric Utility Common Stocks
Using Government Bond Total Returns

Year	Long Term Government Bond Total Return*	Electric Utility Common Stock Data					Equity Premium
		Year End Stock Price	Capital Gain/Loss	Year End Dividend	Yield	Total Return	
1931		43.23					
1932	0.1654	39.43	-0.0881	2.32	0.0514	-0.0399	-0.2052
1933	-0.0007	28.73	-0.2712	1.75	0.0444	-0.2268	-0.2261
1934	0.1003	21.06	-0.2870	1.42	0.0494	-0.2178	-0.3178
1935	0.0498	36.06	0.7123	1.33	0.0832	0.7784	0.7256
1936	0.0752	41.60	0.1536	1.78	0.0404	0.2030	0.1278
1937	0.0023	24.24	-0.4173	1.68	0.0404	-0.3789	-0.3792
1938	0.0353	27.55	0.1308	1.45	0.0588	0.1064	0.1411
1939	0.0394	28.15	0.0472	1.51	0.0548	0.1020	0.0426
1940	0.0509	22.22	-0.2298	1.57	0.0544	-0.1754	-0.2363
1941	0.0093	13.45	-0.3947	1.27	0.0572	-0.3375	-0.3468
1942	0.0322	14.29	0.0625	1.28	0.0862	0.1576	0.1254
1943	0.0208	21.01	0.4703	1.46	0.1022	0.5724	0.5516
1944	0.0281	21.09	0.0098	1.35	0.0543	0.0581	0.0400
1945	0.1073	31.14	0.4785	1.37	0.0850	0.5415	0.4342
1946	-0.0010	32.71	0.0504	1.48	0.0475	0.0679	0.0989
1947	-0.0262	25.60	-0.2174	1.58	0.0483	-0.1891	-0.1429
1948	0.0340	26.20	0.0234	1.63	0.0537	0.0871	0.0331
1949	0.0645	30.57	0.1888	1.68	0.0541	0.2009	0.1864
1950	0.0006	30.81	0.0079	1.85	0.0525	0.0884	0.0579
1951	-0.0393	33.33	0.0687	1.90	0.0617	0.1803	0.1996
1952	0.0116	37.85	0.1182	1.92	0.0581	0.1749	0.1633
1953	0.0364	39.61	0.0485	2.09	0.0582	0.1017	0.0653
1954	0.0719	47.56	0.2007	2.14	0.0540	0.2547	0.1828
1955	-0.0129	49.35	0.0378	2.27	0.0477	0.0854	0.0983
1956	-0.0359	48.56	-0.0079	2.37	0.0480	0.0401	0.0260
1957	0.0746	50.30	0.0774	2.46	0.0502	0.0778	0.0630
1958	-0.0609	66.37	0.3195	2.57	0.0511	0.3708	0.4315
1959	-0.0226	65.77	-0.0090	2.64	0.0388	0.0307	0.0333
1960	0.1378	76.82	0.1880	2.74	0.0417	0.2097	0.0719
1961	0.0097	99.22	0.2929	2.86	0.0372	0.3301	0.3284
1962	0.0689	96.49	-0.0285	3.07	0.0309	0.0024	-0.0663
1963	0.0121	103.31	0.0803	3.33	0.0345	0.0948	0.0827
1964	0.0351	115.54	0.1283	3.68	0.0360	0.1653	0.1302
1965	0.0071	114.86	-0.0050	4.02	0.0348	0.0290	0.0219
1966	0.0365	105.99	-0.0772	4.18	0.0384	-0.0408	-0.0773
1967	-0.0918	98.19	-0.0738	4.44	0.0419	-0.0317	0.0601
1968	-0.0026	104.04	0.0598	4.58	0.0468	0.1082	0.1088
1969	-0.0507	84.62	-0.1867	4.63	0.0445	-0.1422	-0.0915
1970	0.1211	88.59	0.0489	4.73	0.0550	0.1028	-0.0183
1971	0.1323	85.56	-0.0342	4.81	0.0543	0.0201	-0.1122
1972	0.0569	83.61	-0.0228	4.92	0.0575	0.0347	-0.0222
1973	-0.0111	60.87	-0.2720	5.04	0.0503	-0.2117	-0.2006
1974	0.0433	41.17	-0.3238	4.83	0.0793	-0.2443	-0.2878
1975	0.0920	55.66	0.3520	4.99	0.1212	0.4732	0.3812
1976	0.1675	66.29	0.1810	5.25	0.0943	0.2853	0.1178
1977	-0.0069	68.19	0.0287	5.68	0.0857	0.1143	0.1212
1978	-0.0118	59.75	-0.1238	5.98	0.0877	-0.0361	-0.0743
1979	-0.0123	56.41	-0.0559	6.34	0.1081	0.0502	0.0425
1980	-0.0395	54.42	-0.0393	6.67	0.1182	0.0630	0.1223
1981	0.0186	57.26	0.0511	7.16	0.1318	0.1827	0.1641
1982	0.4036	70.26	0.2283	7.64	0.1338	0.3818	-0.0417
1983	0.0063	72.80	0.0252	8.00	0.1130	0.1381	0.1326
1984	0.1548	80.16	0.1129	8.37	0.1182	0.2281	0.0743
1985	0.2097	94.98	0.1849	8.71	0.1087	0.2935	-0.0162
1986	0.2453	113.66	0.1887	8.97	0.0844	0.2911	0.0458
1987	-0.0221	94.24	-0.1708	9.12	0.0802	-0.0808	-0.0635
1988	0.0087	100.84	0.0711	8.71	0.0924	0.1636	0.0664
1989	0.1811	122.52	0.2136	8.85	0.0877	0.3015	0.1284
1990	0.0818	117.77	-0.0388	8.76	0.0715	0.0327	-0.0291
1991	0.1830	144.02	0.2229	9.02	0.0786	0.2995	0.1063
1992	0.0805	141.08	-0.0208	8.82	0.0912	0.0407	-0.0398
1993	0.1824	148.70	0.0400	9.04	0.0641	0.1041	-0.0783
1994	-0.0777	115.50	-0.2127	9.01	0.0614	-0.1513	-0.0736
1995	0.3187	142.50	0.2372	9.08	0.0764	0.3157	-0.0010
1996	-0.0083	138.00	-0.0483	9.08	0.0834	0.0151	0.0244
1997	0.1585	155.73	0.1451	9.08	0.0868	0.2117	0.0332
1998	0.1308	181.84	0.1877	8.01	0.0514	0.2191	0.0885
1999	-0.0688	137.30	-0.2449	8.08	0.0443	-0.2008	-0.1110
2000	0.2148	227.09	0.8540	8.71	0.0834	0.7174	0.5026
2001	0.0370	200.50	-0.1171	8.85	0.0384	-0.0777	-0.1147
2002	0.1784	189.20	-0.1848	8.83	0.0440	-0.1108	-0.3890

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Mean '73-'02	0.0888
Mean '88-'02	0.0788
Mean '93-'02	0.0888

0.1287	0.0271
0.1191	0.0397
0.1082	0.0456

* Ibbotson Associates utilizes Treasury bonds with 20 years to maturity.
Sources: For Bond Data: Ibbotson Associates, Stocks, Bonds, Bills, and Inflation, Yearbook Edition 2004 Yearbook, Table B6
For Electric Utility Common Stock Company Data: Merger Public Utility Manual, 2003, pages #15, #16.

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Exhibit KLK-9
PPL Electric Utilities Corporation
PPUC Docket No. R-00049255
Testimony of K. L. Kinzel for DOD/FEA
June 28, 2004

PA PUBLIC UTILITY COMMISSION
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Financial Performance Analysis
For Electric Utility Common Stocks
Using Government Bond Income Returns

Year	Long Term Government Bond Income Return*	Electric Utility Common Stock Data					Equity Risk Premium
		Year End Stock Price	Capital Gain/Loss	Year End Dividend	Yield	Total Return	
1931		43.23					
1932	0.3169	39.42	-0.0861	2.22	0.0514	-0.0388	-0.0737
1933	0.0312	28.73	-0.2712	1.75	0.0444	-0.2289	-0.2390
1934	0.0318	21.04	-0.2870	1.42	0.0404	-0.2175	-0.2493
1935	0.0281	16.04	0.7123	1.33	0.0832	0.7754	0.7473
1936	0.0277	41.60	0.1330	1.79	0.0404	0.2020	0.1753
1937	0.0264	24.24	-0.4173	1.63	0.0404	-0.3780	-0.4035
1938	0.0264	27.55	0.1369	1.45	0.0538	0.1984	0.1700
1939	0.0240	28.85	0.0472	1.51	0.0548	0.1020	0.0780
1940	0.0223	22.22	-0.2298	1.57	0.0544	-0.1754	-0.1977
1941	0.0194	13.45	-0.3847	1.27	0.0572	-0.3375	-0.3369
1942	0.0246	14.29	0.0825	1.28	0.0952	0.1578	0.1330
1943	0.0244	21.81	0.4703	1.46	0.1022	0.5724	0.5430
1944	0.0246	31.09	0.0038	1.35	0.0643	0.0881	0.0435
1945	0.0234	31.14	0.4785	1.37	0.0650	0.5415	0.5181
1946	0.0204	32.71	0.0604	1.48	0.0475	0.0079	0.0775
1947	0.0213	25.60	-0.2174	1.38	0.0483	-0.1881	-0.1904
1948	0.0240	24.20	0.0234	1.83	0.0837	0.0471	0.0431
1949	0.0225	30.57	0.1888	1.68	0.0641	0.2308	0.2084
1950	0.0212	30.81	0.0079	1.45	0.0805	0.0884	0.0472
1951	0.0233	33.85	0.0867	1.90	0.0617	0.1603	0.1365
1952	0.0266	37.85	0.1182	1.92	0.0587	0.1749	0.1483
1953	0.0284	39.41	0.0485	2.09	0.0552	0.1017	0.0733
1954	0.0279	47.56	0.3007	2.14	0.0540	0.2547	0.2268
1955	0.0275	49.33	0.0378	2.17	0.0477	0.0854	0.0579
1956	0.0299	48.96	-0.0078	2.17	0.0490	0.0401	0.0182
1957	0.0344	50.30	0.0274	2.46	0.0502	0.0778	0.0432
1958	0.0327	46.37	0.3185	2.57	0.0511	0.5708	0.5379
1959	0.0401	65.77	-0.0060	2.64	0.0308	0.0507	-0.0094
1960	0.0426	76.82	0.1680	2.74	0.0417	0.2087	0.1671
1961	0.0383	99.32	0.2928	2.86	0.0372	0.3301	0.2918
1962	0.0400	96.49	-0.0285	3.07	0.0308	0.0024	-0.0376
1963	0.0389	102.31	0.0803	3.33	0.0345	0.0848	0.0539
1964	0.0415	115.54	0.1293	3.68	0.0380	0.1850	0.1238
1965	0.0419	114.86	-0.0058	4.02	0.0348	0.0258	-0.0159
1966	0.0449	193.99	-0.0772	4.44	0.0364	-0.0408	-0.0157
1967	0.0459	98.19	-0.0738	4.44	0.0418	-0.0317	-0.0776
1968	0.0396	184.04	0.0586	4.58	0.0468	0.1006	0.0512
1969	0.0395	84.62	-0.1887	4.63	0.0445	-0.1422	-0.2017
1970	0.0674	88.39	0.0469	4.73	0.0559	0.1028	0.0334
1971	0.0632	85.86	-0.0342	4.81	0.0543	0.0201	-0.0431
1972	0.0387	83.81	-0.0228	4.92	0.0575	0.0347	-0.0240
1973	0.0651	60.87	-0.2720	5.04	0.0603	-0.2117	-0.2708
1974	0.0727	41.17	-0.3238	4.83	0.0780	-0.2443	-0.3170
1975	0.0799	55.66	0.3020	4.99	0.1212	0.4752	0.5913
1976	0.0789	65.29	0.1810	5.23	0.0943	0.2853	0.3084
1977	0.0714	68.19	0.0287	5.68	0.0857	0.1143	0.0420
1978	0.0790	39.25	-0.1258	5.98	0.0877	-0.0381	-0.1161
1979	0.0836	56.41	-0.0559	6.14	0.1081	0.0502	-0.0344
1980	0.0977	54.42	-0.0283	6.47	0.1182	0.0830	-0.0167
1981	0.1133	37.20	0.0511	7.16	0.1318	0.1827	0.0672
1982	0.1330	76.26	0.2283	7.64	0.1338	0.2819	0.2269
1983	0.1034	72.01	0.0252	8.00	0.1139	0.1381	0.0333
1984	0.1174	80.16	0.1129	8.37	0.1182	0.2291	0.1117
1985	0.1123	94.98	0.1848	8.71	0.1087	0.2805	0.1810
1986	0.0898	113.64	0.1987	8.97	0.0844	0.2811	0.2011
1987	0.0792	84.24	-0.1709	9.12	0.0802	-0.0808	-0.1408
1988	0.0887	100.84	0.0711	9.71	0.0824	0.1836	0.0731
1989	0.0861	122.52	0.2158	9.85	0.0877	0.3015	0.2134
1990	0.0818	117.77	-0.0388	9.78	0.0715	0.0327	-0.0492
1991	0.0822	144.02	0.2229	9.02	0.0786	0.2985	0.2173
1992	0.0738	141.06	-0.0208	8.82	0.0812	0.0407	-0.0319
1993	0.0717	148.70	0.0460	8.04	0.0841	0.1041	0.0324
1994	0.0858	119.50	-0.2127	8.01	0.0814	-0.1513	-0.2172
1995	0.0780	142.80	0.2572	8.08	0.0784	0.3157	0.2397
1996	0.0810	136.00	-0.0483	8.08	0.0834	0.0157	-0.0467
1997	0.0864	155.73	0.1451	8.08	0.0868	0.2117	0.1431
1998	0.0583	181.84	0.1877	8.01	0.0514	0.2181	0.1408
1999	0.0857	157.30	-0.2449	8.08	0.0443	-0.2008	-0.2343
2000	0.0950	227.00	0.8540	8.71	0.0834	0.7174	0.6524
2001	0.0553	200.50	-0.1171	8.85	0.0384	-0.0777	-0.1330
2002	0.0550	189.50	-0.1548	8.83	0.0440	-0.1108	-0.1463
Mean '78-'92	0.0812					0.1287	0.0443
Mean '93-'97	0.0874					0.1161	0.0507
Mean '98-'02	0.0838					0.1042	0.0553

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* Ibbotson Associates utilizes Treasury bonds with 20 years to maturity.

Sources: For Bond Data: Ibbotson Associates, Stocks, Bonds, Bills, and Inflation, Valuation Edition 2004 Yearbook, Table B7, For Electric Utility Common Stock Company Data: Mergent Public Utility Manual, 2003, pages #15, #16.

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Exhibit KLK-10
Louisville Gas & Electric Company
Docket No. 2003-00433
Testimony of K. L. Kincel for DOD
June 28, 2004

**CAPM Estimate of ROE
For Comparable Electric Utilities
of Louisville Gas & Electric Company**

CAPM Analysis Based on Historical Returns

<u>Firm Name</u>	<u>Market Risk Premium*</u>	<u>Value Line Beta**</u>	<u>Company Risk Premium</u>	<u>Yield on 20-Yr. Treasury Bonds</u>	<u>Company ROE Before Adjustment</u>	<u>Size Premium**</u>	<u>ROE</u>
CH Energy Group	7.19%	0.80	5.75%	5.21%	10.96%	1.70%	12.66%
Central Vermont Public Service Corporation	7.19%	0.50	3.60%	5.21%	8.81%	4.01%	12.82%
Consolidated Edison	7.19%	0.60	4.31%	5.21%	9.52%	0.00%	9.52%
Duquesne Light Holdings, Inc.	7.19%	0.70	5.03%	5.21%	10.24%	0.91%	11.15%
Energy East Corp.	7.19%	0.80	5.75%	5.21%	10.96%	0.91%	11.87%
Green Mountain Power Corporation	7.19%	0.65	4.67%	5.21%	9.88%	4.01%	13.89%
Northeast Utilities	7.19%	0.70	5.03%	5.21%	10.24%	0.91%	11.15%
NSTAR	7.19%	0.70	5.03%	5.21%	10.24%	0.91%	11.15%
Pepco Holdings, Inc.	7.19%	NMF	NMF	5.21%	NMF	0.91%	NMF
Average of Comparable Companies	7.19%	0.68	4.90%	5.21%	10.11%	1.59%	11.78%

* Ibbotson Associates, Valuation Yearbook, 2004, p.66, Long-Horizon Equity Risk Premium from 1926-2003, S&P 500 basis.

** Ibbotson Associates, Valuation Yearbook, 2004, Last Page, using mikro, low and mid-cap breakdown of size premia, and using market cap provided by Value Line Investment Survey for each utility.

*** Value Line Investment Survey, Individual utility evaluation sheets, June 4, 2004.

CAPM Analysis Based on Projected Market Returns

First Call*	7.82%	0.68	5.33%	5.21%	10.54%	1.59%	12.12%
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* Market risk premium of First Call of 7.82% is calculated as its projected earnings growth of 11.4% for the market, plus current dividends of 1.63% (S&P June Monthly Report, p. 4 for S&P SuperComposite 1500)) minus yield on 20-year bond of 5.21%.

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DOD/FEA Proposed Allocation of PPL's 2004 Total Distribution Revenue Requirements Increase By Customer Class
\$(Thousands)

(1) Rate Class	(2) Rate Base \$	(3) RR at Present Rates \$	(4) Class Return at Present Rates			(5) RR at PPL's Proposed Rates \$	(6) PPL's % Increase in RR at Proposed Rates			(7) Class Return at PPL's Proposed Rates			(8) Gross-Up Factor	(9) DOD/FEA Proposed UROR at PPL's Proposed RR	(10) DOD/FEA Proposed Return		(11) DOD/FEA RR Increase Allocation \$	(12) DOD/FEA Class RR Percent Increase %	(13) Rate Class
			\$	%	UROR		\$	%	\$	%	UROR	\$			%				
RS	1,216,771	293,920	19,428	1.60%	0.41	374,863	80,963	27.5%	64,422	5.29%	0.60		0.80	86,123	7.08%	120,077	40.9%	RS	
RTS	41,367	3,513	-1,636	-3.95%	-1.01	4,081	568	16.2%	-1,329	-3.21%	-0.37		0.80	2,928	7.08%	8,217	233.9%	RTS	
GS-1	179,297	61,460	16,646	9.28%	2.38	83,476	22,016	35.8%	28,986	16.17%	1.84		1.50	23,669	13.20%	12,644	20.6%	GS-1	
GS-3	250,040	84,182	26,247	10.50%	2.69	127,283	43,101	51.2%	50,186	20.07%	2.28		1.50	33,008	13.20%	12,172	14.5%	GS-3	
LP-4	61,618	21,673	6,554	10.64%	2.72	32,623	10,750	49.1%	12,385	20.10%	2.28		1.50	8,134	13.20%	2,845	13.0%	LP-4	
ISP	3,796	1,757	549	14.46%	3.70	2,141	384	21.9%	763	20.10%	2.28		1.50	501	13.20%	-86	-4.9%	ISP	
LP-5	2,036	1,774	480	23.58%	6.03	1,793	19	1.1%	495	24.31%	2.76		1.50	269	13.20%	-380	-21.4%	LP-5	
IST	716	1,717	624	87.15%	22.30	1,152	-565	-32.9%	314	43.85%	4.98		1.50	95	13.20%	-953	-55.5%	IST	
LP-6	144	283	116	80.56%	20.62	185	-98	-34.6%	83	43.75%	4.97		1.50	19	13.20%	-175	-61.7%	LP-6	
LPEP	825	314	92	11.15%	2.85	404	90	28.7%	136	16.48%	1.87		1.50	109	13.20%	30	9.7%	LPEP	
ISA	284	662	306	107.75%	27.58	661	-1	-0.2%	305	107.39%	12.20		1.50	37	13.20%	-463	-73.0%	ISA	
GH	19,682	6,222	1,921	9.76%	2.50	9,193	2,971	47.7%	3,605	18.32%	2.08		1.50	2,598	13.20%	1,219	19.6%	GH	
SLUAL	66,001	17,705	677	1.03%	0.26	19,805	2,100	11.9%	1,820	2.76%	0.31		0.80	4,672	7.08%	7,192	40.6%	SLUAL	
LS-S	177	36	10	5.65%	1.45	83	47	130.6%	37	20.90%	2.38		0.80	13	7.08%	5	12.6%	LS-S	
Total*	1,842,749	495,418	72,002	3.91%	1.00	657,763	162,345	32.8%	162,174	8.80%	1.00	1.80	1.00	162,174	8.80%	162,323	32.8%	Total*	

Sources:

Columns 2 through 7 were taken from Exhibit JMK-2; values in the remaining columns are derived.

Column 9: The UROR is set at 1.50 for all classes having a ROR of greater than 1.50 at present rates; for all other classes, the revenue requirement that will produce an equal UROR for each class having a present UROR of less than 1.50 is derived.

* Slight differences occur in totals when compared to corresponding columns on Exhibit JMK-2 for slight differences due to rounding.

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Exhibit KLK-12
 PPL Electric Utilities Corporation
 PFUC Docket No. R-00049255
 Testimony of K. L. Kincel for DOD/FEA
 June 28, 2004

PP&L Proposed Allocation
 Of PPL's 2004 Transmission Revenue Requirements
 By Rate Class

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Rate Class	NITS 2003 Peak Load Zone Responsibility (5 Peak Load Days) (MW)	NITS 2004 Peak Load Zone Responsibility (5 Peak Load Days) (MW)	Average 2003 (Summer) and 2004 (winter) Peak Zone Responsibility (MW)	Allocation of PPL's 2004 Proposed Transmission Revenue Reqs. (\$ 1000)	Annualized Sales Customer Level (MWh)	Derived Transmission Billing Rate (cents/kWh)
RS & 8L****	2,563.5	3,352.3	2,957.9	90,708		
GS-1*	477.2	352.7	414.9	12,725		
Subtotal	3,040.7	3,705.0	3,372.8	103,433	15,488,269	0.668
GS-3**	1,732.3	1,288.0	1,510.2	46,311	8,816,408	0.525
LP-4	923.5	794.7	859.1	26,347	5,393,258	0.489
ISP	63.8	54.1	59.0	1,808	415,755	0.435
LP-5***	542.0	470.9	506.4	15,530	3,244,509	0.479
IST	241.1	204.6	222.9	6,634	2,103,931	0.325
LP-6	78.5	54.9	66.7	2,046	508,302	0.403
LPEP	1.4	10.8	6.1	187	64,339	0.290
ISM	19.9	36.7	28.3	867	227,439	0.381
GH	59.1	124.1	91.6	2,808	431,555	0.651
SLAL	0.1	22.2	11.2	342	111,271	0.307
Total	6,702.3	6,766.1	6,734.2	206,513	36,805,036	0.561

* Without BL
 ** Includes IS-1
 *** Includes LP-5S
 **** Includes RTS

Col. (1) Rate classes shown in PPL Response to Interrogatories of the PP&L Customer Alliance, Set II, A.2, dated May 25, 2004.
 Col. (2) Average of 5 peak load days for 2003 for allocation of peak load responsibility to rate classes for NITS. Peak was in summer. PPL Response to PP&L Customer Alliance, Set II, A.2.
 Col. (3) Average of 5 peak load days for 2004 for allocation of peak load responsibility to rate classes for NITS. Peak was in winter. PPL Response to PP&L Customer Alliance, Set II, A.2.
 Col. (4) = Col. (2) plus Col. (3) divided by 2.
 Col. (5) Total is for Total PUC Tariff Revenue from O.G. Kasper, D3, page 5A included in Exhibit Future 1. The other cells are a pro rata share of the total using Col. (4) shares.
 Col. (6) From JMK-2, page 164.
 Col. (7) = Col. (5) divided by Col. (6)

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Estimated 2004 Billings Impact of DOD/FEA Proposed Transmission and Distribution Revenue Requirements Allocations By Customer Class
 \$(Thousands)

(1) Rate Class	(2) Total Revenue at Present Rates \$	(3) Distribution Billings Increase Using DOD Class Allocation		(4) Transmission Rev. Reqts. at Present Rates \$	-5 Transmission Rev. Reqts. Using DOD Class Allocation \$	(6) Increase in Transmission Billings Using DOD Class Allocation		(7) Total Increase in Class Revenue Requirements		(8) Rate Class
		\$	%			\$	%	\$	%	
RS, RTD	1,082,018	120,077	40.9%	49,194	86,227	37,033	75.3%	157,110	14.5%	RS, RTD
RTS	23,568	8,217	233.9%	482	2,658	2,176	451.9%	10,393	44.1%	RTS
GS-1, BL	217,923	12,644	20.6%	11,956	13,602	1,646	13.8%	14,290	6.6%	GS-1, BL
GS-3, IS-1	660,289	12,172	14.5%	40,849	45,947	5,098	12.5%	17,270	2.5%	GS-3, IS-1
LP-4	350,172	2,845	13.0%	21,305	27,318	6,012	28.2%	8,857	2.5%	LP-4
ISP	20,434	-86	-4.9%	1,499	1,786	287	19.1%	201	1.0%	ISP
LP-5	175,058	-380	-21.4%	10,224	15,889	5,665	55.4%	5,285	3.0%	LP-5
IST	81,741	-953	-55.5%	7,076	6,367	-709	-10.0%	-1,662	-2.0%	IST
LP-6	28,802	-175	-61.7%	1,576	2,060	484	30.7%	309	1.1%	LP-6
LPEP	4,691	30	9.7%	39	34	-4	-10.6%	26	0.6%	LPEP
ISA	5,597	-483	-73.0%	357	545	188	52.5%	-296	-5.3%	ISA
GH	34,673	1,219	19.6%	1,928	2,681	753	39.0%	1,972	5.7%	GH
SL/AL*	23,814	7,192	40.6%	362	342	-20	-5.4%	7,172	30.1%	SL/AL*
L5-S	1,137	5	12.6%	22	34	12	55.4%	17	1.5%	L5-S
Total**	2,729,918	162,323	32.8%	146,870	205,491	58,620	39.9%	220,944	8.1%	Total

Sources:

* Contains SA, SM, SHS, SE, TS, SI1

** Small differences in totals from Company spreadsheets exist due to rounding and approximations.

Note: PRS present total revenue of \$6,433,825 at present current rates and transmission rate revenue at present rates of \$60,274 are allocated to LP-4, LP-5, LP-6, ISP and IST by pro rate share of other total revenues by rate class shown in O. G. Kasper D3 Page 5.

Col. 2: Total present revenue from O.G. Kasper, D3, Page 5 in Exhibit Future 1.

Col. 3: From Table KLK-11.

Col. 4: From column 5 of O.G. Kasper, D3, page 5 in Exhibit Future 1.

Col. 5: Derived by taking the corresponding per kWh charge from KLK-12 and dividing by the current transmission kWh charge, then multiplying times col.

Col. 6: Col. 5 minus Col. 4

Col. 7: Col. 6 plus Col. 3

Col. 8: Col. 7 divided by Col. 2

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**DOD/FEA Proposed Allocation of DOD's Total Distribution Revenue Requirements Increase By Customer Class
 Using DOD/FEA Changes in Total Distribution Revenue Requirements**
 \$ (Thousands)

(1)	(2)	(3)	(4)			(5)	(6)		(7)			(8)	(9)	(10)		(11)	(12)	(1)
Rate Class	Rate Base \$	RR at Present Rates \$	Class Return at Present Rates		UROR	RR at PPL's Proposed Rates \$	PPL's % Increase in RR at Proposed Rates		Class Return at PPL's Proposed Rates			Gross-Up Factor	DOD/FEA Proposed UROR at DOD's Calling RR	DOD/FEA Proposed Return		DOD/FEA RR Increase Allocation \$	DOD/FEA Class RR Percent Increase %	Rate Class
			\$	%		\$	\$	%	\$	%	UROR			\$	%	\$	%	
RS	1,216,771	293,920	19,428	1.60%	0.41	374,883	80,983	27.5%	64,422	5.29%	0.60		0.71	72,858	5.99%	96,204	32.7%	RS
RTS	41,367	3,513	-1,836	-3.95%	-1.01	4,081	568	16.2%	-1,329	-3.21%	-0.37		0.71	2,477	5.99%	7,406	210.8%	RTS
GS-1	179,297	61,460	16,646	9.28%	2.38	83,478	22,016	35.8%	28,988	16.17%	1.84		1.50	22,753	12.69%	10,996	17.9%	GS-1
GS-3	250,040	84,182	26,247	10.50%	2.69	127,283	43,101	51.2%	50,186	20.07%	2.28		1.50	31,730	12.69%	9,873	11.7%	GS-3
LP-4	61,618	21,873	6,554	10.84%	2.72	32,623	10,750	49.1%	12,385	20.10%	2.28		1.50	7,819	12.69%	2,278	10.4%	LP-4
ISP	3,796	1,757	549	14.46%	3.70	2,141	384	21.9%	763	20.10%	2.28		1.50	482	12.69%	-121	-6.9%	ISP
LP-5	2,036	1,774	460	23.58%	6.03	1,793	19	1.1%	495	24.31%	2.78		1.50	258	12.69%	-399	-22.5%	LP-5
IST	716	1,717	624	87.15%	22.30	1,152	-565	-32.9%	314	43.65%	4.98		1.50	91	12.69%	-960	-55.9%	IST
LP-6	144	283	116	80.56%	20.61	185	-98	-34.8%	63	43.75%	4.97		1.50	18	12.69%	-176	-62.2%	LP-6
LPEP	825	314	92	11.15%	2.85	404	90	28.7%	136	16.48%	1.87		1.50	105	12.69%	23	7.3%	LPEP
ISA	284	662	306	107.75%	27.57	681	-1	-0.2%	305	107.39%	12.20		1.50	36	12.69%	-486	-73.4%	ISA
GH	19,682	6,222	1,921	9.76%	2.50	9,193	2,971	47.7%	3,605	18.32%	2.08		1.50	2,498	12.69%	1,038	16.7%	GH
SUAL	66,001	17,705	677	1.03%	0.26	19,805	2,100	11.9%	1,820	2.76%	0.31		0.71	3,952	5.99%	5,897	33.3%	SUAL
LS-S	177	36	10	5.65%	1.45	83	47	130.6%	37	20.90%	2.38		0.71	11	5.99%	1	3.0%	LS-S
Total*	1,842,754	495,418	72,014	3.91%	1.00	657,763	162,345	32.8%	162,174	8.80%	1.00	1.80	1.00	145,085	8.46%	131,574	26.6%	Total*

Sources:

Columns 2 through 7 were taken from Exhibit JMK-2; values in the remaining columns are derived.

Column 9: The UROR is set at 1.50 for all classes having a ROR of greater than 1.50 at present rates; for all other classes, the revenue requirement that will produce an equal UROR for each class having a present UROR of less than 1.50 is derived.

* Slight differences occur in totals when compared to corresponding columns on Exhibit JMK-2 for slight differences due to rounding.

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Exhibit KLK-15
 PPL Electric Utilities Corporation
 PPUC Docket No. R-00049255
 Testimony of K. L. Kincaid for DOD/FEA
 June 28, 2004

**Estimated 2004 Billings Impact of DOD/FEA Proposed Transmission and Distribution Revenue Requirements Allocations By Customer Class
 Using DOD/FEA Changes in Total Distribution Revenue Requirements**
 \$(Thousands)

(1)	(2)	(3)		(4)	-5		(6)		(7)		(8)	(9)
Rate Class	Total Revenue at Present Rates \$	Distribution Billings Increase Using DOD Class Allocation		Transmission Rev. Reqs. at Present Rates \$	Transmission Rev. Reqs. Using DOD Class Allocation \$		Increase in Transmission Billings Using DOD Class Allocation		Total Increase in Class Revenue Requirements			Rate Class
		\$	%	\$	\$	\$	%	\$	\$	%		
RS, RTD	1,082,018	96,204	32.7%	49,194	86,227	37,033	75.3%	133,236	12.3%			RS, RTD
RTS	23,568	7,406	210.8%	482	2,658	2,176	451.9%	9,582	40.7%			RTS
GS-1, BL	217,923	10,996	17.9%	11,956	13,602	1,646	13.8%	12,642	5.8%			GS-1, BL
GS-3, IS-1	680,289	9,873	11.7%	40,849	45,947	5,098	12.5%	14,971	2.2%			GS-3, IS-1
LP-4	350,172	2,278	10.4%	21,305	27,318	6,012	28.2%	8,291	2.4%			LP-4
ISP	20,434	-121	-6.9%	1,499	1,786	287	19.1%	166	0.8%			ISP
LP-5	175,058	-399	-22.5%	10,224	15,889	5,665	55.4%	5,266	3.0%			LP-5
IST	81,741	-960	-55.9%	7,076	6,367	-709	-10.0%	-1,669	-2.0%			IST
LP-6	28,802	-176	-62.2%	1,576	2,060	484	30.7%	308	1.1%			LP-6
LPEP	4,691	23	7.3%	39	34	-4	-10.6%	19	0.4%			LPEP
ISA	5,597	-486	-73.4%	357	545	188	52.5%	-298	-5.3%			ISA
GH	34,673	1,038	16.7%	1,928	2,681	753	39.0%	1,791	5.2%			GH
SL/AL*	23,814	5,897	33.3%	362	342	-20	-5.4%	5,877	24.7%			SL/AL*
L5-S	1,137	1	3.0%	22	34	12	55.4%	13	1.1%			L5-S
Total**	2,729,918	131,574	26.6%	146,870	155,491	58,620	39.9%	190,194	7.0%			Total

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Sources:

* Contains SA, SM, SHS, SE, TS, SI1

** Small differences in totals from Company spreadsheets exist due to rounding and approximations.

Note: PRS present total revenue of \$6,433,825 at present current rates and transmission rate revenue at present rates of \$60,274 are allocated to LP-4, LP-5, LP-6, ISP and IST by pro rata share of other total revenues by rate class shown in O. G. Kasper D3 Page 5.

Col. 2: Total present revenue from O.G. Kasper, D3, Page 5 in Exhibit Future 1.

Col. 3: From Table KLK-14.

Col. 4: From column 5 of O.G. Kasper, D3, page 5 in Exhibit Future 1.

Col. 5: Derived by taking the corresponding per kWh charge from KLK-12 and dividing by the current transmission kWh charge, then multiplying times column 4.

Col. 6: Col. 5 minus Col. 4

Col. 7: Col. 6 plus Col. 3

Col. 8: Col. 7 divided by Col. 2

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission et al) Docket Nos. R-00049255
v.) and R00049255C0001-5
PPL Electric Utilities Corporation)

CERTIFICATE OF SERVICE

I hereby certify that I have caused a copy of the foregoing document to be sent this day,
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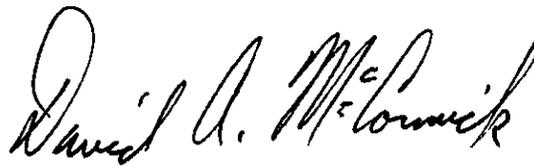
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1314 Harwood Street, S.E.
WASHINGTON NAVY YARD
WASHINGTON, DC 20374-5018

Dated this 28th day of June, 2004 at Arlington County, Virginia.



PUP Stat No. 2
8/9/04
Hlg
JW

BEFORE THE
PENNSYLVANIA PUBLIC SERVICE COMMISSION

In the Matter of:)	
)	
Pennsylvania Public Utility Commission et al.)	Docket No. R-00049255
)	
vs.)	AUG 18 2004
)	
PPL Electric Utilities Corporation)	

Exhibit KLK-16

**Worksheets to Support Direct Testimony
Of Kenneth L. Kincel**

DOCUMENT

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U.S. Army Legal Services Agency
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901 N. Stuart Street, Room 713
Office of Judge Advocate General
Arlington, VA 22203-1837

FOR

**U.S. DEPARTMENT OF DEFENSE
AND ALL FEDERAL EXECUTIVE AGENCIES**

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Dated: June 28, 2004
Filing Due: June 29, 2004

CH ENERGY GROUP NYSE-CHG				RECENT PRICE	P/E RATIO	Trailing: 15.4 Median: 19.0	RELATIVE P/E RATIO	DIV YLD	VALUE LINE	156				
TIMELINESS 4	High: 35.9	30.4	31.9	31.5	43.9	47.1	45.0	45.3	45.9	52.4	49.7	49.6	Target Price Range	2007: 2008: 2009:
SAFETY 1	Low: 28.4	22.9	25.4	28.8	29.8	38.9	30.6	26.1	38.3	39.9	40.2	43.1		
TECHNICAL 3	LEGENDS 50% = Dividend Yield Divided by P/E Ratio Relative Price Strength Options: No Shaded Area indicates position													
BETA 0.100	2007-09 PROJECTIONS Price Gain: High 50 (+10%), Low 40 (-10%) Ann'l Total Return: High 7%, Low 2%													
Insider Decisions J A S O N D J F M to Buy: 0 0 0 0 0 0 0 0 0 0 to Sell: 0 1 1 0 0 0 0 0 0 0 to Hold: 0 0 0 0 0 0 0 0 0 0														
Institutional Decisions 70000 30000 10000 to Buy: 44 40 50 to Sell: 50 56 43 Net (000): 6859 6425 6867 Percent shares traded: 6 2														
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
30.10	31.66	33.68	31.38	32.66	30.52	29.91	29.28	29.28	30.11	29.86	30.65	45.83	44.52	43.29
4.60	4.66	5.11	4.89	5.22	5.23	5.25	5.33	5.69	5.80	5.83	5.92	6.49	5.50	4.18
2.63	2.28	2.38	2.40	2.55	2.68	2.68	2.74	2.89	2.97	2.90	2.88	3.06	3.11	2.12
1.72	1.76	1.82	1.90	1.98	2.05	2.08	2.19	2.12	2.14	2.16	2.16	2.16	2.16	2.16
3.61	2.73	3.28	4.44	3.81	3.13	3.37	2.87	2.84	2.54	2.71	2.78	3.58	4.14	4.50
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
14.36	14.74	14.35	15.77	16.03	16.85	17.24	17.50	17.56	17.28	18.86	16.86	16.36	16.08	15.76
7.5	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
65	74	73	88	68	72	66	68	63	66	76	77	74	70	123
9.6%	7.9%	8.1%	7.4%	8.3%	6.3%	7.5%	7.5%	7.0%	6.3%	5.1%	5.6%	6.2%	5.1%	4.5%
CAPITAL STRUCTURE as of 8/31/04 Total Debt \$300.9 mil. Due in 5 Yrs \$48.0 mil. LT Debt \$285.9 mil. LT Interest \$11.2 mil. (LT interest earned: 7.7x)														
Pension Assets-12/03 \$316.7 mil. Oblig. \$362.4 mil. Pfd Stock \$21.0 mil. Pfd Div'd \$1.0 mil. 210,300 shs. 4.1%-4.8% cum., \$100 par, redeemable at \$101-\$107/sh.														
Common Stock 15,762,000 shs. as of 3/30/04 MARKET CAP: \$725 million (Small Cap)														
ELECTRIC OPERATING STATISTICS Change Total Sales (MM) +3.8 +4.0 +3.2 Avg. Indus. Rate (MM) 1428 985 535 Avg. Res. Rate per Month 5.84 4.85 6.60 Capacity at Peak (MW) 1048 1125 1078 Peak Load Summer (MW) 1049 1125 1078 Fuel Cost Factor 58.0 55.0 59.0 % of Gas Customers +2.5 +.7 +1.2														
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 take-over 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.														
ANNUAL RATES - Past 10 Yrs. Past 5 Yrs. Est'd '01-'03 Revenues 4.0% 9.5% 3.5% Cash Flow -5% -5.0% 2.0% Earnings 5% -2.0% 5% Dividends 1.0% NW Book Value 2.5% 2.0% 1.0%														
QUARTERLY REVENUES (\$ MIL.) Calendar Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2001 242.5 166.4 165.8 153.7 728.4 2002 197.0 152.3 168.3 176.4 695.5 2003 265.2 183.2 169.8 188.6 806.7 2004 263.0 187 200 830 2005 275 190 185 205 855														
EARNINGS PER SHARE Calendar 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														
QUARTERLY DIVIDENDS PAID Calendar 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														
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, 14%. Generating sources: 68% hydro, 4% purchased, 96% fuel costs: 62% of revs. '03 reported deprec. rate (utility): 3.2%. Has 18,600 com. stockholders. Chairman: Paul J. Gandi. President & CEO: Steven V. Lant. Inc. NY. Address: 284 South Ave., Poughkeepsie, NY 12601-4878. Tel.: 845-452-2000. Internet: www.chenergygroup.com.														
Company's Financial Strength A Stock's Price Stability C Price Growth Persistence B Earnings Productivity B														

(A) Earnings excluding gains '92, '00, '02, '03. (B) Dividends historically paid in early February, May, August, and November. (C) Dividend reinvestment plan available. (D) Includes transactions in '03: \$298 mil. \$18.9/msh. (E) Climate Average. (F) Based on common equity in '01: 12.05%. (G) Based on avg. com. eq. '03 9.0%. Reg. Return: Climate Average.

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Paul E. Debbas, CPA June 3, 2004

CENT. VERMONT P.S. NYSE-CV										RECENT PRICE	P/E RATIO 12.0 (Trailing: 12.6 Median: 11.0)					RELATIVE P/E RATIO 0.67	DIVID YLD 4.7%	VALUE LINE 157	
TIMELINESS 4	Lowered 12/19/03	High: 25.6	22.0	14.4	15.1	15.4	15.4	14.4	13.0	19.6	19.7	24.5	24.1		Target Price	Range			
SAFETY 3	Raised 9/01	Low: 20.1	12.1	13.3	12.0	10.4	9.6	9.6	9.8	11.6	15.7	16.5	18.5		2007	2008	2009		
TECHNICAL 4	Lowered 5/21/04	LEGENDS 0.95 = Dividends p/sh divided by Interest Rate Relative Price Strength 3-for-2 split 2/93 Options: No Shaded area indicates recession																	
BETA .50	(1.00 = Market)	2007-09 PROJECTIONS																	
Ann'l Total Return		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 0																		
Options	0 0 0 0 0 3 0 1 0 0																		
To Sell	2 0 0 0 0 4 0 6 1																		
Institutional Decisions		Percent shares traded																	
To Buy	20200	37	36	44															
To Sell	24	22	19																
Net Buy	4964	5016	5318																
1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	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	26.84	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	2.50	2.39	3.01	2.80	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	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	1.08
2.51	2.79	2.05	1.76	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	1.46	Cap'l Spending per sh	1.40
12.92	13.38	13.68	14.09	14.21	15.03	14.56	15.51	16.19	16.38	15.63	16.05	16.57	15.81	16.83	17.89	18.15	18.70	Book Value per sh	21.00
8.95	10.07	10.35	10.81	11.20	11.56	11.73	11.59	11.52	11.42	11.46	11.47	11.51	11.81	11.74	11.81	12.25	12.50	Common Shs Outs'g	13.00
8.4	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	Avg Ann'l P/E Ratio		11.0	
.78	.76	.82	.73	.78	.84	.81	.62	.60	.54	3.73	.54	.63	.91	.62	.83	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%	6.0%	4.4%	Avg Ann'l Div'd Yield		4.9%	
CAPITAL STRUCTURE as of 3/31/04				277.2															
Total Debt \$137.3 mill. Due in 5 Yrs \$3.0 mill.				17.3															
LT Debt \$137.2 mill. LT Interest \$11.0 mill.				38.1%															
Incl. \$10.4 mill. capitalized leases.				35.5%															
(LT interest earned: 3.7%)				94.5%															
Pension Assets-12/02 \$59.3 mill.				34.8%															
Obliq. \$91.5 mill.				3.5%															
Pfd Stock \$15.1 mill. Pfd Div'd \$1.0 mill.				38.5%															
Incl. 37,856 shs. 4.15%; 10,000 shs. 4.65%;				39.5%															
17,682 shs. 4.75%; 16,000 shs. 6.375%; 70,000				48.4%															
shs. 8.30%, all cum. and \$100 par.				37.8%															
Common Stock 12,102,061 shs. as of 4/30/04				32.0%															
(12.23 mill. fully diluted shs.)				34.0%															
MARKET CAP: \$250 million (Small Cap)				34.0%															
ELECTRIC OPERATING STATISTICS				34.0%															
2001				2002															
2003				2003															
% Change Retail Sales (MWH)				+1.9															
Avg. Index Use (MWH)				10521															
Avg. Index Retn. per MWH (\$)				8.32															
Capacity at Peak (MW)				460															
Peak Load (MW)				412															
Annual Load Factor (%)				69.5															
% Change Customers (y-end)				+1.5															
Fuel Charge Cov. (%)				225															
ANNUAL RATES				Past															
of change (per sh)				10 Yrs.															
Revenues				1.0%															
"Cash Flow"				-5%															
Earnings				-2.5%															
Dividends				-4.5%															
Book Value				1.5%															
QUARTERLY REVENUES (\$ mill)				Full Year															
2001				2002															
2002				2003															
2003				2004															
2004				2005															
EARNINGS PER SHARE \$				Full Year															
2001				2002															
2002				2003															
2003				2004															
2004				2005															
QUARTERLY DIVIDENDS PAID \$				Full Year															
2000				2001															
2001				2002															
2002				2003															
2003				2004															

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, 38.0%; industrial, 12.8%; other, 5%. 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. '09 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.cvsp.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 1, 2004

(A) Basic earnings. Excl. nonrecurring items: '94, d14c; '95, 4c; '96, 10c; '97, 07c; '00, 28c; '01, d18c; '02, net d1c; '03, 12c; '04, 31c. Incl. gains/losses from under-recovery of purchased power costs from '97-'01. Next reg. report late July. (B) Div's 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 60k. (E) Rate base: net long. cost. Rate allowed on com. eq. in '01: 11.0%; earned in '03 9.2%. Reg. Chm.: 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

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CON. EDISON NYSE-ED										RECENT PRICE	PE RATIO	Trailing: 13.9 Median: 12.0	RELATIVE P/E RATIO	DIV'D YLD	5.9%	VALUE LINE	158																																		
TIMELINESS 5 Lowered 4/30/04	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	Target Price Range	2007	2008	2009																																			
SAFETY 1 New 7/27/00	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																																							
TECHNICAL 3 Raised 4/16/04	<p>LEGENDS 0.98 = Dividends per share divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession</p>																																																		
BETA .60 (100 = Market)	<p>2007-09 PROJECTIONS</p> <table border="1"> <tr> <th>Price</th> <th>Gain</th> <th>Ann'l Total Return</th> </tr> <tr> <td>High 45</td> <td>(+15%)</td> <td>9%</td> </tr> <tr> <td>Low 40</td> <td>(+8%)</td> <td>6%</td> </tr> </table>																Price	Gain	Ann'l Total Return	High 45	(+15%)	9%	Low 40	(+8%)	6%																										
Price	Gain	Ann'l Total Return																																																	
High 45	(+15%)	9%																																																	
Low 40	(+8%)	6%																																																	
<p>Insider Decisions</p> <table border="1"> <tr> <th>J</th><th>A</th><th>S</th><th>O</th><th>N</th><th>D</th><th>J</th><th>F</th><th>M</th> </tr> <tr> <td>To Buy</td><td>1</td><td>0</td><td>1</td><td>2</td><td>0</td><td>1</td><td>1</td><td>0</td> </tr> <tr> <td>Options</td><td>0</td><td>1</td><td>1</td><td>0</td><td>0</td><td>0</td><td>0</td><td>1</td> </tr> <tr> <td>To Sell</td><td>0</td><td>1</td><td>1</td><td>0</td><td>0</td><td>0</td><td>3</td><td>0</td> </tr> </table>																J	A	S	O	N	D	J	F	M	To Buy	1	0	1	2	0	1	1	0	Options	0	1	1	0	0	0	0	1	To Sell	0	1	1	0	0	0	3	0
J	A	S	O	N	D	J	F	M																																											
To Buy	1	0	1	2	0	1	1	0																																											
Options	0	1	1	0	0	0	0	1																																											
To Sell	0	1	1	0	0	0	3	0																																											
<p>Institutional Decisions</p> <table border="1"> <tr> <th>202003</th><th>202003</th><th>4Q2003</th> </tr> <tr> <td>To Buy</td><td>185</td><td>164</td><td>160</td> </tr> <tr> <td>To Sell</td><td>130</td><td>147</td><td>148</td> </tr> <tr> <td>Net Buy</td><td>55</td><td>17</td><td>12</td> </tr> </table>																202003	202003	4Q2003	To Buy	185	164	160	To Sell	130	147	148	Net Buy	55	17	12																					
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To Buy	185	164	160																																																
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Net Buy	55	17	12																																																
<p>Percent shares traded</p> <table border="1"> <tr> <td>6</td> <td>4</td> <td>4</td> <td>2</td> </tr> </table>																6	4	4	2																																
6	4	4	2																																																
<p>% TOT. RETURN 4/04 THE STOCK % ANNUAL INDEX</p> <table border="1"> <tr> <td>1 yr.</td> <td>12.0</td> <td>43.4</td> </tr> <tr> <td>3 yr.</td> <td>29.6</td> <td>28.1</td> </tr> <tr> <td>5 yr.</td> <td>17.4</td> <td>67.4</td> </tr> </table>																1 yr.	12.0	43.4	3 yr.	29.6	28.1	5 yr.	17.4	67.4																											
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1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	VALUE LINE P/B, INC.	07-09																																
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	43.61	41.60	41.85	Revenues per sh	42.55																																
3.82	3.82	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	"Cash Flow" per sh	5.70																																
2.47	2.49	2.94	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	Earnings per sh	2.60																																
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	Div'd Decl'd per sh	2.34																																
2.52	2.68	3.05	3.39	3.40	3.37	3.22	2.95	2.87	2.78	2.68	3.17	4.52	5.20	5.68	5.72	4.85	6.00	Cap'l Spending per sh	4.35																																
18.44	19.21	18.73	20.18	20.89	21.63	22.62	23.51	24.37	26.18	25.68	25.31	25.81	26.71	27.68	28.44	29.95	30.45	Book Value per sh	22.05																																
227.99	228.15	228.23	228.33	233.93	234.37	234.91	234.96	234.99	236.49	232.83	213.81	212.03	212.15	213.93	225.84	242.20	244.60	Common Shs Outst'g	251.80																																
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	14.3	14.3	Avg Ann'l P/E Ratio	18.0																																
7.5	7.6	7.7	7.9	7.2	7.7	6.1	6.6	6.3	6.3	6.0	6.0	7.8	6.1	7.3	8.3	8.3	8.3	Relative P/E Ratio	1.00																																
7.2%	6.8%	7.5%	7.6%	6.5%	5.6%	7.2%	7.1%	7.0%	6.5%	4.6%	4.9%	6.6%	5.7%	5.3%	5.5%	5.5%	5.5%	Avg Ann'l Div'd Yield	5.6%																																
<p>CAPITAL STRUCTURE as of 12/31/03</p> <table border="1"> <tr> <td>Total Debt \$7058 mil.</td> <td>Dye in 5 Yrs \$1687 mil.</td> <td>LT Debt \$6733 mil.</td> <td>LT Interest \$401.0 mil.</td> </tr> <tr> <td colspan="4">(LT interest earned: 3.1x)</td> </tr> <tr> <td colspan="4">Pension Assets-12/03 \$6.7 bil. Oblig. \$6.7 bil.</td> </tr> </table>																Total Debt \$7058 mil.	Dye in 5 Yrs \$1687 mil.	LT Debt \$6733 mil.	LT Interest \$401.0 mil.	(LT interest earned: 3.1x)				Pension Assets-12/03 \$6.7 bil. Oblig. \$6.7 bil.																											
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Pension Assets-12/03 \$6.7 bil. Oblig. \$6.7 bil.																																																			
<p>Pfd Stock \$212.6 mil. Pfd Div'd \$12.5 mil.</p> <p>1,815,318 shs. \$6 cum. no par, call \$105 a sh.; 376,626 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.</p>																																																			
<p>Common Stock 225,840,220 shs.</p> <p>MARKET CAP: \$8.9 billion (Large Cap)</p>																																																			
<p>ELECTRIC OPERATING STATISTICS</p> <table border="1"> <tr> <th></th> <th>2001</th> <th>2002</th> <th>2003</th> </tr> <tr> <td>% Change Retail Sales (MWh)</td> <td>+2.9</td> <td>+2.3</td> <td>+3.4</td> </tr> <tr> <td>Avg Indust. Use (MWh)</td> <td>NA</td> <td>NA</td> <td>NA</td> </tr> <tr> <td>Avg Indust. Ret. per kWh (¢)</td> <td>NA</td> <td>NA</td> <td>NA</td> </tr> <tr> <td>Capacity at Peak (MW)</td> <td>629</td> <td>629</td> <td>630</td> </tr> <tr> <td>Peak Load Summer (MW)</td> <td>1207</td> <td>1208</td> <td>1187</td> </tr> <tr> <td>Annual Load Factor (%)</td> <td>NMF</td> <td>NMF</td> <td>NMF</td> </tr> <tr> <td>% Change Customers (y-end)</td> <td>+7</td> <td>+5</td> <td>+6</td> </tr> </table>																	2001	2002	2003	% Change Retail Sales (MWh)	+2.9	+2.3	+3.4	Avg Indust. Use (MWh)	NA	NA	NA	Avg Indust. Ret. per kWh (¢)	NA	NA	NA	Capacity at Peak (MW)	629	629	630	Peak Load Summer (MW)	1207	1208	1187	Annual Load Factor (%)	NMF	NMF	NMF	% Change Customers (y-end)	+7	+5	+6				
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<p>ANNUAL RATES Past Past Est'd '01-'03 of change (per sh) 10 Yrs 5 Yrs to '07-'09</p> <table border="1"> <tr> <td>Revenues</td> <td>5.0%</td> <td>7.5%</td> <td>N/A</td> </tr> <tr> <td>"Cash Flow"</td> <td>3.0%</td> <td>1.0%</td> <td>1.0%</td> </tr> <tr> <td>Earnings</td> <td>2.0%</td> <td>5%</td> <td>-1.5%</td> </tr> <tr> <td>Dividends</td> <td>1.6%</td> <td>1.0%</td> <td>1.0%</td> </tr> <tr> <td>Book Value</td> <td>3.0%</td> <td>2.0%</td> <td>2.5%</td> </tr> </table>																Revenues	5.0%	7.5%	N/A	"Cash Flow"	3.0%	1.0%	1.0%	Earnings	2.0%	5%	-1.5%	Dividends	1.6%	1.0%	1.0%	Book Value	3.0%	2.0%	2.5%																
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<p>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 exp. 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: 6 years. In '03, purch. almost all energy R sold on firm contracts with nonutility generators. Has 14,000 emp'ts, 93,760 common shareholders. Chmn., CEO & Pres.: Eugene R. McGrath Inc.: N.Y. Add.: 4 Irving Place, New York, N.Y. 10003. Tel.: 212-460-3900; Internet: www.coned.com.</p>																																																			
<p>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 counter-sued 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.</p>																																																			
<p>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++.</p>																																																			
<p>Arthur H. Medalie June 1, 2004</p>																																																			

DUQUESNE LIGHT NYSE-DQE		RECENT PRICE	19.34	P/E RATIO	17.6	(Trading: 18.4 Median: 11.0)	RELATIVE P/E RATIO	0.98	DIV YLD	5.2%	VALUE LINE	162																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
TIMELINESS	3 Lowered 5/2/03	High: 24.7	23.0	30.8	31.5	36.2	44.1	44.3	53.0	33.7	22.3	18.4	20.5	Target Price Range	2007	2008	2009																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
SAFETY	4 Lowered 6/7/02	Low: 20.9	18.4	19.6	26.8	26.5	31.6	33.6	30.8	16.5	10.9	11.9	17.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
TECHNICAL	3 Lowered 6/4/03	<p>LEGENDS</p> <p>1.17 x Dividends p sh divided by Interest Rate</p> <p>Relative Price Strength</p> <p>3-for-2 split 5/95</p> <p>Options: Yes</p> <p>Shaded area indicates recession</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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<td>1.13</td> <td>1.22</td> <td>1.30</td> <td>1.38</td> <td>1.46</td> <td>1.54</td> <td>1.62</td> <td>1.68</td> <td>1.34</td> <td>1.00</td> <td>1.00</td> <td>1.00</td> <td>1.00</td> <td>Div'd Decl'd per sh^C</td> </tr> <tr> <td>1.08</td> <td>1.06</td> <td>1.96</td> <td>1.61</td> <td>1.48</td> <td>1.27</td> <td>1.54</td> <td>1.21</td> <td>1.91</td> <td>1.58</td> <td>2.48</td> <td>2.05</td> <td>4.47</td> <td>2.90</td> <td>1.18</td> <td>1.03</td> <td>1.05</td> <td>1.05</td> <td>1.05</td> <td>Cap'l Spending per sh</td> </tr> <tr> <td>12.34</td> <td>12.84</td> <td>13.38</td> <td>14.00</td> <td>14.75</td> <td>15.48</td> <td>16.27</td> <td>17.13</td> <td>18.01</td> <td>19.30</td> <td>19.18</td> <td>18.78</td> <td>14.02</td> <td>9.09</td> <td>6.09</td> <td>7.63</td> <td>7.90</td> <td>8.30</td> <td>8.30</td> <td>Book Value per sh^D</td> </tr> <tr> <td>86.75</td> <td>89.01</td> <td>80.64</td> <td>78.36</td> <td>78.45</td> <td>78.52</td> <td>78.46</td> <td>77.58</td> <td>77.27</td> <td>77.68</td> <td>77.97</td> <td>71.77</td> <td>65.88</td> <td>58.91</td> <td>74.35</td> <td>77.50</td> <td>76.42</td> <td>76.50</td> <td>77.50</td> <td>Common Shs Outstanding^E</td> </tr> <tr> <td>8.2</td> <td>10.2</td> <td>8.9</td> <td>10.7</td> <td>11.3</td> <td>12.8</td> <td>10.2</td> <td>11.0</td> <td>12.3</td> <td>12.6</td> <td>14.4</td> <td>14.9</td> <td>30.5</td> <td>77.1</td> <td>13.7</td> <td>14.8</td> <td>14.8</td> <td>14.8</td> <td>14.8</td> <td>Avg Ann'l P/E Ratio</td> </tr> <tr> <td>.68</td> <td>.77</td> <td>.74</td> <td>.68</td> <td>.69</td> <td>.76</td> <td>.67</td> <td>.74</td> <td>.77</td> <td>.73</td> <td>.75</td> <td>.85</td> <td>1.98</td> <td>3.96</td> <td>.75</td> <td>.85</td> <td>.85</td> <td>.85</td> <td>.85</td> <td>Relative P/E Ratio</td> </tr> <tr> <td>8.0%</td> <td>8.3%</td> <td>8.2%</td> <td>5.4%</td> <td>5.1%</td> <td>4.7%</td> <td>5.6%</td> <td>5.0%</td> <td>4.5%</td> <td>4.6%</td> <td>4.0%</td> <td>3.9%</td> <td>4.1%</td> <td>7.0%</td> <td>7.9%</td> <td>6.6%</td> 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<td>1660</td> <td>1660</td> <td>1660</td> <td>Long-Term Debt Ratio</td> </tr> <tr> <td>3139.5</td> <td>3060.2</td> <td>2817.5</td> <td>2662.3</td> <td>2716.8</td> <td>1828.1</td> <td>1707.1</td> <td>1688.3</td> <td>1425.5</td> <td>1437.3</td> <td>1490</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>Common Equity Ratio</td> </tr> <tr> <td>7.7%</td> <td>8.1%</td> <td>7.7%</td> <td>7.8%</td> <td>8.0%</td> <td>7.9%</td> <td>5.9%</td> <td>9.7%</td> <td>8.5%</td> <td>6.8%</td> <td>7.5%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>Return on Total Cap'l</td> </tr> <tr> <td>11.9%</td> <td>12.6%</td> <td>11.1%</td> <td>10.8%</td> <td>11.3%</td> <td>12.4%</td> <td>8.1%</td> <td>4.5%</td> <td>11.6%</td> <td>12.1%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> 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Use (MWh)</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Avg Indus. Pwr. per (MWh)</td> <td>N/A</td> <td>4.96</td> <td>4.10</td> </tr> <tr> <td>Capacity at Peak (MW)</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Peak Load, Summer (MW)</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Annual Load Factor (%)</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>% Change Customers (per cent)</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> </table> </td> </tr> <tr> <td colspan="2">ANNUAL RATES</td> <td colspan="16"> <table border="1"> <tr> <th>Past 10 Yrs.</th> <th>Past 5 Yrs.</th> <th>Est'd '01-'03</th> </tr> <tr> <td>Revenues</td> <td>1.0%</td> <td>5%</td> <td>-3.5%</td> </tr> <tr> <td>"Cash Flow"</td> <td>6%</td> <td>-4.0%</td> <td>-7.0%</td> </tr> <tr> <td>Earnings</td> <td>-7.0%</td> <td>-18.5%</td> <td>11.0%</td> </tr> <tr> <td>Dividends</td> <td>2.5%</td> <td>-5%</td> <td>-4.0%</td> </tr> <tr> <td>Book Value</td> <td>-6.5%</td> <td>-18.5%</td> <td>5.0%</td> </tr> </table> </td> </tr> <tr> <td colspan="2">QUARTERLY REVENUES (\$ MIL)^A</td> <td colspan="16"> <table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2001</td> <td>320.5</td> <td>313.4</td> <td>351.5</td> <td>310.7</td> <td>1296.1</td> </tr> <tr> <td>2002</td> <td>265.9</td> <td>249.4</td> <td>273.9</td> <td>230.2</td> <td>1019.4</td> </tr> <tr> <td>2003</td> <td>220.3</td> <td>215.8</td> <td>246.0</td> <td>220.7</td> <td>902.8</td> </tr> <tr> <td>2004</td> <td>217.1</td> <td>218</td> <td>247</td> <td>219.9</td> <td>900</td> </tr> <tr> <td>2005</td> <td>235</td> <td>230</td> <td>265</td> <td>225</td> <td>965</td> </tr> </table> </td> </tr> <tr> <td colspan="2">EARNINGS PER SHARE^B</td> <td colspan="16"> <table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2001</td> <td>.22</td> <td>.10</td> <td>.25</td> <td>0.26</td> <td>.31</td> </tr> <tr> <td>2002</td> <td>.21</td> <td>.22</td> <td>.56</td> <td>.25</td> <td>0.23</td> </tr> <tr> <td>2003</td> <td>.27</td> <td>.12</td> <td>.39</td> <td>.25</td> <td>1.03</td> </tr> <tr> <td>2004</td> <td>.28</td> <td>.27</td> <td>.38</td> <td>.17</td> <td>1.10</td> </tr> <tr> <td>2005</td> <td>.32</td> <td>.31</td> <td>.41</td> <td>.21</td> <td>1.25</td> </tr> </table> </td> </tr> <tr> <td colspan="2">QUARTERLY DIVIDENDS PAID^C</td> <td colspan="16"> <table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2000</td> <td>.40</td> <td>.40</td> <td>.40</td> <td>.40</td> <td>1.60</td> </tr> <tr> <td>2001</td> <td>.42</td> <td>.42</td> <td>.42</td> <td>.42</td> <td>1.68</td> </tr> <tr> <td>2002</td> <td>.42</td> <td>.42</td> <td>.42</td> <td>.42</td> <td>1.51</td> </tr> <tr> <td>2003</td> <td>.25</td> <td>.25</td> <td>.25</td> <td>.25</td> <td>1.00</td> </tr> <tr> <td>2004</td> <td>.25</td> <td>.25</td> <td>.25</td> <td>.25</td> <td>1.00</td> </tr> </table> </td> </tr> <tr> <td colspan="2">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 Capt, DQE Comm., DQE Energy Svcs, DQE Enls, and DQE Fincl. 2003 elec. oper. revs: resid, 37.5%; commercial, 41.5%; indl, 17.8%; other, 3.2%. Sold generating assets to Orion Power Hldgs 4/00; Pro Am to Ferrelgas Ptnrs 12/02; AquaSource to Philadelphia Suburban 7/03. 2003 deprec. rate: 4.1%. Has about 1,405 employees; 50,780 stockholders. Chmn: 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.</td> <td colspan="16"> <p>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.</p> <p>David M. Reimer June 4, 2004</p> </td> </tr> <tr> <td colspan="2">(A) Beginning in Mar. '02, reflects discontinuation of competitive transition charge. (B) Diluted avg. Excl. nonrecr. items: '87, 17c; '98, \$1.06; '00, \$1.08; '01, \$3.06; '02, \$4.51; '03, \$1.26. Next avg rpt early Aug. (C) Div'ds hist. paid in early Jan., Apr., July, and Oct. = Div'd reinvest. plan avad. (D) Incl. regulatory assets. In '03, \$3.73/sh. (E) In mill. ad'd for split. (F) Rate base determ: fair val. Rate allowed on com. eq. in '89: 12.9%. Rtn on avg. com. eq.: '03, 34.1%. (G) Excl. water ops.</td> <td colspan="16"> <p>Company's Financial Strength 8</p> <p>Stock's Price Stability 75</p> <p>Price Growth Persistence 25</p> <p>Earnings Predictability 40</p> </td> </tr> <tr> <td colspan="2">© 2004, Value Line Publishing, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own informational use. No part of it may be reproduced, stored or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system.</td> <td colspan="16"> <p>To subscribe call 1-800-833-0046.</p> </td> </tr> </table>																1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	% TOT. RETURN 404	12.28	13.50	14.07	15.11	14.91	15.04	16.76	15.73	15.88	15.68	16.41	18.69	23.76	23.18	13.71	11.87	11.75	12.48	Revenues per sh ^A	3.14	3.17	3.64	3.80	4.01	3.87	4.06	4.68	5.06	5.36	5.13	5.52	7.61	6.94	3.51	2.19	2.15	2.35	"Cash Flow" per sh	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	.61	.87	.82	.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	1.00	Div'd Decl'd per sh ^C	1.08	1.06	1.96	1.61	1.48	1.27	1.54	1.21	1.91	1.58	2.48	2.05	4.47	2.90	1.18	1.03	1.05	1.05	1.05	Cap'l Spending per sh	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	8.30	Book Value per sh ^D	86.75	89.01	80.64	78.36	78.45	78.52	78.46	77.58	77.27	77.68	77.97	71.77	65.88	58.91	74.35	77.50	76.42	76.50	77.50	Common Shs Outstanding ^E	8.2	10.2	8.9	10.7	11.3	12.8	10.2	11.0	12.3	12.6	14.4	14.9	30.5	77.1	13.7	14.8	14.8	14.8	14.8	Avg Ann'l P/E Ratio	.68	.77	.74	.68	.69	.76	.67	.74	.77	.73	.75	.85	1.98	3.96	.75	.85	.85	.85	.85	Relative P/E Ratio	8.0%	8.3%	8.2%	5.4%	5.1%	4.7%	5.6%	5.0%	4.5%	4.6%	4.0%	3.9%	4.1%	7.0%	7.9%	6.6%	6.6%	6.6%	6.6%	Avg Ann'l Div'd Yield	CAPITAL STRUCTURE as of 3/31/04		<table border="1"> <tr> <th>1988</th> <th>1989</th> <th>1990</th> <th>1991</th> <th>1992</th> <th>1993</th> <th>1994</th> <th>1995</th> <th>1996</th> <th>1997</th> <th>1998</th> <th>1999</th> <th>2000</th> <th>2001</th> <th>2002</th> <th>2003</th> <th>2004</th> <th>2005</th> <th>Revenues (\$mil)^A</th> </tr> <tr> <td>1235.6</td> <td>1220.2</td> <td>1226.2</td> <td>1219.2</td> <td>1268.6</td> <td>1341.2</td> <td>1327.8</td> <td>1296.1</td> <td>1019.4</td> <td>802.8</td> <td>900</td> </tr> <tr> <td>162.8</td> <td>176.5</td> <td>179.1</td> <td>185.9</td> <td>198.7</td> <td>201.4</td> <td>965</td> </tr> <tr> <td>37.3%</td> <td>35.4%</td> <td>32.8%</td> <td>34.0%</td> <td>33.9%</td> <td>35.6%</td> <td>33.6%</td> <td>37.7%</td> <td>27.6%</td> <td>18.1%</td> <td>25.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>Net Profit (\$mil)</td> </tr> <tr> <td>60.8%</td> <td>50.6%</td> <td>47.1%</td> <td>45.0%</td> <td>44.5%</td> <td>50.5%</td> <td>56.8%</td> <td>61.5%</td> <td>60.9%</td> <td>55.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>Income Tax Rate</td> </tr> <tr> <td>45.7%</td> <td>46.9%</td> <td>45.6%</td> <td>47.7%</td> <td>47.1%</td> <td>41.2%</td> <td>33.0%</td> <td>26.1%</td> <td>25.6%</td> <td>35.4%</td> <td>36.8%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>APUDC % to Net Profit</td> </tr> <tr> <td>2790.8</td> <td>2835.3</td> <td>3064.7</td> <td>3140.9</td> <td>3149.1</td> <td>3270.0</td> <td>2374.5</td> <td>1850.1</td> <td>1777.8</td> <td>1623.8</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>Long-Term Debt Ratio</td> </tr> <tr> <td>3139.5</td> <td>3060.2</td> <td>2817.5</td> <td>2662.3</td> <td>2716.8</td> <td>1828.1</td> <td>1707.1</td> <td>1688.3</td> <td>1425.5</td> <td>1437.3</td> <td>1490</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>Common Equity Ratio</td> </tr> <tr> <td>7.7%</td> <td>8.1%</td> <td>7.7%</td> <td>7.8%</td> <td>8.0%</td> <td>7.9%</td> <td>5.9%</td> <td>9.7%</td> <td>8.5%</td> <td>6.8%</td> <td>7.5%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>Return on Total Cap'l</td> </tr> <tr> <td>11.9%</td> <td>12.6%</td> <td>11.1%</td> <td>10.8%</td> <td>11.3%</td> <td>12.4%</td> <td>8.1%</td> <td>4.5%</td> <td>11.6%</td> <td>12.1%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>Return on Str. 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Equity	12.3%	12.8%	12.0%	11.5%	12.1%	14.8%	10.5%	3.4%	17.7%	13.6%	14.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	Return on Com Equity ^F	6.5%	5.8%	4.6%	4.4%	4.6%	6.2%	NMF	NMF	1.5%	2.5%	1.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	Retained to Com Eq.	59%	56%	63%	64%	68%	68%	120%	NMF	92%	82%	91%	82%	82%	82%	82%	82%	82%	82%	82%	All Div's to Net Prof	ELECTRIC OPERATING STATISTICS		<table border="1"> <tr> <th>2001</th> <th>2002</th> <th>2003</th> </tr> <tr> <td>% Change Retail Sales (RWH)</td> <td>-4.6</td> <td>-5.1</td> <td>-5.3</td> </tr> <tr> <td>Avg Indus. Use (MWh)</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Avg Indus. 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Pwr. per (MWh)	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 (per cent)	N/A	N/A	N/A	ANNUAL RATES		<table border="1"> <tr> <th>Past 10 Yrs.</th> <th>Past 5 Yrs.</th> <th>Est'd '01-'03</th> </tr> <tr> <td>Revenues</td> <td>1.0%</td> <td>5%</td> <td>-3.5%</td> </tr> <tr> <td>"Cash Flow"</td> <td>6%</td> <td>-4.0%</td> <td>-7.0%</td> </tr> <tr> <td>Earnings</td> <td>-7.0%</td> <td>-18.5%</td> <td>11.0%</td> </tr> <tr> <td>Dividends</td> <td>2.5%</td> <td>-5%</td> <td>-4.0%</td> </tr> <tr> <td>Book Value</td> <td>-6.5%</td> <td>-18.5%</td> <td>5.0%</td> </tr> </table>																Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03	Revenues	1.0%	5%	-3.5%	"Cash Flow"	6%	-4.0%	-7.0%	Earnings	-7.0%	-18.5%	11.0%	Dividends	2.5%	-5%	-4.0%	Book Value	-6.5%	-18.5%	5.0%	QUARTERLY REVENUES (\$ MIL) ^A		<table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2001</td> <td>320.5</td> <td>313.4</td> <td>351.5</td> <td>310.7</td> <td>1296.1</td> </tr> <tr> <td>2002</td> <td>265.9</td> <td>249.4</td> <td>273.9</td> <td>230.2</td> <td>1019.4</td> </tr> <tr> <td>2003</td> <td>220.3</td> <td>215.8</td> <td>246.0</td> <td>220.7</td> <td>902.8</td> </tr> <tr> <td>2004</td> <td>217.1</td> <td>218</td> <td>247</td> <td>219.9</td> <td>900</td> </tr> <tr> <td>2005</td> <td>235</td> <td>230</td> <td>265</td> <td>225</td> <td>965</td> </tr> </table>																Cal-endar	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	1019.4	2003	220.3	215.8	246.0	220.7	902.8	2004	217.1	218	247	219.9	900	2005	235	230	265	225	965	EARNINGS PER SHARE ^B		<table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2001</td> <td>.22</td> <td>.10</td> <td>.25</td> <td>0.26</td> <td>.31</td> </tr> <tr> <td>2002</td> <td>.21</td> <td>.22</td> <td>.56</td> <td>.25</td> <td>0.23</td> </tr> <tr> <td>2003</td> <td>.27</td> <td>.12</td> <td>.39</td> <td>.25</td> <td>1.03</td> </tr> <tr> <td>2004</td> <td>.28</td> <td>.27</td> <td>.38</td> <td>.17</td> <td>1.10</td> </tr> <tr> <td>2005</td> <td>.32</td> <td>.31</td> <td>.41</td> <td>.21</td> <td>1.25</td> </tr> </table>																Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2001	.22	.10	.25	0.26	.31	2002	.21	.22	.56	.25	0.23	2003	.27	.12	.39	.25	1.03	2004	.28	.27	.38	.17	1.10	2005	.32	.31	.41	.21	1.25	QUARTERLY DIVIDENDS PAID ^C		<table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2000</td> <td>.40</td> <td>.40</td> <td>.40</td> <td>.40</td> <td>1.60</td> </tr> <tr> <td>2001</td> <td>.42</td> <td>.42</td> <td>.42</td> <td>.42</td> <td>1.68</td> </tr> <tr> <td>2002</td> <td>.42</td> <td>.42</td> <td>.42</td> <td>.42</td> <td>1.51</td> </tr> <tr> <td>2003</td> <td>.25</td> <td>.25</td> <td>.25</td> <td>.25</td> <td>1.00</td> </tr> <tr> <td>2004</td> <td>.25</td> <td>.25</td> <td>.25</td> <td>.25</td> <td>1.00</td> </tr> </table>																Cal-endar	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	.42	1.51	2003	.25	.25	.25	.25	1.00	2004	.25	.25	.25	.25	1.00	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 Capt, DQE Comm., DQE Energy Svcs, DQE Enls, and DQE Fincl. 2003 elec. oper. revs: resid, 37.5%; commercial, 41.5%; indl, 17.8%; other, 3.2%. Sold generating assets to Orion Power Hldgs 4/00; Pro Am to Ferrelgas Ptnrs 12/02; AquaSource to Philadelphia Suburban 7/03. 2003 deprec. rate: 4.1%. Has about 1,405 employees; 50,780 stockholders. Chmn: 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.		<p>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.</p> <p>David M. Reimer June 4, 2004</p>																(A) Beginning in Mar. '02, reflects discontinuation of competitive transition charge. (B) Diluted avg. Excl. nonrecr. items: '87, 17c; '98, \$1.06; '00, \$1.08; '01, \$3.06; '02, \$4.51; '03, \$1.26. Next avg rpt early Aug. (C) Div'ds hist. paid in early Jan., Apr., July, and Oct. = Div'd reinvest. plan avad. (D) Incl. regulatory assets. In '03, \$3.73/sh. (E) In mill. ad'd for split. (F) Rate base determ: fair val. Rate allowed on com. eq. in '89: 12.9%. Rtn on avg. com. eq.: '03, 34.1%. (G) Excl. water ops.		<p>Company's Financial Strength 8</p> <p>Stock's Price Stability 75</p> <p>Price Growth Persistence 25</p> <p>Earnings Predictability 40</p>																© 2004, Value Line Publishing, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own informational use. No part of it may be reproduced, stored or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system.		<p>To subscribe call 1-800-833-0046.</p>															
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12.28	13.50	14.07	15.11	14.91	15.04	16.76	15.73	15.88	15.68	16.41	18.69	23.76	23.18	13.71	11.87	11.75	12.48	Revenues per sh ^A																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
3.14	3.17	3.64	3.80	4.01	3.87	4.06	4.68	5.06	5.36	5.13	5.52	7.61	6.94	3.51	2.19	2.15	2.35	"Cash Flow" per sh																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
.61	.87	.82	.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	1.00	Div'd Decl'd per sh ^C																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
1.08	1.06	1.96	1.61	1.48	1.27	1.54	1.21	1.91	1.58	2.48	2.05	4.47	2.90	1.18	1.03	1.05	1.05	1.05	Cap'l Spending per sh																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
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	8.30	Book Value per sh ^D																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
86.75	89.01	80.64	78.36	78.45	78.52	78.46	77.58	77.27	77.68	77.97	71.77	65.88	58.91	74.35	77.50	76.42	76.50	77.50	Common Shs Outstanding ^E																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
8.2	10.2	8.9	10.7	11.3	12.8	10.2	11.0	12.3	12.6	14.4	14.9	30.5	77.1	13.7	14.8	14.8	14.8	14.8	Avg Ann'l P/E Ratio																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
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CAPITAL STRUCTURE as of 3/31/04		<table border="1"> <tr> <th>1988</th> <th>1989</th> <th>1990</th> <th>1991</th> <th>1992</th> <th>1993</th> <th>1994</th> <th>1995</th> <th>1996</th> <th>1997</th> <th>1998</th> <th>1999</th> <th>2000</th> <th>2001</th> <th>2002</th> <th>2003</th> <th>2004</th> <th>2005</th> <th>Revenues (\$mil)^A</th> </tr> <tr> <td>1235.6</td> <td>1220.2</td> <td>1226.2</td> <td>1219.2</td> <td>1268.6</td> <td>1341.2</td> <td>1327.8</td> <td>1296.1</td> <td>1019.4</td> <td>802.8</td> <td>900</td> </tr> <tr> <td>162.8</td> <td>176.5</td> <td>179.1</td> <td>185.9</td> <td>198.7</td> <td>201.4</td> <td>965</td> </tr> <tr> <td>37.3%</td> <td>35.4%</td> <td>32.8%</td> <td>34.0%</td> <td>33.9%</td> <td>35.6%</td> <td>33.6%</td> <td>37.7%</td> <td>27.6%</td> <td>18.1%</td> <td>25.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>30.0%</td> <td>Net Profit (\$mil)</td> </tr> <tr> <td>60.8%</td> <td>50.6%</td> <td>47.1%</td> <td>45.0%</td> <td>44.5%</td> <td>50.5%</td> <td>56.8%</td> <td>61.5%</td> <td>60.9%</td> <td>55.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>53.0%</td> <td>Income Tax Rate</td> </tr> <tr> <td>45.7%</td> <td>46.9%</td> <td>45.6%</td> <td>47.7%</td> <td>47.1%</td> <td>41.2%</td> <td>33.0%</td> <td>26.1%</td> <td>25.6%</td> <td>35.4%</td> <td>36.8%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>38.0%</td> <td>APUDC % to Net Profit</td> </tr> <tr> <td>2790.8</td> <td>2835.3</td> <td>3064.7</td> <td>3140.9</td> <td>3149.1</td> <td>3270.0</td> <td>2374.5</td> <td>1850.1</td> <td>1777.8</td> <td>1623.8</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>1660</td> <td>Long-Term Debt Ratio</td> </tr> <tr> <td>3139.5</td> <td>3060.2</td> <td>2817.5</td> <td>2662.3</td> <td>2716.8</td> <td>1828.1</td> <td>1707.1</td> <td>1688.3</td> <td>1425.5</td> <td>1437.3</td> <td>1490</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>1546</td> <td>Common Equity Ratio</td> </tr> <tr> <td>7.7%</td> <td>8.1%</td> <td>7.7%</td> <td>7.8%</td> <td>8.0%</td> <td>7.9%</td> <td>5.9%</td> <td>9.7%</td> <td>8.5%</td> <td>6.8%</td> <td>7.5%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>8.0%</td> <td>Return on Total Cap'l</td> </tr> <tr> <td>11.9%</td> <td>12.6%</td> <td>11.1%</td> <td>10.8%</td> <td>11.3%</td> <td>12.4%</td> <td>8.1%</td> <td>4.5%</td> <td>11.6%</td> <td>12.1%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>12.5%</td> <td>Return on Str. Equity</td> </tr> <tr> <td>12.3%</td> <td>12.8%</td> <td>12.0%</td> <td>11.5%</td> <td>12.1%</td> <td>14.8%</td> <td>10.5%</td> <td>3.4%</td> <td>17.7%</td> <td>13.6%</td> <td>14.0%</td> <td>15.0%</td> <td>15.0%</td> <td>15.0%</td> <td>15.0%</td> <td>15.0%</td> <td>15.0%</td> <td>15.0%</td> <td>15.0%</td> <td>Return on Com Equity^F</td> </tr> <tr> <td>6.5%</td> <td>5.8%</td> <td>4.6%</td> <td>4.4%</td> <td>4.6%</td> <td>6.2%</td> <td>NMF</td> <td>NMF</td> <td>1.5%</td> <td>2.5%</td> <td>1.8%</td> <td>2.0%</td> <td>2.0%</td> <td>2.0%</td> <td>2.0%</td> <td>2.0%</td> <td>2.0%</td> <td>2.0%</td> <td>2.0%</td> <td>Retained to Com Eq.</td> </tr> <tr> <td>59%</td> <td>56%</td> <td>63%</td> <td>64%</td> <td>68%</td> <td>68%</td> <td>120%</td> <td>NMF</td> <td>92%</td> <td>82%</td> <td>91%</td> <td>82%</td> <td>82%</td> <td>82%</td> <td>82%</td> <td>82%</td> <td>82%</td> <td>82%</td> <td>82%</td> <td>All Div's to Net Prof</td> </tr> </table>																1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Revenues (\$mil) ^A	1235.6	1220.2	1226.2	1219.2	1268.6	1341.2	1327.8	1296.1	1019.4	802.8	802.8	802.8	802.8	802.8	802.8	802.8	802.8	802.8	802.8	900	162.8	176.5	179.1	185.9	198.7	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	201.4	965	37.3%	35.4%	32.8%	34.0%	33.9%	35.6%	33.6%	37.7%	27.6%	18.1%	25.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	Net Profit (\$mil)	60.8%	50.6%	47.1%	45.0%	44.5%	50.5%	56.8%	61.5%	60.9%	55.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	Income Tax Rate	45.7%	46.9%	45.6%	47.7%	47.1%	41.2%	33.0%	26.1%	25.6%	35.4%	36.8%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	APUDC % to Net Profit	2790.8	2835.3	3064.7	3140.9	3149.1	3270.0	2374.5	1850.1	1777.8	1623.8	1660	1660	1660	1660	1660	1660	1660	1660	1660	Long-Term Debt Ratio	3139.5	3060.2	2817.5	2662.3	2716.8	1828.1	1707.1	1688.3	1425.5	1437.3	1490	1546	1546	1546	1546	1546	1546	1546	1546	Common Equity Ratio	7.7%	8.1%	7.7%	7.8%	8.0%	7.9%	5.9%	9.7%	8.5%	6.8%	7.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	Return on Total Cap'l	11.9%	12.6%	11.1%	10.8%	11.3%	12.4%	8.1%	4.5%	11.6%	12.1%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	Return on Str. Equity	12.3%	12.8%	12.0%	11.5%	12.1%	14.8%	10.5%	3.4%	17.7%	13.6%	14.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	Return on Com Equity ^F	6.5%	5.8%	4.6%	4.4%	4.6%	6.2%	NMF	NMF	1.5%	2.5%	1.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	Retained to Com Eq.	59%	56%	63%	64%	68%	68%	120%	NMF	92%	82%	91%	82%	82%	82%	82%	82%	82%	82%	82%	All Div's to Net Prof																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
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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 Capt, DQE Comm., DQE Energy Svcs, DQE Enls, and DQE Fincl. 2003 elec. oper. revs: resid, 37.5%; commercial, 41.5%; indl, 17.8%; other, 3.2%. Sold generating assets to Orion Power Hldgs 4/00; Pro Am to Ferrelgas Ptnrs 12/02; AquaSource to Philadelphia Suburban 7/03. 2003 deprec. rate: 4.1%. Has about 1,405 employees; 50,780 stockholders. Chmn: 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.		<p>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.</p> <p>David M. Reimer June 4, 2004</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
(A) Beginning in Mar. '02, reflects discontinuation of competitive transition charge. (B) Diluted avg. Excl. nonrecr. items: '87, 17c; '98, \$1.06; '00, \$1.08; '01, \$3.06; '02, \$4.51; '03, \$1.26. Next avg rpt early Aug. (C) Div'ds hist. paid in early Jan., Apr., July, and Oct. = Div'd reinvest. plan avad. (D) Incl. regulatory assets. In '03, \$3.73/sh. (E) In mill. ad'd for split. (F) Rate base determ: fair val. Rate allowed on com. eq. in '89: 12.9%. Rtn on avg. com. eq.: '03, 34.1%. (G) Excl. water ops.		<p>Company's Financial Strength 8</p> <p>Stock's Price Stability 75</p> <p>Price Growth Persistence 25</p> <p>Earnings Predictability 40</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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ENERGY EAST CORP. NYSE-EAS										RECENT PRICE	P/E RATIO	Trailing: 17.9 Median: 11.0	RELATIVE P/E RATIO	DIV YLD	4.6%	VALUE LINE	163																		
TIMELINESS	5	Lowered 2/2/03	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	Target Price Range 2007 2008 2009																				
SAFETY	2	Lowered 3/3/01	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																					
TECHNICAL	3	Lowered 5/28/04	LEGEND 1: 1/4 Dividends p sh divided by Interest Rate Relative Price Strength 2: for 1 split 4:99 Options: Yes Shaded area indicates recession																																
BETA	.80	(1.00 = Market)	2007-09 PROJECTIONS																																
			Price	Gain	Ann'l Total	High Low																													
			30	(+30%)	71%																														
			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	0	0	0	0	0	0	0																	
to Sell			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																	
to Hold			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																	
Institutional Decisions			Percent shares traded																																
to Buy			103	103	111																														
to Sell			88	84	81																														
to Hold			72950	66280	66433																														
1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	VALUE LINE PUB. INC.	07-08																
11.32	12.40	11.89	12.27	12.18	12.75	13.28	14.05	14.78	15.78	19.86	20.84	25.16	32.21	27.65	31.41	32.30	32.29	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	1.39	1.50	Earnings per sh A	1.75																
1.00	1.01	1.03	1.05	1.07	1.03	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	Div'd Decl'd per sh B	1.20																
2.20	1.67	1.60	1.92	1.75	1.88	1.72	1.14	1.54	1.92	1.04	1.64	1.32	1.79	1.56	1.98	2.35	2.08	Capit Spending per sh	2.00																
10.35	10.64	10.99	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	18.43	Book Value per sh C	28.00																
113.40	115.11	124.86	126.80	128.88	141.19	143.01	143.01	139.34	135.02	125.89	109.34	117.66	118.72	144.97	146.26	147.00	148.00	Common Shs Outst'g D	181.00																
8.4	10.4	8.9	11.1	12.3	18.2	9.9	9.3	9.1	9.7	14.6	13.4	10.1	9.8	14.0	14.6	14.6	14.6	Avg Ann'l P/E Ratio	13.5																
.70	.79	.74	.71	.75	.96	.65	.62	.57	.56	.76	.76	.66	.50	.76	.85	.85	.85	Relative P/E Ratio	.90																
6.8%	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%	4.6%	4.6%	4.6%	Avg Ann'l Div'd Yield	5.0%																
CAPITAL STRUCTURE as of 3/31/04																		1898.9	2009.5	2059.4	2130.0	2499.4	2278.6	2959.5	3759.8	4008.9	4593.8	4750	4875	Revenues (\$mil)	5479				
Total Debt \$4333.6 mil; Due in 5 Yrs \$946.6 mil.																		187.6	196.7	188.2	184.6	202.8	225.1	237.6	235.4	199.6	212.1	195	220	Net Profit (\$mil)	260				
LT Debt \$3997.8 mil; LT Interest \$249.9 mil.																		33.3%	37.1%	37.6%	38.9%	40.4%	36.7%	39.7%	44.2%	34.1%	37.6%	38.9%	38.9%	Income Tax Rate	33.0%				
Incl. \$345 mil. 8 1/4% mand. redem. trust pd. sec.																		1.8%	1.1%	1.3%	.4%	2%	1%	4%	3%	3%	2.0%	2.0%	1.0%	AFUDC % to Net Profit	1.0%				
(LT interest earned: 2.3%)																		46.1%	45.3%	43.4%	42.5%	44.8%	46.6%	57.1%	60.7%	58.9%	59.8%	59.8%	58.8%	Long-Term Debt Ratio	54.5%				
Pension Assets: 12.83 \$2.39 bl. Oblig. \$2.14 bil.																		46.5%	50.0%	51.9%	52.8%	53.5%	53.0%	41.6%	38.4%	39.2%	38.5%	40.0%	42.5%	Common Equity Ratio	44.5%				
Pfd Stock \$118.5 mil; Pfd Div'd \$5.4 mil.																		3581.4	3490.5	3410.2	3413.0	3203.0	2849.2	4106.7	4640.8	6273.5	6681.3	6593	6485	Total Capital (\$mil)	6778				
468,192 shs. 3.50%-6.00% cum., \$100 par, redem.																		3967.3	3963.6	3982.4	3922.3	3862.7	2139.8	3632.9	3626.4	4801.8	5778.1	5665	5465	Net Plant (\$mil)	4825				
dueable at \$109-\$110; 108,706 shs. 8.0% cum.,																		7.0%	7.3%	7.1%	7.0%	7.9%	10.5%	7.4%	7.2%	5.1%	5.1%	5.1%	5.0%	Return on Total Cap'l	5.6%				
\$3.125 par. RG&E: 470,000 shs. 4.0%-7.0% cum.																		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%				
(\$100 par), callable at \$101-\$105; 225,000 shs.																		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%				
6.60% cum., subject to mandatory redemption.																		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	2.8%				
Common Stock 146,464,753 shs. as of 4/30/04																		86%	60%	59%	57%	54%	45%	42%	46%	65%	63%	60%	73%	All Div's to Net Prof	70%				
MARKET CAP: \$3.3 billion (Mid Cap)																		ELECTRIC OPERATING STATISTICS																	
2001 2002 2003																		BUSINESS: Energy East Corporation is a holding company for																	
% Change Retail Sales (Xing)																		rev. breakdown, '03: rest, 44%; comm'l, 22%; ind'l, 12%; other,																	
+35.6																		20%. Generating sources, '03: not available. Fuel costs: 50% of																	
1393																		revs. '03 reported deprec. rate: 3.4%. Has 6,300 employees,																	
Avg Indst. Rev. (per MWht)																		37,700 stockholders. Chairman, Pres. & CEO: Wesley W. von																	
4.82																		Schack, Inc., NY. Address: P.O. Box 12904, Albany, NY 12212-																	
Capacity at Peak (MW)																		2904. Tel: 518-434-3048. Internet: www.energyeast.com.																	
4158																		Rochester Gas and Electric (a subsidi-																	
Peak Load (MW)																		ary of Energy East) has received a																	
Annual Load Factor (%)																		rate order. The decision was similar to																	
+1.2																		the settlement the utility reached with																	
+27.0																		the staff of the New York State Public Service																	
Fast Charge Co. NY																		Commission. Base electric and gas tariffs																	
272																		were frozen through year-end 2008, but																	
202																		RG&E was granted electric and gas sur-																	
211																		charges of \$7.4 million (1.4%) and \$7.2																	
ANNUAL RATES																		million (2.2%), respectively. The utility																	
Past 18 Yrs																		will be able to recover costs it deferred																	
Past 5 Yrs																		from 2003 of \$36 million for an ice storm																	
Est'd '01-'03																		and \$15 million associated with a refuel-																	
to '07-'09																		ing outage for the Ginna nuclear plant.																	
Revenues																		The allowed returns on equity are 12.25%																	
9.5%																		(electric) and 12% gas, with a mechanism																	
6.0%																		for sharing returns above these amounts																	
5.5%																		with customers. The surcharges will bene-																	
6.0%																		fit RG&E, but it had to make significant																	
Earnings																		concessions; the utility was seeking an																	
3.5%																		electric rate hike of \$80 million and a gas																	
4.0%																		tariff increase of \$21 million.																	
1.0%																		The order for RG&E also approved																	
Dividends																		the sale of Ginna. The facility had been																	
-1.0%																		written down, so the company will wind up																	
6.0%																		with a gain on the sale. The gain will boost																	
4.0%																		Energy East's net income by \$2 million a																	
4.5%																		year through 2008. Of the \$400 million in																	
3.0%																		cash the company will receive, \$110 mil-																	
6.0%																		lion will be refunded to customers in vari-																	
1.0%																		ous installments through 2007, and the re-																	
4.0%																		mainder will be used for debt reduction.																	
2.0%																		The deal still awaits the approval of the																	
1.50																		Nuclear Regulatory Commission. It should																	
1.43																		close around midyear.																	
1.30																		We have cut our 2004 and 2005 earn-																	
1.50																		ings estimates. First-quarter earnings																	
88																		declined due to higher stock-option ex-																	
92																		pense and warmer winter weather. Com-																	
96																		bined, these factors hurt the year-to-year																	
98																		comparison by \$0.16 a share. This out-																	
1.00																		weighed a \$0.07 benefit of cost reductions																	
22																		from an ongoing program to integrate vari-																	
22																		ous functions among Energy East's six op-																	
22																		erating utilities. The integration program																	
22																		is expected to reduce annual operating ex-																	
22																		penses, capital spending, and working cap-																	
22																		ital needs by \$80 million, \$28 million, and																	
22																		\$13 million, respectively, by 2006. Costs of																	
22																		implementing this program make earnings																	
22																		tough to forecast for now, however. The																	
22																		stock is ranked 5 (Lowest) for Timeliness.																	
22																		This stock's yield is above average.																	
22																		Total-return potential to 2007-2009 is																	
22																		about average, by utility standards.																	
22																		Paul E. Debbas, CFA June 4, 2004																	

(A) Diluted EPS. Excl. nonrec. losses: '96: 7c; '99: 3c net; '00: 40c; '01: 39c; '02: 6c; gain from discount ops: '03, 2c; '01 & '03 EPS don't add due to rounding; '02 due to change in stis. 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. int'ng. In '03: \$25.02/sh. (D) In mil., 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 Growth Persistence 80 Earnings Predictability 60 To subscribe call 1-800-933-0046.

GREEN MTN. POWER NYSE-GMP										RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIVID YLD	VALUE LINE															
										25.66	12.2	0.68	3.5%	167															
LEGENDS 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 Options: No Shaded area indicates recession										Target Price Range 2007 2008 2009 64 48 40 32 24 20 16 12 8 6																			
2007-09 PROJECTIONS Price Gain Ann'l Total High 30 (+15%) 7% Low 19 (-25%) -2%										INSIDER DECISIONS J A S O N D J F M Buy 0 0 0 0 0 0 0 0 0 Options 0 1 1 0 2 2 0 1 5 Sell 0 1 1 0 2 1 0 2 6																			
INSTITUTIONAL DECISIONS to Buy 28 21 30 to Sell 19 27 13 Percent shares traded 12 8 4										% TOT. RETURN 4/04 This Stock Value Line 1 yr. 26.6 43.4 3 yr. 62.3 28.1 6 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 38.06 33.33 32.91 32.46 31.68 33.30 35.54 34.52 34.69 46.41 49.82 49.86 55.42 55.72 44.10 45.65 1.88 3.95 4.02 3.87 4.32 4.05 4.47 5.12 5.41 4.69 2.24 3.46 2.69 4.42 5.14 4.79 4.75 4.65 2.41 2.36 2.29 2.45 2.54 2.20 2.28 2.28 2.22 1.57 4.80 .46 4.06 1.88 1.96 2.01 2.10 2.20 1.89 1.95 2.00 2.04 2.08 2.11 2.12 2.12 2.12 1.61 .96 .55 .55 .60 .76 .88 .98 9.84 5.44 1.78 3.42 3.47 3.52 2.88 3.16 3.48 3.16 2.05 1.70 2.49 2.28 3.94 3.30 4.25 3.90 18.37 18.73 19.03 20.30 20.99 21.42 21.66 21.94 22.15 22.02 20.09 18.60 18.63 17.81 18.61 19.85 20.20 20.85 5.70 3.71 3.78 4.31 4.41 4.64 4.68 4.85 5.04 5.20 6.31 6.41 5.57 5.69 4.95 6.03 6.10 5.15 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 10.7 .84 .78 .78 .69 .74 .92 .79 .78 .73 .82 1.25 44 51 52 7.7% 6.0% 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%										Revenues per sh 48.10 "Cash Flow" per sh 5.10 Earnings per sh (A) 2.40 Div'd Decl'd per sh (B) 1.28 Cap'l Spending per sh 2.85 Book Value per sh (C) 28.10 Common Shs Outst'g (E) 5.30 Avg Ann'l P/E Ratio 10.0 Relative P/E Ratio .65 Avg Ann'l Div'd Yield 5.0%																			
CAPITAL STRUCTURE as of 3/31/04 Total Debt \$97.9 mil. Due in 5 Yrs \$14.0 mil. LT Debt \$97.9 mil. LT Interest \$7.0 mil. Incl. \$4.9 mil. capitalized leases. (LT interest earned: 3.1%)										148.2 161.6 179.0 179.3 184.3 251.0 277.3 283.5 274.6 280.5 225 235 11.0 11.5 12.0 9.4 82.9 3.6 7 11.8 11.4 10.3 10.5 11.5 32.0% 32.7% 35.1% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 7.3% 5.0% 5.4% 7.1% 6.2% 7.2% 3.4% 2.9% 6.9% 5.5% 5.5% 5.5% 49.6% 48.7% 44.3% 43.5% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 43.8% 51.6% 49.2% 47.5% 49.0% 49.7% 49.8% 49.8% 49.8% 49.8% 49.8% 49.8% 49.8% 49.8% 49.8% 49.8% 49.8% 49.8% 49.8% 185.7 218.3 234.8 233.7 218.0 200.3 189.9 184.0 160.1 197.9 200 205 176.0 182.0 189.9 186.7 195.6 192.9 194.7 195.9 203.5 228.9 245 255 7.4% 6.8% 6.6% 5.6% 3% 3.4% 2.2% 7.6% 7.4% 7.0% 7.0% 7.0% 10.0% 10.0% 9.1% 7.1% NMF 3.2% .7% 10.4% 12.4% 10.3% 10.6% 10.5% 10.1% 10.1% 9.8% 7.0% NMF 2.4% NMF 10.7% 12.3% 10.3% 10.5% 10.5% .5% .5% .5% NMF NMF NMF NMF 7.7% 8.7% 6.5% 6.0% 6.0% 95% 94% 96% 102% NMF 113% NMF 34% 30% 37% 42% 45%										Revenues (\$mil) 255 Net Profit (\$mil) 12.5 Income Tax Rate 36.0% AFUDC % to Net Profit 3.0% Long-Term Debt Ratio 48.0% Common Equity Ratio 52.0% Total Capital (\$mil) 235 Net Plant (\$mil) 235 Return on Total Cap'l 7.0% Return on Shv. Equity 18.5% Return on Com Equity (D) 18.5% Retained to Com Eq 5.0% All Div'ds to Net Prof 54%									
Leases, Un capitalized None Pension Assets-12/03 \$27.9 mil. Oblig. \$34.0 mil.										MARKET CAP: \$125 million (Small Cap)																			
ELECTRIC OPERATING STATISTICS % Change Retail Sales (MWh) Nil Avg Retail Rate (¢/kWh) 31768 31499 25811 Avg Retail Price per kWh (¢) 7.70 7.31 7.41 Capacity at Peak (MW) 406.0 406.0 383.0 Peak Load Summer (MW) 341.2 342.0 330.2 Annual Load Factor (%) 70.1 70.0 71.1 % Change Customers (yr-yr) +1.2 +.8 +1.2										BUSINESS: Green Mountain Power Corp. supplies electricity to north-central, and parts of southern and southeastern Vermont. Rev. mix (02): retail, 26.8%; small comm'l & ind'l, 28.0%; large comm'l & ind'l, 17.7%; other util's, 26.3%; other, 1.2%. Fuel (03): hydro, 85.4% (incl. H-Q purch.); nuclear, 37.4% (Vermont-Yankee); wood, 3.5%; oil, 2.7%; gas, 1.3%; wind, .5%; mkt purch., 18.2%.																			
FINANCIAL RATIOS Past 10 Yrs 5 Yrs Est'd '01-'03 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%										FINANCES: 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.																			
QUARTERLY REVENUES (\$ MIL) Cal-ender 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 68.0 55.0 235										QUARTERLY DIVIDENDS PAID (¢) Cal-ender 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																			
QUARTERLY EARNINGS PER SHARE (A) Cal-ender 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										FINANCIAL RATIOS Past 10 Yrs 5 Yrs Est'd '01-'03 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%																			

(A) Basic earnings. Next earnings report due late July. Excludes gain (losses) from discontinued operations: '99, (\$1.25); '00, (\$1.19); '01, (\$3.13); '02, (B) Dividends historically paid in late Mar., June, Sep., and Dec. (C) Dividend reinvestment plan available. (D) Includes deferred charges. In '03: \$11.05/sh. (E) 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. (F) In millions. Company's Financial Strength B+ Stock's Price Stability 80 Price Growth Persistence 15 Earnings Predictability 15

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NORTHEAST UTILITIES NYSE:NU		RECENT PRICE	19.02	P/E RATIO	13.6 (Trailing: 14.0 Median: NMF)	RELATIVE P/E RATIO	0.76	DIV'D YLD	3.4%	VALUE LINE	168														
TIMBUNESS 3	Rated 7/10/02	High: 28.9	25.4	25.3	14.3	17.9	22.0	24.6	24.3	20.7	20.3	20.3	Target Price	Range											
SAFETY 3	Rated 9/6/02	Low: 22.1	20.4	21.0	9.5	7.6	11.7	18.0	16.6	12.7	13.1	17.6	2007	2008											
TECHNICAL 3	Lowered 10/3/03	LEGENDS 1237 Dividends p sh divided by Interest Rate Relative Price Strength Oppos. Yes Shaded area indicates recession										40													
2007-09 PROJECTIONS Price Gain Annt Total High 25 (+30%) 10% Low 18 (-5%) 9%												32													
Insider Decisions JASON J F M to Buy 0 0 0 0 0 0 0 0 Options 0 0 0 2 0 0 0 0 to Sell 0 0 0 2 1 0 0 0												24													
Institutional Decisions 202001 202002 202003 to Buy 72 73 101 to Sell 71 62 56 to Buy 88832 89444 89443 Percent shares traded 0 0 3												16													
2007-09 PROJECTIONS % TOT. RETURN 404 THE STOCK VALUE LINE 1 yr. 26.9 43.4 3 yr. 11.4 28.1 5 yr. 28.9 57.4												12													
1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	VALUE LINE PUB. INC.	07-99						
19.13	20.30	23.87	23.09	24.03	29.19	29.15	29.51	29.52	29.46	28.77	33.91	40.88	52.82	40.88	47.53	54.60	62.25	Revenues per sh	65.10						
5.89	5.46	5.68	4.66	5.13	5.86	6.26	6.02	7.57	7.68	3.73	5.68	3.39	10.48	6.32	6.80	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	.64	Div'd Decl'd per sh (B)	.84						
3.51	2.72	2.87	2.10	2.37	2.49	2.31	1.97	1.85	1.85	1.79	2.50	2.84	3.40	3.88	4.31	5.70	5.45	Cap'l Spending per sh	4.45						
18.90	16.13	16.34	16.73	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						
158.67	108.67	109.62	110.25	153.86	104.33	104.96	127.05	128.44	130.18	130.95	131.87	143.82	130.13	127.58	127.78	128.25	128.50	Common Shs Outst'g (D)	129.25						
9.7	11.2	10.3	10.1	12.3	16.5	10.0	10.3	NMF	--	--	--	--	14.1	16.1	13.4	13.4	13.4	Avg Annt' P/E Ratio	18.5						
61	85	77	65	75	98	66	69	NMF	--	--	--	--	72	88	78	78	78	Relative P/E Ratio	.70						
8.8%	8.4%	8.6%	8.3%	7.1%	6.6%	7.7%	7.6%	8.0%	2.4%	--	.6%	1.9%	2.3%	3.0%	3.5%	3.0%	3.5%	Avg Annt' 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)												3642.7	3749.0	3792.1	3834.8	3767.7	4471.9	6876.8	6873.8	5216.3	6068.2	7000	8000	Revenues (\$mill)	11000
Pension Assets-12/03 \$1.9 bill. Oblig. \$1.9 bill. Pfd Stock \$116.2 mill. Pfd Div'd \$6.6 mill. Incl. 2,324,000 shs \$1.90-\$3.28 rates (\$50 par) not subject to mandatory redemption.												329.9	321.8	44.9	496.1	611.8	d127.0	d14.4	166.4	144.2	162.7	185	199	Net Profit (\$mill)	285
Common Stock 127,981,582 shs. as of 4/30/04 MARKET CAP: \$2.4 billion (Mid Cap)												45.9%	44.9%	60.0%	--	NMF	--	--	--	--	32.1%	34.0%	34.0%	Income Tax Rate	38.0%
ELECTRIC OPERATING STATISTICS *Change Real Sales (MW) 2001 +2.4 2002 +1.2 2003 +3.5 Avg. index Use (MWh) 878 807 814 Avg. index Pwr per (MW) 8.10 7.75 8.26 Capacity at Peak (MW) N/A N/A N/A Peak Load (MW) N/A N/A N/A Net Capacity Factor (%) N/A N/A N/A *Change Customers (yr-end) +2.2 +.9 +1.1												20.7%	11.7%	53.7%	--	--	--	--	--	--	3.0%	2.5%	2.5%	AFUDC % to Net Profit	2.0%
ANNUAL RATES of change (per sh) 10 Yrs. Past 5 Yrs. Es'd '01-'03 Revenues 6.5% 10.0% 10.5% "Cash Flow" 3.5% 17.5% .5% Earnings -4.6% 10.0% Dividends -11.5% -1.0% 8.6% Book Value 5% 5% 4.5%												58.5%	56.9%	57.7%	68.5%	57.9%	48.0%	45.7%	65.9%	64.3%	63.8%	64.5%	64.5%	Long-Term Debt Ratio	63.0%
QUARTERLY REVENUES (\$ MILL.) Cat-ender 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												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%
EARNINGS PER SHARE (A) Cat-ender 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 .59 .25 .40 .27 1.45												7027.1	6948.3	6889.8	6285.3	6821.7	4876.0	4348.8	6344.7	6513.2	6591.6	7023	7300	Total Capital (\$mill)	8175
QUARTERLY DIVIDENDS PAID (B) Cat-ender 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												6603.4	7000.8	6732.2	6463.2	6170.9	3947.4	3547.2	3822.1	4798.4	5429.9	5950	6450	Net Plant (\$mill)	7675
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: resold, 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%. Hsa 6,755 employees, 63,896 stockholders. Chmn, Pres. & CEO: Charles W. Shively, Inc.: CT. Addr.: P.O. Box 270, Hartford, CT 06141. Tel.: 800-999-7268. Web: www.nu.com.												8.9%	7.0%	2.8%	7%	2.1%	.0%	1.9%	4.5%	4.1%	4.2%	4.5%	4.5%	Return on Total Cap'l	8.0%
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.												11.3%	10.7%	1.6%	NMF	NMF	NMF	NMF	8.3%	8.3%	6.8%	7.5%	7.5%	Return on Shr. Equity	8.5%
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.												12.4%	11.7%	.1%	NMF	NMF	NMF	NMF	8.6%	8.3%	6.9%	7.5%	7.5%	Return on Com Equity (E)	8.5%
David M. Reimer June 4, 2004												2.9%	2.5%	NMF	NMF	NMF	NMF	NMF	5.5%	3.2%	3.7%	4.0%	4.0%	Retained to Com Eq	8.0%
Company's Financial Strength 8+ Stock's Price Stability 95 Price Growth Persistence 20 Earnings Predictability 25												80%	81%	NMF	NMF	NMF	NMF	NMF	57%	61%	48%	47%	47%	All Div'ds to Net Prof	40%

(A) Basic eps. Earnings may not add due to changes in share count. Excl. nonrec. items: '99, \$1.40; '01, .42c; '02, 10c; '03, d32c. Incl. and resold chgs: '00, \$1.51. Next eps rpt in July. (B) Div'd suspended Q2 '87; reinstated Q3 '89. Div'ds held paid in late Mar., June, Sep., and Dec. = Div'd reinvest. plan avail. (C) Incl. def'd chgs '03: \$23.28/sh. (D) In mil. (E) Rate allowed on com. eq.: MA, '89: 11%; CT, '03: 9.85%; NH, '07: 11%. Earned on avg. com. eq.: '03, 5.2%. Reg. Clm: CT, Avg.: MA, Avg: NH, Bol. Avg: (F) Acq'd PSNH 6/92.

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PEPCO HOLDINGS NYSE-POM		RECENT PRICE	18.20	P/E RATIO	12.1 (Trailing: 12.6 Median: NMF)	RELATIVE P/E RATIO	0.67	DIV'D YLD	5.7%	VALUE LINE	171
TIMELINESS - G						High: 21.9	20.6	21.7			Target Price Range 2007 2008
SAFETY 3 Lowered 6/5/03						Low: 18.3	16.1	16.8			64
TECHNICAL - G											48
BETA NMF (1.00 = Market)											32
2007-09 PROJECTIONS Price 25 (+35%) 13% Gain (N/A) 8% Ann'l Total Return											
Insider Decisions J A S O N D J F M to Buy 0 1 0 0 0 0 0 0 0 0 to Sell 0 0 0 0 0 0 0 0 0 0 Options 0 0 0 0 0 0 0 0 0 0											
Institutional Decisions 10/01 10/03 10/05 to Buy 109 103 113 to Sell 89 85 80 Held 57932 63181 64287 Percent shares traded 6 4 2											
Pepeco 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 8/30/02 to stockholders of record 8/10/02.											
CAPITAL STRUCTURE as of 3/31/04 Total Debt \$7035.0 mil. Due in 5 Yrs \$2900 mil. LT Debt \$5299.9 mil. LT Interest \$300 mil. (LT interest earned: 2.1x) Pension Assets-12/03 \$1.46 bil. Oblig. \$1.8 bil. Pfd Stock \$108.8 mil. Pfd Div'd \$2.8 mil. Incl. 800,000 shs \$3.40 mandatorily redeemable preferred; 705,292 shs \$2.28-\$2.46 serial pfd, \$51.00 redem. price; 279,000 shs 3.70%-8.76% redem. subsidiary pfd, \$100.00 par val. Common Stock 172,171,604 shs. MARKET CAP: \$3.1 billion (Mid Cap)											
ELECTRIC OPERATING STATISTICS % Change Retail Sales (200M) 2001 N/A 2002 N/A 2003 N/A Avg. Retail Use (KWh) N/A N/A N/A Avg. Retail Rate 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-avg) N/A N/A N/A											
BUSINESS: Pepeco 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, Pepeco Energy Services, and Potomac Cap'l Inv. Corp. 2003 deprec. rate: 3.6%. 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.pepecoholdings.com.											
Pressures on Pepeco Holdings' cash flow bear watching. In 2000, Pepeco 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 Pepeco in a settlement. That agreement will pressure Pepeco's free cash flow into early 2005. The merchant generator is also attempting to get out of long-term purchase power contracts with Pepeco. 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, Pepeco would be exposed to significant unhedged purchase power obligations under contracts with FirstEnergy and Panda-Brandywine.) In addition, Pepeco'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. Pepeco 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 Pepeco 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 Pepeco'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. Pepeco's risk profile should strengthen ahead.											
Annual Rates of Change (per sh) Revenues Past 10 Yrs. 107-09 "Cash Flow" Past 5 Yrs. 4.6% Earnings Past 5 Yrs. 3.6% Dividends Past 5 Yrs. 18.0% Book Value Past 5 Yrs. 1.5%											
QUARTERLY REVENUES (\$ MIL) Cat-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2001 2117.9 2023.9 2368.4 1456.9 7968.5 2002 1441.0 1601.1 2127.7 1807.5 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											
EARNINGS PER SHARE \$ Cat-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2001 -- -- -- -- 2.18 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											
QUARTERLY DIVIDENDS PAID \$ Cat-ender 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 .25 .25 .25 1.00											
ANNUAL RATES OF CHANGE (per sh) Revenues Past 10 Yrs. 107-09 "Cash Flow" Past 5 Yrs. 4.6% Earnings Past 5 Yrs. 3.6% Dividends Past 5 Yrs. 18.0% Book Value Past 5 Yrs. 1.5%											
Fixed Charge Cov. (x) 236 214 158											
Company's Financial Strength B Stock's Price Stability NMF Price Growth Persistence NMF Earnings Predictability NMF											

(A) Based on diluted shs. Excl. nonrecur. items: '00, '96; '01, '00; '03, '02. Next eps. rpt due late July. (B) Divs. hist. paid in late Mar., June, Sep., and Dec. = Div'd reinvest. (C) Incl. def'd charges: '03, \$9.05/sh. (D) 7.7%. Reg. climate: Avg. (F) 2000, 2001, '02. (G) No Time. or Tech. ranks due to short trading history. (H) 2002 results are consolidated, pro forma data. (I) 11.1% ('95); DEL: 11.5% ('95); NJ: 12.5% ('91); earned on '03 avg. com. eq.

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CH Energy Group

Date	Open	High	Low	Close	Volume	Adj. Close*	Dividend Date	Amount
18-Jun-04	45.00	45.10	44.66	45.00	55,500	44.57		
17-Jun-04	45.24	45.25	44.84	45.12	29,400	44.69		
16-Jun-04	45.00	45.48	44.83	45.24	26,700	44.82		
15-Jun-04	44.27	45.05	44.27	45.00	31,400	44.58		
14-Jun-04	44.36	44.72	44.12	44.12	34,200	43.71		
10-Jun-04	44.34	44.62	44.18	44.46	51,900	44.07		
9-Jun-04	44.80	44.87	44.09	44.34	27,800	43.96		
8-Jun-04	45.00	45.00	44.66	44.90	13,600	44.53		
7-Jun-04	44.65	45.25	44.60	45.12	37,800	44.75		
4-Jun-04	44.52	44.95	44.49	44.50	17,200	44.15		
3-Jun-04	45.10	45.10	44.36	44.51	15,800	44.17		
2-Jun-04	44.75	45.24	44.57	45.24	15,700	44.90		
1-Jun-04	45.50	45.65	44.48	44.60	40,300	44.27		
28-May-04	45.41	45.82	45.19	45.50	15,600	45.19		
27-May-04	45.50	45.70	45.22	45.66	18,900	45.36		
26-May-04	45.19	45.49	44.93	45.49	25,200	45.19		
25-May-04	44.10	44.99	43.91	44.99	36,400	44.70		
24-May-04	44.09	44.23	43.78	44.23	24,600	43.95		
21-May-04	43.93	43.93	43.55	43.89	19,600	43.62		
20-May-04	43.74	43.99	43.52	43.75	23,300	43.49		
19-May-04	44.15	44.25	43.50	43.59	23,200	43.33		
18-May-04	43.39	44.10	43.39	44.00	23,000	43.75		
17-May-04	44.45	44.45	43.39	43.39	33,900	43.15		
14-May-04	44.20	44.70	43.88	44.60	35,200	44.37		
13-May-04	44.61	44.80	43.88	44.20	16,900	43.98		
12-May-04	44.50	44.61	43.41	44.61	28,000	44.40		
11-May-04	44.87	44.97	44.26	44.65	24,200	44.44		
10-May-04	44.59	45.02	43.52	44.62	64,000	44.42		
7-May-04	46.30	46.47	44.40	44.40	34,000	44.22		
6-May-04	46.42	46.83	45.82	46.50	31,700	46.32		
5-May-04	47.25	47.75	46.67	46.67	26,800	46.50		
4-May-04	47.28	47.66	47.09	47.41	26,000	47.24		
3-May-04	46.45	47.40	46.09	47.08	70,200	46.92		
30-Apr-04	46.35	46.97	46.02	46.30	29,100	46.16		
29-Apr-04	46.93	46.96	46.14	46.25	20,000	46.11		
28-Apr-04	47.01	47.17	46.66	46.85	29,300	46.72		
27-Apr-04	47.07	47.40	46.82	47.14	46,000	47.02		
26-Apr-04	47.83	48.11	46.99	47.27	31,300	47.15		
23-Apr-04	48.00	48.00	47.55	47.63	36,300	47.53		
22-Apr-04	46.75	47.96	46.60	47.86	49,500	47.77		
21-Apr-04	46.25	47.02	46.00	46.60	46,700	46.51		
20-Apr-04	46.20	46.60	46.04	46.37	23,000	46.29		
19-Apr-04	46.64	46.65	46.05	46.45	27,400	46.37		
16-Apr-04	46.46	46.88	46.17	46.52	41,300	46.46		
15-Apr-04	45.99	46.80	45.85	46.26	37,300	46.21		
14-Apr-04	46.70	46.71	45.96	46.18	31,500	46.13		
13-Apr-04	47.30	47.71	46.08	46.95	47,300	46.91		
12-Apr-04	47.64	47.94	47.29	47.71	43,400	47.67		
8-Apr-04	48.57	48.59	47.62	47.89	28,500	47.88		
7-Apr-04	48.32	48.59	48.06	48.35	21,600	48.34		
6-Apr-04	48.85	49.06	48.45	48.52	33,700	48.52	6-Apr-04	0.54
5-Apr-04	49.28	49.58	49.28	49.49	52,100	48.96		
2-Apr-04	49.25	49.44	49.03	49.33	50,500	48.81		
1-Apr-04	49.06	49.42	49.00	49.24	47,300	48.73		
31-Mar-04	49.06	49.21	48.78	49.09	46,800	48.59		
30-Mar-04	48.95	49.40	48.90	48.91	41,200	48.41		
29-Mar-04	48.86	49.14	48.79	48.98	46,000	48.49		
26-Mar-04	48.50	48.87	48.50	48.85	37,200	48.38		
25-Mar-04	48.44	48.74	48.18	48.60	18,800	48.13		
24-Mar-04	48.52	48.55	48.18	48.44	20,400	47.98		
23-Mar-04	48.36	48.74	48.25	48.70	26,100	48.24		
22-Mar-04	48.79	48.79	48.25	48.50	30,000	48.05		
19-Mar-04	49.16	49.16	48.61	48.66	32,000	48.23		
Average				46.27		46.01	7-Jan-04	0.54

* Adjusted for dividends by K. Kincel; the last dividend times the ratio of the number of days since ex-dividend date divided by the number of days in the calendar quarter, is subtracted from the closing price.

Central Vermont PS

Date	Open	High	Low	Close	Volume	Adj. Close*	Dividend Date	Amount
18-Jun-04	20.25	20.30	20.10	20.25	49,300	20.12		
17-Jun-04	19.97	20.39	19.85	20.24	34,700	20.11		
16-Jun-04	19.90	19.98	19.83	19.91	24,500	19.78		
15-Jun-04	19.55	19.99	19.53	19.83	23,800	19.70		
14-Jun-04	19.45	19.55	19.40	19.41	36,700	19.29		
10-Jun-04	19.06	19.50	19.05	19.50	35,800	19.39		
9-Jun-04	19.25	19.42	18.97	19.06	31,200	18.95		
8-Jun-04	19.07	19.25	19.06	19.19	6,000	19.08		
7-Jun-04	19.03	19.20	19.00	19.08	37,200	18.97		
4-Jun-04	19.55	19.56	18.80	18.81	41,200	18.71		
3-Jun-04	19.70	19.76	18.45	19.55	21,700	19.45		
2-Jun-04	19.87	20.27	19.75	19.75	22,000	19.66		
1-Jun-04	19.60	19.92	19.47	19.87	20,600	19.78		
28-May-04	19.76	19.78	19.51	19.51	14,300	19.43		
27-May-04	19.71	19.76	19.40	19.76	12,100	19.68		
26-May-04	19.90	19.95	19.39	19.81	18,000	19.73		
25-May-04	19.19	19.91	19.17	19.90	30,800	19.83		
24-May-04	19.30	19.39	19.06	19.39	19,100	19.32		
21-May-04	19.25	19.40	19.03	19.24	13,700	19.18		
20-May-04	19.00	19.29	19.00	19.11	15,500	19.05		
19-May-04	19.35	19.45	18.91	19.00	29,500	18.94		
18-May-04	19.20	19.31	19.01	19.20	8,400	19.14		
17-May-04	19.28	19.50	19.00	19.11	24,400	19.06		
14-May-04	19.25	19.36	18.45	19.25	136,000	19.20		
13-May-04	19.40	19.55	19.00	19.15	26,600	19.11		
12-May-04	19.55	19.67	19.35	19.40	27,200	19.36		
11-May-04	19.55	19.66	19.30	19.65	16,100	19.61		
10-May-04	19.80	19.80	19.19	19.50	29,200	19.46		
7-May-04	20.10	20.40	19.78	19.78	33,500	19.75		
6-May-04	20.00	20.28	19.58	20.20	132,500	20.17		
5-May-04	20.15	20.39	20.10	20.10	12,900	20.08		
4-May-04	19.92	20.40	19.90	20.11	30,400	20.09		
3-May-04	20.15	20.30	19.38	20.04	44,900	20.02		
30-Apr-04	20.15	20.29	20.10	20.15	22,600	20.14		
29-Apr-04	20.15	20.23	20.05	20.15	40,500	20.14		
28-Apr-04	20.00	20.20	19.85	20.17	34,000	20.16		
27-Apr-04	19.79	20.05	19.60	20.05	40,700	20.05		
26-Apr-04	19.55	19.93	19.50	19.72	23,400	19.72	26-Apr-04	0.23
23-Apr-04	19.94	19.88	19.60	19.67	40,000	19.45		
22-Apr-04	19.28	19.95	19.22	19.94	27,200	19.72		
21-Apr-04	19.30	19.40	19.22	19.40	13,500	19.18		
20-Apr-04	19.35	19.55	19.20	19.22	29,700	19.00		
19-Apr-04	19.90	19.90	19.35	19.35	59,200	19.14		
16-Apr-04	20.00	20.05	19.80	19.85	83,700	19.64		
15-Apr-04	20.17	20.24	19.83	19.88	42,300	19.68		
14-Apr-04	20.71	20.80	20.07	20.17	23,200	19.97		
13-Apr-04	21.50	21.51	20.48	20.70	27,700	20.50		
12-Apr-04	21.65	21.90	21.35	21.53	102,300	21.33		
8-Apr-04	21.70	21.91	21.66	21.75	24,700	21.56		
7-Apr-04	21.90	21.90	21.60	21.70	21,400	21.52		
6-Apr-04	22.00	22.21	21.84	21.84	34,800	21.66		
5-Apr-04	22.15	22.50	22.00	22.02	43,400	21.84		
2-Apr-04	22.45	22.45	22.03	22.06	62,500	21.89		
1-Apr-04	22.50	22.50	22.30	22.46	11,700	22.29		
31-Mar-04	22.40	22.62	22.33	22.50	25,200	22.33		
30-Mar-04	22.50	22.55	22.39	22.46	97,500	22.30		
29-Mar-04	22.68	22.69	22.39	22.60	45,600	22.44		
26-Mar-04	22.50	22.59	22.39	22.59	36,300	22.44		
25-Mar-04	22.39	22.63	22.39	22.51	88,300	22.36		
24-Mar-04	22.41	22.49	22.35	22.49	18,400	22.34		
23-Mar-04	22.43	22.50	22.39	22.42	17,000	22.27		
22-Mar-04	22.45	22.45	22.35	22.39	27,700	22.25		
19-Mar-04	22.55	22.55	22.39	22.50	21,800	22.36		
Average				20.32		20.20	26-Jan-04	0.23

* Adjusted for dividends by K. Kincel; the last dividend times the ratio of the number of days since ex-dividend date divided by the number of days in the calendar quarter, is subtracted from the closing price.

Consolidated Edison, Inc.

Date	Open	High	Low	Close	Volume	Adj. Close*	Dividend	
							Date	Amount
18-Jun-04	39.13	39.56	38.84	39.53	1,515,800	39.29		
17-Jun-04	39.02	39.20	38.77	39.12	517,800	38.88		
16-Jun-04	39.10	39.28	38.95	39.02	591,800	38.79		
15-Jun-04	39.10	39.13	38.78	38.96	1,020,900	38.74		
14-Jun-04	38.85	38.90	38.61	38.61	1,081,200	38.39		
10-Jun-04	39.00	39.06	38.77	39.06	485,500	38.87		
9-Jun-04	39.10	39.24	38.68	38.77	663,500	38.58		
8-Jun-04	39.35	39.35	38.82	39.12	957,400	38.94		
7-Jun-04	39.20	39.41	39.20	39.28	832,600	39.11		
4-Jun-04	38.90	39.33	38.85	39.20	1,077,300	39.04		
3-Jun-04	38.28	39.30	38.77	38.79	1,074,100	38.64		
2-Jun-04	39.23	39.34	39.06	39.28	693,500	39.14		
1-Jun-04	39.42	39.46	39.03	39.08	1,108,700	38.94		
28-May-04	38.90	39.27	38.78	39.26	1,366,600	39.15		
27-May-04	38.88	39.28	38.70	38.81	1,470,900	38.70		
26-May-04	38.44	38.84	38.10	38.78	1,243,800	38.68		
25-May-04	38.09	38.49	37.95	38.37	1,098,100	38.28		
24-May-04	37.86	38.19	37.76	38.09	1,026,300	38.00		
21-May-04	37.80	37.86	37.59	37.79	1,044,900	37.72		
20-May-04	37.37	37.70	37.31	37.53	1,176,600	37.47		
19-May-04	37.88	37.99	37.25	37.26	1,316,600	37.20		
18-May-04	37.78	37.86	37.61	37.77	1,621,700	37.72		
17-May-04	38.08	38.08	37.30	37.60	1,620,800	37.56		
14-May-04	37.80	38.29	37.77	38.18	2,199,300	38.16		
13-May-04	37.79	37.93	37.65	37.82	1,765,000	37.80		
12-May-04	37.85	38.24	37.50	37.85	9,518,600	37.84		
11-May-04	37.95	38.51	37.23	37.74	4,490,200	37.73		
10-May-04	39.20	39.41	38.75	38.99	1,876,000	38.99	10-May-04	0.565
7-May-04	41.47	41.47	39.94	39.98	2,596,000	39.43		
6-May-04	41.00	41.58	40.86	41.49	782,400	40.94		
5-May-04	41.20	41.45	41.10	41.25	896,600	40.71		
4-May-04	41.15	41.48	40.95	41.24	771,700	40.71		
3-May-04	41.10	41.23	40.70	41.19	923,000	40.66		
30-Apr-04	41.30	41.48	40.90	41.21	1,167,200	40.70		
29-Apr-04	41.72	41.95	41.02	41.23	933,800	40.73		
28-Apr-04	41.91	42.00	41.59	41.60	711,900	41.10		
27-Apr-04	42.10	42.14	41.74	41.94	811,200	41.45		
26-Apr-04	42.15	42.32	41.79	41.93	1,329,100	41.45		
23-Apr-04	42.28	42.28	41.72	42.14	1,243,300	41.68		
22-Apr-04	41.75	42.71	41.44	42.37	1,907,400	41.91		
21-Apr-04	41.75	41.84	41.40	41.74	867,300	41.29		
20-Apr-04	41.95	42.30	41.69	41.69	676,400	41.24		
19-Apr-04	42.15	42.20	41.91	42.03	523,500	41.59		
18-Apr-04	42.19	42.37	42.07	42.33	956,400	41.91		
15-Apr-04	42.12	42.30	41.98	42.19	1,196,200	41.78		
14-Apr-04	42.05	42.28	41.64	41.90	1,485,400	41.49		
13-Apr-04	42.70	42.70	41.65	42.15	1,751,100	41.75		
12-Apr-04	43.23	43.48	42.62	42.71	1,429,700	42.31		
8-Apr-04	43.32	43.50	43.05	43.40	702,900	43.03		
7-Apr-04	43.82	43.98	43.30	43.31	1,283,400	42.95		
6-Apr-04	44.03	44.19	43.84	43.89	541,200	43.53		
5-Apr-04	43.87	44.20	43.70	44.19	603,300	43.84		
2-Apr-04	44.15	44.15	43.73	43.87	995,600	43.54		
1-Apr-04	44.20	44.25	44.08	44.14	894,400	43.81		
31-Mar-04	44.20	44.28	43.99	44.10	745,800	43.78		
30-Mar-04	43.99	44.37	43.75	44.37	638,300	44.08		
29-Mar-04	44.10	44.10	43.71	43.99	672,900	43.68		
26-Mar-04	43.98	44.30	43.84	43.91	449,800	43.62		
25-Mar-04	44.05	44.16	43.90	44.11	463,100	43.83		
24-Mar-04	44.04	44.30	43.84	43.95	535,300	43.67		
23-Mar-04	43.69	44.13	43.61	43.98	797,600	43.71		
22-Mar-04	44.10	44.25	43.60	43.68	830,800	43.42		
19-Mar-04	44.35	44.63	44.12	44.12	531,200	43.88		
Average				40.84		40.56	9-Feb-04	0.565

* Adjusted for dividends by K. Kincaid; the last dividend times the ratio of the number of days since ex-dividend date divided by the number of days in the calendar quarter, is subtracted from the closing price.

Duquesne Light Holdings, Inc.

Date	Open	High	Low	Close	Volume	Adj. Close*	Dividend Date	Dividend Amount
18-Jun-04	19.51	19.63	19.46	19.55	365,400	19.52		
17-Jun-04	19.42	19.59	19.42	19.55	274,900	19.53		
16-Jun-04	19.34	19.59	19.34	19.51	275,400	19.49		
15-Jun-04	19.21	19.45	19.16	19.40	347,100	19.38		
14-Jun-04	18.80	19.37	18.80	19.25	560,000	19.23		
10-Jun-04	18.93	19.03	18.88	18.95	233,600	18.94		
9-Jun-04	18.92	19.12	18.77	18.88	314,400	18.88		
8-Jun-04	19.15	19.15	18.98	18.99	231,300	18.99	8-Jun-04	0.25
7-Jun-04	19.48	19.48	19.31	19.41	165,600	19.16		
4-Jun-04	19.36	19.37	19.12	19.24	268,200	19.00		
3-Jun-04	19.35	19.35	19.15	19.26	328,100	19.02		
2-Jun-04	19.30	19.49	19.25	19.31	377,100	19.07		
1-Jun-04	19.20	19.33	19.15	19.16	233,000	18.92		
28-May-04	19.59	19.60	19.22	19.23	350,100	19.01		
27-May-04	19.25	19.60	19.25	19.60	272,800	19.38		
26-May-04	19.11	19.34	18.95	19.34	251,600	19.12		
25-May-04	18.65	19.13	18.63	19.10	264,600	18.88		
24-May-04	18.60	18.75	18.45	18.75	218,800	18.54		
21-May-04	18.16	18.49	18.16	18.42	248,000	18.21		
20-May-04	17.95	18.37	17.95	18.17	256,100	17.97		
19-May-04	18.07	18.17	17.81	17.89	215,100	17.69		
18-May-04	17.93	18.06	17.81	17.92	195,500	17.72		
17-May-04	17.98	18.02	17.71	17.71	313,300	17.52		
14-May-04	17.92	18.31	17.91	18.15	162,000	17.96		
13-May-04	17.90	18.03	17.82	17.90	192,900	17.72		
12-May-04	17.83	17.99	17.64	17.93	180,700	17.75		
11-May-04	18.05	18.13	17.86	17.90	277,700	17.72		
10-May-04	18.02	18.10	17.80	17.85	282,100	17.68		
7-May-04	18.75	18.80	18.27	18.27	205,400	18.10		
6-May-04	18.97	18.99	18.53	18.87	248,500	18.71		
5-May-04	19.08	19.13	18.82	18.97	155,400	18.81		
4-May-04	19.12	19.13	18.90	18.96	195,800	18.80		
3-May-04	18.91	19.07	18.60	19.00	332,000	18.84		
30-Apr-04	18.90	19.23	18.56	18.77	254,900	18.62		
29-Apr-04	19.33	19.50	18.84	19.02	255,700	18.88		
28-Apr-04	19.12	19.37	19.06	19.33	480,400	19.19		
27-Apr-04	19.36	19.58	19.17	19.25	246,800	19.11		
26-Apr-04	19.34	19.49	19.20	19.44	189,300	19.30		
23-Apr-04	19.26	19.38	19.02	19.33	244,700	19.20		
22-Apr-04	18.86	19.26	18.83	19.26	292,400	19.14		
21-Apr-04	18.80	18.99	18.67	18.86	515,300	18.74		
20-Apr-04	18.92	19.07	18.68	18.72	316,900	18.60		
19-Apr-04	18.55	19.14	18.44	19.00	457,500	18.88		
16-Apr-04	18.21	18.48	18.21	18.44	121,900	18.33		
15-Apr-04	18.02	18.40	18.02	18.23	186,400	18.12		
14-Apr-04	18.10	18.14	17.97	18.02	267,500	17.92		
13-Apr-04	18.84	18.84	18.00	18.25	719,500	18.15		
12-Apr-04	18.27	19.29	18.86	18.92	249,500	18.82		
8-Apr-04	19.34	19.47	19.20	19.20	216,200	19.11		
7-Apr-04	19.48	19.48	19.20	19.35	241,500	19.27		
6-Apr-04	19.54	19.64	19.46	19.59	181,300	19.51		
5-Apr-04	19.60	19.68	19.50	19.64	143,700	19.56		
2-Apr-04	19.78	19.95	19.63	19.67	190,600	19.60		
1-Apr-04	19.57	19.67	19.42	19.60	275,200	19.53		
31-Mar-04	19.25	19.51	19.12	19.50	369,400	19.44		
30-Mar-04	19.12	19.31	18.85	19.27	267,700	19.21		
29-Mar-04	19.13	19.28	19.01	19.08	253,200	19.02		
26-Mar-04	19.19	19.37	19.08	19.09	625,200	19.04		
25-Mar-04	19.18	19.29	19.00	19.09	232,900	19.04		
24-Mar-04	19.33	19.34	19.04	19.05	366,400	19.01		
23-Mar-04	19.28	19.35	19.16	19.19	221,700	19.15		
22-Mar-04	19.32	19.45	19.20	19.23	170,100	19.19		
19-Mar-04	19.58	19.72	19.39	19.42	181,400	19.39		
Average				18.94		18.81	8-Mar-04	0.25

* Adjusted for dividends by K. Kincel; the last dividend times the ratio of the number of days since ex-dividend date divided by the number of days in the calendar quarter, is subtracted from the closing price.

Energy East Corporation

Date	Open	High	Low	Close	Volume	Adj. Close*	Dividend	
							Date	Amount
18-Jun-04	24.00	24.15	23.78	24.15	406,400	23.97		
17-Jun-04	23.72	24.02	23.60	24.02	305,800	23.84		
16-Jun-04	23.77	23.83	23.52	23.83	278,900	23.66		
15-Jun-04	23.69	23.77	23.45	23.61	280,500	23.44		
14-Jun-04	23.56	23.56	23.31	23.42	232,400	23.25		
10-Jun-04	23.56	23.57	23.39	23.56	263,800	23.40		
9-Jun-04	23.70	23.71	23.35	23.47	254,400	23.32		
8-Jun-04	23.62	23.69	23.44	23.51	223,200	23.36		
7-Jun-04	23.73	23.73	23.54	23.71	196,500	23.56		
4-Jun-04	23.50	23.56	23.36	23.56	350,300	23.42		
3-Jun-04	23.55	23.55	23.23	23.25	339,700	23.11		
2-Jun-04	23.62	23.69	23.41	23.46	279,500	23.33		
1-Jun-04	23.50	23.59	23.36	23.39	326,400	23.26		
28-May-04	23.35	23.53	23.14	23.50	1,744,800	23.38		
27-May-04	22.92	23.08	22.72	23.08	1,101,200	22.96		
26-May-04	22.90	22.98	22.55	22.81	598,100	22.70		
25-May-04	22.65	22.78	22.58	22.64	960,200	22.53		
24-May-04	22.71	22.71	22.48	22.60	422,800	22.49		
21-May-04	22.60	22.60	22.28	22.39	255,800	22.29		
20-May-04	22.30	22.50	22.26	22.39	505,000	22.29		
19-May-04	22.74	22.80	22.32	22.33	265,500	22.24		
18-May-04	22.80	22.80	22.39	22.45	335,800	22.36		
17-May-04	22.79	22.90	22.49	22.49	305,400	22.40		
14-May-04	22.60	22.97	22.46	22.77	288,500	22.69		
13-May-04	22.23	22.61	22.23	22.52	306,300	22.44		
12-May-04	22.35	22.40	22.09	22.30	440,200	22.23		
11-May-04	22.72	22.72	21.85	22.15	465,800	22.08		
10-May-04	22.70	22.71	22.25	22.47	350,100	22.40		
7-May-04	23.50	23.72	22.82	22.90	453,900	22.84		
6-May-04	23.75	23.76	23.25	23.70	340,000	23.64		
5-May-04	23.74	23.87	23.59	23.64	290,900	23.59		
4-May-04	23.75	23.80	23.63	23.75	315,600	23.70		
3-May-04	23.55	23.75	23.41	23.75	535,800	23.70		
30-Apr-04	23.62	23.69	23.45	23.55	235,500	23.51		
29-Apr-04	24.00	24.00	23.45	23.50	245,400	23.46		
28-Apr-04	24.12	24.12	23.68	23.84	337,300	23.81		
27-Apr-04	24.40	24.40	23.99	24.07	211,900	24.04		
26-Apr-04	24.20	24.34	24.15	24.24	252,200	24.21		
23-Apr-04	24.39	24.42	24.05	24.13	350,300	24.11		
22-Apr-04	24.00	24.33	24.00	24.29	480,200	24.27		
21-Apr-04	23.84	24.10	23.75	24.10	227,600	24.09		
20-Apr-04	24.16	24.27	23.83	23.83	264,800	23.82		
19-Apr-04	24.30	24.30	24.03	24.15	230,300	24.14		
16-Apr-04	24.29	24.29	24.13	24.19	319,900	24.19	16-Apr-04	0.26
15-Apr-04	24.45	24.64	24.33	24.48	305,300	24.22		
14-Apr-04	24.65	24.69	24.38	24.44	288,800	24.18		
13-Apr-04	25.08	25.08	24.55	24.74	513,800	24.48		
12-Apr-04	25.58	25.58	24.95	25.01	329,500	24.76		
8-Apr-04	25.70	25.70	25.26	25.35	240,900	25.11		
7-Apr-04	25.62	25.65	25.42	25.48	478,400	25.24		
6-Apr-04	25.86	25.86	25.64	25.74	143,500	25.50		
5-Apr-04	25.90	25.90	25.66	25.85	173,600	25.62		
2-Apr-04	28.04	26.05	25.71	25.73	318,600	25.50		
1-Apr-04	25.30	25.83	25.29	25.83	275,800	25.61		
31-Mar-04	25.39	25.49	25.21	25.36	365,600	25.14		
30-Mar-04	25.36	25.49	25.22	25.49	211,300	25.27		
29-Mar-04	25.00	25.46	24.90	25.46	285,700	25.25		
26-Mar-04	24.80	24.95	24.72	24.85	421,200	24.64		
25-Mar-04	24.86	24.99	24.73	24.93	296,400	24.73		
24-Mar-04	24.75	24.94	24.65	24.71	432,200	24.51		
23-Mar-04	24.70	24.85	24.65	24.78	256,000	24.58		
22-Mar-04	24.85	24.90	24.64	24.77	436,300	24.58		
19-Mar-04	25.08	25.19	24.92	25.00	213,800	24.82		
Average				23.90		23.77	15-Jan-04	0.26

* Adjusted for dividends by K. Kincaid; the last dividend times the ratio of the number of days since ex-dividend date divided by the number of days in the calendar quarter, is subtracted from the closing price.

Green Mountain Power Corp.

Date	Open	High	Low	Close	Volume	Adj. Close*	Dividend Date	Amount
18-Jun-04	25.70	25.71	25.55	25.70	13,900	25.68		
17-Jun-04	25.48	25.66	25.45	25.66	5,200	25.64		
16-Jun-04	25.48	25.48	25.45	25.46	8,800	25.45		
15-Jun-04	25.49	25.49	25.46	25.49	1,400	25.48		
14-Jun-04	25.34	25.60	25.33	25.48	7,700	25.47		
10-Jun-04	25.13	25.30	25.08	25.29	20,300	25.29	10-Jun-04	0.22
9-Jun-04	25.45	25.55	25.37	25.41	10,000	25.19		
8-Jun-04	25.62	25.62	25.45	25.48	6,400	25.26		
7-Jun-04	25.79	25.79	25.67	25.67	2,400	25.45		
4-Jun-04	25.80	25.90	25.80	25.85	2,000	25.64		
3-Jun-04	25.58	25.80	25.58	25.76	2,200	25.55		
2-Jun-04	25.69	25.69	25.64	25.85	800	25.44		
1-Jun-04	25.76	25.76	25.64	25.85	2,300	25.45		
28-May-04	25.70	25.80	25.69	25.71	1,600	25.52		
27-May-04	25.70	25.70	25.64	25.66	500	25.47		
26-May-04	25.64	25.66	25.64	25.66	500	25.47		
25-May-04	25.20	25.80	25.20	25.67	9,200	25.48		
24-May-04	25.02	25.12	25.01	25.12	4,000	24.94		
21-May-04	25.01	25.08	25.00	25.01	5,800	24.83		
20-May-04	24.61	25.06	24.61	25.00	10,000	24.83		
19-May-04	24.60	24.61	24.60	24.61	700	24.44		
18-May-04	24.79	24.83	24.40	24.61	9,300	24.44		
17-May-04	24.60	24.77	24.60	24.74	5,700	24.57		
14-May-04	24.70	24.70	24.63	24.64	1,000	24.48		
13-May-04	24.70	24.72	24.68	24.70	1,400	24.54		
12-May-04	24.58	24.73	24.49	24.73	3,300	24.58		
11-May-04	24.56	24.56	24.50	24.55	1,400	24.40		
10-May-04	24.85	24.85	24.46	24.55	7,400	24.40		
7-May-04	25.38	25.38	25.10	25.10	1,400	24.96		
6-May-04	25.56	25.57	25.43	25.43	3,000	25.29		
5-May-04	25.55	25.64	25.55	25.63	2,900	25.49		
4-May-04	25.60	25.65	25.55	25.60	2,100	25.47		
3-May-04	25.55	25.66	25.55	25.60	2,500	25.47		
30-Apr-04	25.62	25.69	25.57	25.57	7,900	25.45		
29-Apr-04	25.60	25.77	25.55	25.77	6,400	25.65		
28-Apr-04	25.64	25.70	25.64	25.66	2,200	25.54		
27-Apr-04	25.50	25.70	25.46	25.70	4,100	25.58		
26-Apr-04	25.73	25.73	25.47	25.52	8,200	25.41		
23-Apr-04	25.28	25.68	25.25	25.68	7,100	25.57		
22-Apr-04	25.23	25.34	25.20	25.33	3,400	25.22		
21-Apr-04	24.90	25.29	24.90	25.28	11,100	25.18		
20-Apr-04	24.90	24.90	24.82	24.90	5,700	24.80		
19-Apr-04	24.89	24.91	24.83	24.83	6,800	24.73		
16-Apr-04	24.81	24.89	24.65	24.89	6,000	24.80		
15-Apr-04	24.88	24.91	24.85	24.86	13,300	24.77		
14-Apr-04	25.05	25.06	24.82	24.82	6,900	24.83		
13-Apr-04	25.24	25.40	25.05	25.05	21,500	24.97		
12-Apr-04	25.79	25.79	25.10	25.46	24,400	25.38		
8-Apr-04	25.83	25.89	25.74	25.83	3,100	25.76		
7-Apr-04	25.70	25.79	25.65	25.79	4,500	25.72		
6-Apr-04	25.83	25.80	25.62	25.70	2,200	25.63		
5-Apr-04	25.80	25.80	25.57	25.68	11,900	25.62		
2-Apr-04	25.63	25.98	25.63	25.89	28,000	25.83		
1-Apr-04	25.83	25.84	25.64	25.66	3,800	25.61		
31-Mar-04	25.84	25.93	25.71	25.87	16,700	25.82		
30-Mar-04	25.58	25.70	25.55	25.89	4,600	25.64		
29-Mar-04	25.59	25.62	25.59	25.62	2,600	25.57		
28-Mar-04	25.43	25.65	25.43	25.61	3,700	25.57		
25-Mar-04	25.48	25.48	25.39	25.40	3,000	25.36		
24-Mar-04	25.45	25.54	25.45	25.45	3,200	25.42		
23-Mar-04	25.58	25.58	25.53	25.53	2,000	25.50		
22-Mar-04	25.77	25.77	25.56	25.56	14,600	25.53		
19-Mar-04	25.82	25.82	25.76	25.76	8,000	25.74		
Average				25.39		25.27	10-Mar-04	0.22

* Adjusted for dividends by K. Kinzel; the last dividend times the ratio of the number of days since ex-dividend date divided by the number of days in the calendar quarter, is subtracted from the closing price.

Source: Yahoo Finance, Historical Quotes Database

Northeast Utilities

Date	Open	High	Low	Close	Volume	Adj. Close*	Dividend Date	Amount
18-Jun-04	19.35	19.39	19.23	19.28	337,300	19.24		
17-Jun-04	19.02	19.26	18.98	19.21	234,300	19.18		
16-Jun-04	18.91	19.12	18.80	19.12	285,000	19.09		
15-Jun-04	18.92	19.10	18.92	19.03	411,100	19.00		
14-Jun-04	18.95	19.09	18.88	18.89	151,000	18.86		
10-Jun-04	19.06	19.09	18.91	19.03	216,200	19.01		
9-Jun-04	19.00	19.15	18.86	18.93	468,500	18.91		
8-Jun-04	19.10	19.15	19.00	19.06	446,900	19.04		
7-Jun-04	19.10	19.27	19.10	19.25	182,500	19.23		
4-Jun-04	19.20	19.25	19.04	19.04	364,200	19.03		
3-Jun-04	19.21	19.24	19.07	19.17	796,400	19.16		
2-Jun-04	19.06	19.22	18.98	19.20	433,400	19.19		
1-Jun-04	19.13	19.21	18.96	19.10	695,400	19.09		
28-May-04	19.18	19.24	19.10	19.10	731,100	19.10		
27-May-04	19.07	19.15	18.91	19.15	752,500	19.15	27-May-04	0.15
26-May-04	18.80	19.08	18.76	19.02	736,200	18.87		
25-May-04	18.53	18.94	18.42	18.88	595,400	18.73		
24-May-04	18.39	18.63	18.39	18.63	447,400	18.48		
21-May-04	18.40	18.42	18.24	18.31	1,076,100	18.17		
20-May-04	18.20	18.41	18.15	18.36	718,800	18.22		
19-May-04	18.25	18.29	18.05	18.26	2,062,400	18.12		
18-May-04	18.35	18.51	18.34	18.47	527,800	18.33		
17-May-04	18.20	18.48	17.99	18.36	681,200	18.23		
14-May-04	18.05	18.37	18.03	18.32	471,600	18.19		
13-May-04	18.00	18.08	17.95	18.02	473,900	17.89		
12-May-04	17.94	18.03	17.75	17.98	638,800	17.83		
11-May-04	18.00	18.08	17.82	17.94	1,229,500	17.82		
10-May-04	17.82	17.95	17.61	17.76	632,600	17.64		
7-May-04	18.20	18.48	17.84	17.95	982,500	17.83		
6-May-04	18.10	18.30	17.85	18.30	488,900	18.18		
5-May-04	18.15	18.32	18.04	18.21	507,200	18.10		
4-May-04	18.11	18.34	18.05	18.09	774,300	17.98		
3-May-04	18.18	18.36	18.00	18.11	890,600	18.00		
30-Apr-04	18.14	18.40	18.14	18.35	447,000	18.24		
29-Apr-04	18.39	18.55	18.05	18.13	353,500	18.03		
28-Apr-04	18.08	18.42	17.94	18.42	599,100	18.32		
27-Apr-04	18.11	18.23	18.02	18.13	303,500	18.03		
26-Apr-04	18.05	18.21	18.05	18.20	239,400	18.10		
23-Apr-04	18.20	18.20	17.93	18.05	638,800	17.96		
22-Apr-04	17.85	18.27	17.92	18.22	457,700	18.13		
21-Apr-04	17.92	18.02	17.71	17.92	551,500	17.83		
20-Apr-04	17.90	17.93	17.76	17.80	389,200	17.71		
19-Apr-04	17.92	17.95	17.80	17.86	246,600	17.77		
16-Apr-04	17.80	18.01	17.76	18.01	446,300	17.93		
15-Apr-04	17.66	17.97	17.66	17.80	321,800	17.72		
14-Apr-04	17.87	17.95	17.70	17.70	236,400	17.62		
13-Apr-04	18.40	18.45	17.72	17.87	684,700	17.79		
12-Apr-04	18.35	18.35	17.76	17.87	406,100	17.79		
8-Apr-04	18.35	18.39	18.19	18.26	319,900	18.19		
7-Apr-04	18.41	18.43	18.26	18.35	273,400	18.28		
6-Apr-04	18.35	18.48	18.30	18.37	381,100	18.30		
5-Apr-04	18.49	18.50	18.20	18.50	295,300	18.44		
2-Apr-04	18.66	18.66	18.19	18.38	395,300	18.32		
1-Apr-04	18.60	18.73	18.52	18.65	716,600	18.59		
31-Mar-04	18.65	18.69	18.51	18.65	394,800	18.59		
30-Mar-04	18.50	18.60	18.45	18.57	311,000	18.52		
29-Mar-04	18.30	18.55	18.28	18.50	389,000	18.45		
26-Mar-04	18.55	18.55	18.34	18.35	307,200	18.30		
25-Mar-04	18.47	18.58	18.36	18.48	567,900	18.43		
24-Mar-04	18.66	18.70	18.35	18.35	1,248,600	18.31		
23-Mar-04	18.67	18.67	18.50	18.55	376,600	18.51		
22-Mar-04	18.92	18.92	18.54	18.54	782,400	18.50		
19-Mar-04	18.63	18.99	18.61	18.91	702,500	18.87		
Average				18.46		18.39	26-Feb-04	0.15

* Adjusted for dividends by K. Kincel; the last dividend times the ratio of the number of days since ex-dividend date divided by the number of days in the calendar quarter, is subtracted from the closing price.

NSTAR

Date	Open	High	Low	Close	Volume	Adj. Close*	Dividend	
							Date	Amount
18-Jun-04	47.99	48.13	47.81	48.00	151,700	47.55		
17-Jun-04	47.95	48.14	47.72	48.07	86,200	47.63		
16-Jun-04	47.77	48.05	47.77	47.85	87,000	47.42		
15-Jun-04	47.64	48.09	47.58	47.77	131,700	47.34		
14-Jun-04	47.80	47.91	47.63	47.63	80,700	47.21		
10-Jun-04	47.82	47.94	47.75	47.85	94,000	47.45		
9-Jun-04	47.95	48.18	47.79	47.82	91,900	47.43		
8-Jun-04	48.20	48.20	47.97	48.00	163,500	47.62		
7-Jun-04	47.70	48.26	47.70	48.26	66,300	47.88		
4-Jun-04	47.52	47.84	47.22	47.70	131,600	47.34		
3-Jun-04	47.42	47.56	47.02	47.42	119,300	47.07		
2-Jun-04	47.63	47.75	47.16	47.49	92,600	47.14		
1-Jun-04	47.35	47.50	47.12	47.40	78,900	47.06		
28-May-04	47.34	47.39	47.16	47.28	62,100	46.96		
27-May-04	47.03	47.43	46.96	47.22	82,900	46.91		
26-May-04	46.70	47.00	46.40	46.98	77,200	46.68		
25-May-04	46.02	46.61	45.80	46.60	103,800	46.30		
24-May-04	45.90	46.17	45.82	45.96	68,200	45.67		
21-May-04	46.00	46.20	45.41	45.68	77,500	45.41		
20-May-04	45.60	45.89	45.55	45.80	98,100	45.53		
19-May-04	46.00	46.07	45.30	45.40	158,600	45.14		
18-May-04	45.75	46.15	45.75	45.75	52,500	45.49		
17-May-04	46.15	46.15	45.62	45.65	85,200	45.40		
14-May-04	45.90	46.35	45.82	46.15	136,300	45.92		
13-May-04	45.96	46.20	45.77	45.95	63,100	45.72		
12-May-04	46.06	46.10	45.67	46.02	102,800	45.80		
11-May-04	46.49	46.58	45.92	46.05	136,800	45.84		
10-May-04	47.04	47.08	46.45	46.48	135,600	46.27		
7-May-04	48.30	48.35	46.85	47.06	158,100	46.87		
6-May-04	48.70	48.75	48.17	48.48	104,300	48.30		
5-May-04	48.65	48.98	48.50	48.79	192,900	48.61		
4-May-04	48.50	48.64	48.25	48.50	182,000	48.33		
3-May-04	48.41	48.50	48.14	48.25	207,800	48.09		
30-Apr-04	48.20	48.52	48.11	48.40	170,100	48.25		
29-Apr-04	48.49	48.58	47.77	48.00	78,700	47.86		
28-Apr-04	48.46	48.65	48.25	48.41	138,000	48.28		
27-Apr-04	48.37	48.72	48.36	48.40	63,400	48.27		
26-Apr-04	48.20	48.70	48.20	48.42	67,900	48.30		
23-Apr-04	47.90	48.47	47.84	48.35	97,500	48.25		
22-Apr-04	47.40	47.95	47.29	47.70	175,900	47.60		
21-Apr-04	47.50	47.71	47.28	47.40	107,700	47.31		
20-Apr-04	48.00	48.32	47.64	47.70	76,400	47.61		
19-Apr-04	48.10	48.16	47.98	48.00	87,500	47.92		
18-Apr-04	47.85	48.34	47.80	48.07	148,600	48.01		
15-Apr-04	47.97	48.21	47.79	47.92	274,800	47.87		
14-Apr-04	47.85	48.12	47.48	47.77	228,500	47.72		
13-Apr-04	48.69	48.69	47.72	47.85	314,900	47.81		
12-Apr-04	49.34	49.52	48.50	48.75	121,100	48.71		
8-Apr-04	49.51	49.60	49.45	49.54	95,600	49.53		
7-Apr-04	49.65	49.74	49.37	49.42	100,400	49.41		
6-Apr-04	50.20	50.24	49.80	49.80	97,800	49.80	6-Apr-04	0.555
5-Apr-04	50.80	50.80	50.57	50.68	124,100	50.13		
2-Apr-04	51.25	51.30	50.62	50.68	111,200	50.15		
1-Apr-04	50.85	51.06	50.85	51.00	108,700	50.48		
31-Mar-04	50.85	50.85	50.65	50.72	179,900	50.20		
30-Mar-04	50.24	50.81	50.23	50.73	194,100	50.22		
29-Mar-04	50.25	50.30	50.00	50.30	155,500	49.79		
26-Mar-04	50.35	50.50	49.90	50.00	150,900	49.51		
25-Mar-04	50.55	50.70	50.18	50.20	109,100	49.72		
24-Mar-04	50.72	50.83	50.38	50.38	107,300	49.81		
23-Mar-04	50.55	50.80	50.55	50.73	155,000	50.26		
22-Mar-04	51.04	51.04	50.45	50.45	138,200	49.99		
19-Mar-04	51.10	51.10	50.80	51.00	184,100	50.56		
Average				48.13		47.85	7-Jan-04	0.555

* Adjusted for dividends by K. Kincel; the last dividend times the ratio of the number of days since ex-dividend date divided by the number of days in the calendar quarter, is subtracted from the closing price.

Pepco Holdings, Inc.

Date	Open	High	Low	Close	Volume	Adj. Close*	Dividend	
							Date	Amount
18-Jun-04	18.50	18.58	18.34	18.45	390,800	18.42		
17-Jun-04	18.32	18.53	18.29	18.53	222,100	18.51		
16-Jun-04	18.33	18.50	18.33	18.50	247,900	18.48		
15-Jun-04	18.40	18.49	18.29	18.41	355,100	18.39		
14-Jun-04	18.30	18.37	18.20	18.20	447,000	18.18		
10-Jun-04	18.05	18.32	17.90	18.32	320,100	18.31		
9-Jun-04	18.06	18.20	17.87	17.90	352,700	17.90		
8-Jun-04	18.32	18.32	18.10	18.14	291,500	18.14	8-Jun-04	0.25
7-Jun-04	18.25	18.61	18.25	18.57	540,500	18.32		
4-Jun-04	18.44	18.44	18.25	18.25	328,900	18.01		
3-Jun-04	18.26	18.32	18.10	18.29	544,600	18.05		
2-Jun-04	18.35	18.36	18.25	18.28	372,600	18.02		
1-Jun-04	18.50	18.50	18.31	18.31	567,900	18.07		
28-May-04	18.41	18.53	18.30	18.40	465,900	18.18		
27-May-04	18.25	18.45	18.24	18.40	559,800	18.18		
26-May-04	17.95	18.29	17.84	18.20	861,500	17.98		
25-May-04	17.51	17.94	17.51	17.84	633,600	17.62		
24-May-04	17.40	17.62	17.32	17.57	325,000	17.36		
21-May-04	17.41	17.42	17.21	17.25	334,300	17.04		
20-May-04	17.16	17.24	17.10	17.18	273,300	16.98		
19-May-04	17.30	17.36	17.04	17.04	327,700	16.84		
18-May-04	17.28	17.40	17.18	17.20	494,000	17.00		
17-May-04	17.30	17.39	16.94	17.24	645,900	17.05		
14-May-04	17.41	17.50	17.28	17.41	622,600	17.22		
13-May-04	17.46	17.48	17.35	17.41	380,500	17.23		
12-May-04	17.65	17.65	17.34	17.45	663,300	17.27		
11-May-04	17.80	17.85	17.44	17.53	781,700	17.35		
10-May-04	18.03	18.20	17.60	17.79	795,500	17.62		
7-May-04	18.42	18.60	17.78	18.03	526,900	17.86		
6-May-04	18.56	18.61	18.30	18.54	628,100	18.38		
5-May-04	18.95	18.95	18.39	18.55	976,800	18.39		
4-May-04	19.18	19.18	18.81	18.98	965,800	18.82		
3-May-04	18.90	19.09	18.78	19.09	434,800	18.93		
30-Apr-04	19.14	19.23	18.91	18.94	434,100	18.79		
29-Apr-04	19.57	19.62	19.05	19.22	293,200	19.08		
28-Apr-04	19.51	19.62	19.38	19.50	633,000	19.36		
27-Apr-04	19.58	19.72	19.56	19.64	412,400	19.50		
26-Apr-04	19.55	19.69	19.47	19.63	665,600	19.49		
23-Apr-04	19.68	19.77	19.50	19.57	828,500	19.44		
22-Apr-04	19.42	19.66	19.33	19.63	1,078,200	19.51		
21-Apr-04	19.18	19.52	19.08	19.52	1,358,400	19.40		
20-Apr-04	19.67	19.68	19.43	19.53	837,800	19.41		
19-Apr-04	19.50	19.55	19.30	19.53	454,100	19.41		
16-Apr-04	19.51	19.60	19.37	19.40	305,000	19.29		
15-Apr-04	19.20	19.51	19.20	19.45	345,400	19.34		
14-Apr-04	19.33	19.35	19.15	19.29	342,500	19.19		
13-Apr-04	19.89	19.89	19.21	19.40	544,400	19.30		
12-Apr-04	20.13	20.23	19.72	19.79	605,600	19.69		
8-Apr-04	20.30	20.30	20.11	20.21	246,700	20.12		
7-Apr-04	20.25	20.28	20.11	20.18	511,400	20.10		
6-Apr-04	20.35	20.40	20.27	20.34	251,700	20.26		
5-Apr-04	20.50	20.50	20.36	20.46	359,400	20.38		
2-Apr-04	20.70	20.70	20.43	20.50	617,300	20.43		
1-Apr-04	20.50	20.62	20.45	20.62	1,094,100	20.55		
31-Mar-04	20.63	20.63	20.41	20.44	576,000	20.38		
30-Mar-04	20.59	20.59	20.40	20.55	720,100	20.49		
29-Mar-04	20.45	20.60	20.36	20.60	282,600	20.54		
26-Mar-04	20.40	20.53	20.34	20.40	592,500	20.35		
25-Mar-04	20.15	20.43	20.15	20.39	383,200	20.34		
24-Mar-04	20.22	20.24	20.07	20.07	381,400	20.03		
23-Mar-04	20.11	20.27	20.00	20.22	412,700	20.18		
22-Mar-04	20.25	20.30	20.00	20.10	504,400	20.06		
19-Mar-04	20.52	20.52	20.27	20.31	418,500	20.28	8-Mar-04	0.25
Average				18.93		18.81		

* Adjusted for dividends by K. Kincaid; the last dividend times the ratio of the number of days since ex-dividend date divided by the number of days in the calendar quarter, is subtracted from the closing price.



FEDERAL RESERVE statistical release

These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES

Yields in percent per annum

For immediate release
June 14, 2004

Instruments	2004 Jun 7	2004 Jun 8	2004 Jun 9	2004 Jun 10	2004 Jun 11 *	Week Ending		2004 May
						Jun 11	Jun 4	
Federal funds (effective) ^{1 2 3}	0.99	0.97	0.99	1.00	1.00	0.99	1.01	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	1.06	1.05	1.05	1.10		1.07	1.01	1.00
2-month	1.14	1.13	1.19	1.16		1.16	1.10	1.04
3-month	1.27	1.25	1.29	n.a.		1.27	1.22	1.07
Financial								
1-month	1.08	1.07	1.08	1.08	1.07	1.08	1.04	1.02
2-month	1.19	1.17	1.20	1.21	1.22	1.20	1.15	1.08
3-month	1.28	1.29	1.34	1.36	1.36	1.33	1.26	1.16
CDs (secondary market) ^{3 6}								
1-month	1.12	1.15	1.15	1.18	1.21	1.16	1.10	1.05
3-month	1.36	1.37	1.39	1.43	1.48	1.41	1.32	1.20
6-month	1.67	1.67	1.69	1.74	1.81	1.72	1.61	1.46
Eurodollar deposits (London) ^{3 7}								
1-month	1.10	1.13	1.11	1.16		1.13	1.07	1.03
3-month	1.34	1.34	1.35	1.42		1.36	1.29	1.18
6-month	1.64	1.63	1.66	1.72		1.66	1.56	1.44
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.93	1.02	1.01	1.00		0.99	0.94	0.89
3-month	1.23	1.25	1.25	1.27		1.25	1.16	1.02
6-month	1.51	1.53	1.58	1.61		1.56	1.43	1.31
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.97	1.03	1.03	1.02		1.01	0.97	0.91
3-month	1.24	1.27	1.27	1.30		1.27	1.18	1.04
6-month	1.54	1.56	1.61	1.65		1.59	1.46	1.33
1-year	1.96	2.02	2.14	2.14		2.07	1.92	1.78
2-year	2.67	2.73	2.79	2.81		2.75	2.65	2.53
3-year	3.22	3.24	3.31	3.32		3.27	3.19	3.10
5-year	3.95	3.96	4.01	4.00		3.98	3.91	3.85
7-year	4.39	4.40	4.44	4.43		4.42	4.35	4.31
10-year	4.78	4.78	4.82	4.81		4.80	4.74	4.72
20-year ¹¹	5.51	5.50	5.54	5.52		5.52	5.47	5.46
Inflation Indexed ¹²								
5-year	1.37	1.43	1.47	1.45		1.43	1.30	1.34
7-year	1.78	1.83	1.87	1.87		1.84	1.71	1.77
10-year	2.11	2.15	2.20	2.18		2.16	2.04	2.09
Inflation-indexed long-term average ¹³	2.42	2.46	2.50	2.49		2.47	2.38	2.45
Interest rate swaps ¹⁴								
1-year	2.26	2.27	2.33	2.39		2.31	2.20	2.03
2-year	3.10	3.10	3.15	3.22		3.14	3.04	2.90
3-year	3.69	3.68	3.71	3.77		3.71	3.62	3.53
4-year	4.12	4.10	4.12	4.17		4.13	4.05	3.98
5-year	4.44	4.43	4.44	4.48		4.45	4.37	4.33
7-year	4.89	4.87	4.88	4.91		4.89	4.82	4.79
10-year	5.29	5.28	5.28	5.30		5.29	5.22	5.21
30-year	5.86	5.87	5.86	5.87		5.86	5.81	5.80
Corporate bonds								
Moody's seasoned								
Aaa ¹⁵	6.07	6.06	6.10	6.08		6.08	6.04	6.04
Baa	6.83	6.82	6.85	6.84		6.84	6.80	6.75
State & local bonds ¹⁶				5.10		5.10	5.03	5.07
Conventional mortgages ¹⁷					6.30	6.30	6.28	6.27

See overleaf for footnotes
* Markets closed
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 as well as the rate on primary credit are available at www.federalreserve.gov/releases/h15/data.htm.
10. Yields on actively traded non-inflation-indexed 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 nominal 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 of the bid yields for all TIPS with remaining terms to maturity of more than 10 years.
14. International Swaps and Derivatives Association (ISDA) 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 Inter-capital plc and published on Reuters Page ISDAFIX1. 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.

FEDERAL RESERVE statistical release



H.15 (519)

SELECTED INTEREST RATES

For immediate release
June 7, 2004

Notice to Users of the H.15

In accordance with its announcement of May 5, 2004, the Treasury has ceased publication of its long-term average nominal yield, effective June 1, 2004. The Treasury commenced publishing this rate on February 19, 2002, coinciding with the discontinuance of its 30-year constant maturity rate. At that time, the Treasury also began to publish an "extrapolation factor," to allow users to calculate a proxy for the 30-year constant maturity nominal yield. An extrapolation factor to calculate a proxy for the 30-year constant maturity yield will continue to be published, but, as of June 1, it will be based on an extrapolation from the 20-year yield curve point. The extrapolation factor is available at the Treasury website, www.treas.gov/offices/domestic-finance/debt-management/interest-rate/index.html, as reported in footnote 11 of this release.

FEDERAL RESERVE statistical release



These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES

Yields in percent per annum

For immediate release
June 7, 2004

Instruments	2004 May 31 *	2004 Jun 1	2004 Jun 2	2004 Jun 3	2004 Jun 4	Week Ending		2004 May
						Jun 4	May 28	
Federal funds (effective) ^{1 2 3}	1.02	1.02	0.98	0.99	0.99	1.01	0.99	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month		1.00	1.02	0.98	1.04	1.01	1.00	1.00
2-month		1.07	1.12	1.11	1.11	1.10	1.08	1.04
3-month		1.20	1.22	1.23	n.a.	1.22	n.a.	1.07
Financial								
1-month		1.03	1.03	1.04	1.04	1.04	1.03	1.02
2-month		1.14	1.15	1.14	1.18	1.15	1.13	1.08
3-month		1.24	1.23	1.26	1.32	1.26	1.21	1.16
CDs (secondary market) ^{3 6}								
1-month		1.09	1.09	1.12	1.10	1.10	1.06	1.05
3-month		1.29	1.31	1.33	1.35	1.32	1.26	1.20
6-month		1.57	1.59	1.62	1.64	1.61	1.53	1.46
Eurodollar deposits (London) ^{3 7}								
1-month		1.05	1.06	1.08	1.09	1.07	1.03	1.03
3-month		1.25	1.27	1.30	1.32	1.29	1.23	1.18
6-month		1.52	1.55	1.58	1.59	1.56	1.51	1.44
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week		0.93	0.95	0.94	0.93	0.94	0.92	0.89
3-month		1.15	1.15	1.15	1.18	1.16	1.06	1.02
6-month		1.41	1.42	1.42	1.47	1.43	1.37	1.31
Treasury constant maturities								
Nominal ¹⁰								
1-month		0.97	0.97	0.96	0.96	0.97	0.94	0.91
3-month		1.17	1.17	1.17	1.21	1.18	1.07	1.04
6-month		1.44	1.45	1.45	1.51	1.46	1.39	1.33
1-year		1.89	1.92	1.91	1.97	1.92	1.82	1.78
2-year		2.60	2.65	2.63	2.70	2.65	2.54	2.53
3-year		3.14	3.19	3.17	3.25	3.19	3.11	3.10
5-year		3.86	3.91	3.89	3.97	3.91	3.83	3.85
7-year		4.31	4.35	4.34	4.41	4.35	4.29	4.31
10-year		4.71	4.74	4.71	4.78	4.74	4.68	4.72
20-year ¹¹		5.45	5.47	5.46	5.51	5.47	5.41	5.46
Inflation Indexed ¹²								
5-year		1.22	1.29	1.31	1.37	1.30	1.25	1.34
7-year		1.63	1.71	1.73	1.78	1.71	1.68	1.77
10-year		1.97	2.04	2.05	2.11	2.04	2.00	2.09
Inflation-indexed long-term average ¹³		2.32	2.37	2.39	2.42	2.38	2.36	2.45
Interest rate swaps ¹⁴								
1-year		2.15	2.19	2.20	2.26	2.20	2.10	2.03
2-year		2.99	3.04	3.03	3.10	3.04	2.94	2.90
3-year		3.58	3.61	3.62	3.68	3.62	3.54	3.53
4-year		4.01	4.04	4.05	4.10	4.05	3.98	3.98
5-year		4.34	4.36	4.37	4.42	4.37	4.31	4.33
7-year		4.79	4.81	4.82	4.86	4.82	4.77	4.79
10-year		5.20	5.22	5.22	5.24	5.22	5.18	5.21
30-year		5.79	5.81	5.81	5.82	5.81	5.78	5.80
Corporate bonds								
Moody's seasoned								
Aaa ¹⁵		6.02	6.04	6.03	6.07	6.04	6.00	6.04
Baa		6.76	6.80	6.79	6.84	6.80	6.72	6.75
State & local bonds ¹⁶				5.03		5.03	5.01	5.07
Conventional mortgages ¹⁷					6.28	6.28	6.32	6.27

See overleaf for footnotes

* Markets closed
n.a.-- not available



FEDERAL RESERVE statistical release

These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES

For immediate release

Yields in percent per annum

June 1, 2004

Instruments	2004 May 24	2004 May 25	2004 May 26	2004 May 27	2004 May 28	Week Ending		2004 Apr
						May 28	May 21	
Federal funds (effective) ^{1 2 3}	1.00	1.00	0.99	1.00	1.02	0.99	1.02	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	1.01	1.00	1.00	1.00	1.01	1.00	1.00	1.00
2-month	1.09	1.07	n.a.	n.a.	n.a.	1.08	1.05	1.01
3-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.09	1.05
Financial								
1-month	1.02	1.03	1.02	1.04	1.02	1.03	1.03	1.02
2-month	1.11	1.14	1.09	1.17	1.15	1.13	1.08	1.03
3-month	1.19	1.22	1.21	1.22	1.23	1.21	1.17	1.06
CDs (secondary market) ^{3 6}								
1-month	1.06	1.05	1.05	1.07	1.07	1.06	1.05	1.04
3-month	1.24	1.25	1.25	1.27	1.28	1.26	1.22	1.08
6-month	1.54	1.53	1.53	1.54	1.53	1.53	1.50	1.21
Eurodollar deposits (London) ^{3 7}								
1-month	1.03	1.03	1.03	1.03	1.04	1.03	1.03	1.02
3-month	1.22	1.22	1.23	1.24	1.25	1.23	1.20	1.07
6-month	1.52	1.51	1.52	1.51	1.50	1.51	1.47	1.19
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.89	0.93	0.92	0.92	0.92	0.92	0.89	0.89
3-month	1.06	1.06	1.06	1.04	1.06	1.06	1.03	0.94
6-month	1.39	1.38	1.36	1.34	1.36	1.37	1.34	1.09
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.92	0.95	0.94	0.94	0.94	0.94	0.91	0.91
3-month	1.07	1.07	1.08	1.06	1.08	1.07	1.04	0.96
6-month	1.41	1.41	1.39	1.37	1.39	1.39	1.37	1.11
1-year	1.86	1.84	1.81	1.77	1.83	1.82	1.83	1.43
2-year	2.59	2.58	2.52	2.46	2.54	2.54	2.57	2.07
3-year	3.17	3.16	3.08	3.02	3.10	3.11	3.14	2.57
5-year	3.90	3.89	3.81	3.74	3.91	3.83	3.88	3.39
7-year	4.36	4.34	4.27	4.20	4.26	4.29	4.34	3.89
10-year	4.75	4.73	4.67	4.60	4.66	4.68	4.74	4.35
20-year	5.48	5.45	5.41	5.34	5.39	5.41	5.49	5.16
Inflation indexed ¹¹								
5-year	1.27	1.29	1.23	1.19	1.26	1.25	1.31	1.02
7-year	1.71	1.72	1.66	1.62	1.68	1.68	1.73	1.49
10-year	2.01	2.03	1.99	1.97	2.00	2.00	2.03	1.90
Treasury long-term average								
Nominal ^{12 13}	5.50	5.47	5.43	5.38	5.40	5.44	5.51	5.20
Inflation indexed ¹⁴	2.37	2.38	2.36	2.32	2.35	2.36	2.37	2.28
Interest rate swaps ¹⁵								
1-year	2.13	2.11	2.09	2.06	2.10	2.10	2.07	1.63
2-year	3.01	2.98	2.94	2.87	2.91	2.94	2.93	2.38
3-year	3.62	3.58	3.54	3.46	3.50	3.54	3.56	2.97
4-year	4.07	4.03	3.99	3.90	3.92	3.98	4.01	3.43
5-year	4.41	4.37	4.33	4.23	4.25	4.31	4.35	3.78
7-year	4.86	4.82	4.78	4.69	4.71	4.77	4.82	4.28
10-year	5.27	5.23	5.19	5.12	5.12	5.18	5.23	4.75
30-year	5.84	5.82	5.78	5.73	5.73	5.78	5.82	5.47
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	6.06	6.03	6.00	5.93	5.97	6.00	6.08	5.73
Baa	6.77	6.75	6.72	6.65	6.69	6.72	6.79	6.46
State & local bonds ¹⁷				5.01		5.01	5.13	4.82
Conventional mortgages ¹⁸					6.32	6.32	6.30	5.83

See overleaf for footnotes
n.a. -- not available



FEDERAL RESERVE statistical release

These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES

Yields in percent per annum

For immediate release
May 24, 2004

Instruments	2004 May 17	2004 May 18	2004 May 19	2004 May 20	2004 May 21	Week Ending		2004 Apr
						May 21	May 14	
Federal funds (effective) ^{1 2 3}	1.05	1.00	1.00	1.00	0.99	1.02	0.99	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	0.99	1.01	1.00	1.01	1.01	1.00	1.00	1.00
2-month	1.04	n.a.	1.05	1.05	1.05	1.05	1.05	1.01
3-month	1.09	n.a.	n.a.	n.a.	n.a.	1.09	n.a.	1.05
Financial								
1-month	1.03	1.02	1.03	1.03	1.02	1.03	1.02	1.02
2-month	1.06	1.07	1.09	1.09	1.09	1.08	1.06	1.03
3-month	1.15	1.15	1.17	1.19	1.18	1.17	1.15	1.06
CDs (secondary market) ^{3 6}								
1-month	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.04
3-month	1.20	1.20	1.22	1.23	1.23	1.22	1.19	1.08
6-month	1.48	1.49	1.51	1.52	1.51	1.50	1.48	1.21
Eurodollar deposits (London) ^{3 7}								
1-month	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.02
3-month	1.18	1.18	1.20	1.21	1.21	1.20	1.17	1.07
6-month	1.46	1.47	1.48	1.47	1.48	1.47	1.45	1.19
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.87	0.90	0.89	0.88	0.89	0.89	0.87	0.89
3-month	1.05	1.04	1.02	1.01	1.01	1.03	1.02	0.94
6-month	1.33	1.34	1.35	1.33	1.35	1.34	1.32	1.09
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.90	0.91	0.91	0.90	0.91	0.91	0.89	0.91
3-month	1.06	1.05	1.04	1.03	1.03	1.04	1.03	0.96
6-month	1.35	1.37	1.38	1.36	1.39	1.37	1.34	1.11
1-year	1.80	1.83	1.85	1.81	1.84	1.83	1.83	1.43
2-year	2.51	2.58	2.61	2.55	2.60	2.57	2.62	2.07
3-year	3.07	3.13	3.18	3.12	3.18	3.14	3.19	2.57
5-year	3.83	3.87	3.93	3.86	3.91	3.88	3.96	3.39
7-year	4.29	4.34	4.39	4.33	4.37	4.34	4.41	3.89
10-year	4.70	4.74	4.79	4.72	4.76	4.74	4.81	4.35
20-year	5.47	5.48	5.54	5.47	5.50	5.49	5.56	5.16
Inflation Indexed ¹¹								
5-year	1.33	1.33	1.32	1.25	1.34	1.31	1.46	1.02
7-year	1.75	1.75	1.74	1.67	1.75	1.73	1.88	1.49
10-year	2.07	2.05	2.03	1.96	2.04	2.03	2.19	1.90
Treasury long-term average								
Nominal ^{12 13}	5.49	5.51	5.55	5.49	5.51	5.51	5.56	5.20
Inflation indexed ¹⁴	2.41	2.38	2.36	2.32	2.39	2.37	2.53	2.28
Interest rate swaps ¹⁵								
1-year	2.02	2.05	2.09	2.09	2.07	2.07	2.07	1.63
2-year	2.87	2.93	2.97	2.96	2.92	2.93	2.99	2.38
3-year	3.51	3.56	3.61	3.58	3.53	3.56	3.64	2.97
4-year	3.97	4.01	4.06	4.03	3.98	4.01	4.11	3.43
5-year	4.32	4.35	4.40	4.36	4.31	4.35	4.46	3.78
7-year	4.80	4.82	4.87	4.82	4.78	4.82	4.92	4.28
10-year	5.22	5.23	5.28	5.24	5.19	5.23	5.33	4.75
30-year	5.82	5.82	5.86	5.82	5.78	5.82	5.89	5.47
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	6.06	6.08	6.12	6.05	6.08	6.08	6.13	5.73
Baa	6.78	6.79	6.82	6.77	6.79	6.79	6.82	6.46
State & local bonds ¹⁷				5.13		5.13	5.14	4.82
Conventional mortgages ¹⁸					6.30	6.30	6.34	5.83

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FEDERAL RESERVE statistical release

These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES

Yields in percent per annum

For immediate release
May 17, 2004

Instruments	2004 May 10	2004 May 11	2004 May 12	2004 May 13	2004 May 14	Week Ending		2004 Apr
						May 14	May 7	
Federal funds (effective) ^{1 2 3}	1.00	0.96	0.98	1.00	1.02	0.99	1.02	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	0.99	1.02	0.99	0.99	0.99	1.00	1.00	1.00
2-month	1.06	1.03	1.04	n.a.	1.05	1.05	1.02	1.01
3-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.06	1.05
Financial								
1-month	1.03	1.02	1.01	1.01	1.02	1.02	1.02	1.02
2-month	1.05	1.07	1.06	1.07	1.07	1.06	1.05	1.03
3-month	1.14	1.14	1.16	1.15	1.15	1.15	1.09	1.06
CDs (secondary market) ^{3 6}								
1-month	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.04
3-month	1.18	1.19	1.19	1.20	1.21	1.19	1.13	1.08
6-month	1.48	1.48	1.47	1.49	1.50	1.48	1.34	1.21
Eurodollar deposits (London) ^{3 7}								
1-month	1.03	1.03	1.03	1.02	1.03	1.03	1.03	1.02
3-month	1.14	1.18	1.17	1.17	1.19	1.17	1.11	1.07
6-month	1.42	1.46	1.44	1.46	1.49	1.45	1.32	1.19
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.86	0.90	0.88	0.86	0.85	0.87	0.87	0.89
3-month	1.07	1.04	1.02	0.98	0.97	1.02	1.00	0.94
6-month	1.34	1.33	1.30	1.31	1.31	1.32	1.20	1.09
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.89	0.91	0.90	0.88	0.87	0.89	0.89	0.91
3-month	1.08	1.05	1.04	1.00	0.99	1.03	1.01	0.96
6-month	1.36	1.35	1.33	1.34	1.34	1.34	1.23	1.11
1-year	1.85	1.83	1.81	1.84	1.81	1.83	1.63	1.43
2-year	2.61	2.61	2.62	2.67	2.59	2.62	2.41	2.07
3-year	3.18	3.19	3.19	3.24	3.16	3.19	2.96	2.57
5-year	3.95	3.94	3.96	4.01	3.92	3.96	3.74	3.39
7-year	4.41	4.39	4.41	4.46	4.39	4.41	4.21	3.89
10-year	4.81	4.79	4.83	4.85	4.79	4.81	4.62	4.35
20-year	5.54	5.53	5.57	5.61	5.54	5.56	5.39	5.16
Inflation Indexed ¹¹								
5-year	1.53	1.49	1.42	1.43	1.41	1.46	1.33	1.02
7-year	1.95	1.91	1.86	1.86	1.84	1.88	1.79	1.49
10-year	2.25	2.21	2.17	2.18	2.16	2.19	2.14	1.90
Treasury long-term average								
Nominal ^{12 13}	5.54	5.53	5.57	5.61	5.56	5.56	5.42	5.20
Inflation Indexed ¹⁴	2.58	2.54	2.52	2.51	2.50	2.53	2.54	2.28
Interest rate swaps ¹⁵								
1-year	2.07	2.05	2.06	2.09	2.09	2.07	1.87	1.63
2-year	2.98	2.97	2.98	3.02	2.99	2.99	2.73	2.38
3-year	3.64	3.63	3.62	3.66	3.64	3.64	3.37	2.97
4-year	4.10	4.10	4.09	4.13	4.11	4.11	3.83	3.43
5-year	4.46	4.45	4.44	4.48	4.46	4.46	4.18	3.78
7-year	4.92	4.92	4.90	4.96	4.93	4.92	4.65	4.28
10-year	5.33	5.32	5.31	5.37	5.35	5.33	5.08	4.75
30-year	5.87	5.87	5.87	5.92	5.93	5.89	5.69	5.47
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	6.12	6.08	6.13	6.18	6.12	6.13	5.95	5.73
Baa	6.79	6.78	6.83	6.87	6.82	6.82	6.66	6.46
State & local bonds ¹⁷				5.14		5.14	5.01	4.82
Conventional mortgages ¹⁸					6.34	6.34	6.12	5.83

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FEDERAL RESERVE statistical release



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H.15 (519) SELECTED INTEREST RATES

Yields in percent per annum

For immediate release
May 10, 2004

Instruments	2004 May 3	2004 May 4	2004 May 5	2004 May 6	2004 May 7	Week Ending		2004 Apr
						May 7	Apr 30	
Federal funds (effective) ^{1 2 3}	1.03	1.00	0.99	1.00	0.99	1.02	1.00	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	0.99	1.00	1.02	1.00	1.01	1.00	0.98	1.00
2-month	1.00	1.03	1.01	1.02	1.04	1.02	1.03	1.01
3-month	1.07	n.a.	n.a.	1.05	1.07	1.06	1.08	1.05
Financial								
1-month	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
2-month	1.05	1.05	1.04	1.05	1.05	1.05	1.04	1.03
3-month	1.08	1.08	1.09	1.09	1.12	1.09	1.08	1.06
CDs (secondary market) ^{3 6}								
1-month	1.04	1.05	1.04	1.05	1.05	1.05	1.05	1.04
3-month	1.11	1.12	1.11	1.12	1.17	1.13	1.11	1.08
6-month	1.31	1.32	1.31	1.32	1.43	1.34	1.30	1.21
Eurodollar deposits (London) ^{3 7}								
1-month	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.02
3-month	1.10	1.10	1.10	1.10	1.16	1.11	1.09	1.07
6-month	1.31	1.29	1.29	1.31	1.42	1.32	1.27	1.19
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.80	0.92	0.89	0.87	0.88	0.87	0.85	0.89
3-month	0.99	0.99	0.97	0.98	1.05	1.00	0.96	0.94
6-month	1.19	1.17	1.15	1.18	1.31	1.20	1.15	1.09
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.83	0.93	0.90	0.89	0.90	0.89	0.87	0.91
3-month	1.00	1.00	0.99	1.00	1.07	1.01	0.98	0.96
6-month	1.21	1.19	1.17	1.21	1.35	1.23	1.17	1.11
1-year	1.60	1.57	1.56	1.61	1.83	1.63	1.55	1.43
2-year	2.34	2.32	2.34	2.39	2.64	2.41	2.29	2.07
3-year	2.86	2.88	2.91	2.94	3.19	2.96	2.82	2.57
5-year	3.63	3.66	3.71	3.72	3.96	3.74	3.60	3.39
7-year	4.11	4.15	4.18	4.20	4.41	4.21	4.08	3.89
10-year	4.53	4.56	4.61	4.63	4.79	4.62	4.49	4.35
20-year	5.30	5.34	5.38	5.41	5.53	5.39	5.28	5.16
Inflation Indexed ¹¹								
5-year	1.28	1.26	1.29	1.34	1.50	1.33	1.24	1.02
7-year	1.73	1.74	1.76	1.80	1.93	1.79	1.71	1.49
10-year	2.09	2.10	2.10	2.15	2.24	2.14	2.08	1.90
Treasury long-term average								
Nominal ^{12 13}	5.34	5.38	5.41	5.43	5.53	5.42	5.32	5.20
Inflation indexed ¹⁴	2.50	2.52	2.53	2.56	2.59	2.54	2.45	2.28
Interest rate swaps ¹⁵								
1-year	1.82	1.82	1.81	1.87	2.05	1.87	1.79	1.63
2-year	2.67	2.66	2.65	2.72	2.97	2.73	2.61	2.38
3-year	3.29	3.28	3.29	3.36	3.62	3.37	3.23	2.97
4-year	3.75	3.73	3.76	3.84	4.09	3.83	3.67	3.43
5-year	4.08	4.08	4.12	4.20	4.43	4.18	4.01	3.78
7-year	4.55	4.55	4.60	4.68	4.89	4.65	4.48	4.28
10-year	4.97	4.99	5.04	5.12	5.29	5.08	4.92	4.75
30-year	5.60	5.62	5.67	5.73	5.86	5.69	5.57	5.47
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	5.87	5.92	5.91	5.98	6.06	5.95	5.84	5.73
Baa	6.58	6.63	6.66	6.69	6.76	6.66	6.56	6.46
State & local bonds ¹⁷				5.01		5.01	4.95	4.82
Conventional mortgages ¹⁸					6.12	6.12	6.01	5.83

See overleaf for footnotes
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FEDERAL RESERVE statistical release

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H.15 (519) SELECTED INTEREST RATES Yields in percent per annum

For immediate release
May 3, 2004

Instruments	2004 Apr 26	2004 Apr 27	2004 Apr 28	2004 Apr 29	2004 Apr 30	Week Ending		2004 Apr
						Apr 30	Apr 23	
Federal funds (effective) ^{1 2 3}	1.01	0.99	1.01	1.03	1.03	1.00	1.00	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	0.99	0.99	0.98	0.97	0.99	0.98	1.01	1.00
2-month	1.06	1.01	1.01	1.03	1.02	1.03	1.00	1.01
3-month	1.09	1.06	1.08	1.07	1.08	1.08	1.05	1.05
Financial								
1-month	1.02	1.03	1.02	1.01	1.01	1.02	1.02	1.02
2-month	1.04	1.04	1.03	1.03	1.06	1.04	1.04	1.03
3-month	1.07	1.08	1.07	1.08	1.11	1.08	1.06	1.06
CDs (secondary market) ^{3 6}								
1-month	1.05	1.05	1.05	1.05	1.05	1.05	1.04	1.04
3-month	1.11	1.10	1.10	1.11	1.12	1.11	1.09	1.08
6-month	1.29	1.28	1.28	1.31	1.33	1.30	1.22	1.21
Eurodollar deposits (London) ^{3 7}								
1-month	1.03	1.03	1.03	1.03	1.03	1.03	1.02	1.02
3-month	1.09	1.09	1.08	1.10	1.10	1.09	1.07	1.07
6-month	1.26	1.26	1.26	1.28	1.29	1.27	1.21	1.19
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.86	0.90	0.86	0.83	0.81	0.85	0.88	0.89
3-month	0.98	0.97	0.96	0.95	0.96	0.96	0.96	0.94
6-month	1.17	1.15	1.14	1.13	1.14	1.15	1.13	1.09
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.88	0.91	0.87	0.85	0.83	0.87	0.89	0.91
3-month	0.99	0.98	0.97	0.97	0.98	0.98	0.97	0.96
6-month	1.19	1.17	1.16	1.15	1.17	1.17	1.15	1.11
1-year	1.57	1.53	1.54	1.55	1.55	1.55	1.50	1.43
2-year	2.28	2.21	2.30	2.34	2.31	2.29	2.17	2.07
3-year	2.78	2.74	2.82	2.88	2.86	2.82	2.67	2.57
5-year	3.57	3.52	3.60	3.66	3.63	3.60	3.49	3.39
7-year	4.05	4.01	4.08	4.14	4.11	4.08	3.99	3.89
10-year	4.46	4.43	4.50	4.55	4.53	4.49	4.43	4.35
20-year	5.25	5.22	5.28	5.33	5.31	5.28	5.24	5.16
Inflation Indexed ¹¹								
5-year	1.20	1.14	1.26	1.32	1.29	1.24	1.10	1.02
7-year	1.66	1.63	1.72	1.78	1.75	1.71	1.57	1.49
10-year	2.03	2.00	2.10	2.15	2.11	2.08	1.98	1.90
Treasury long-term average								
Nominal ^{12 13}	5.29	5.27	5.32	5.36	5.34	5.32	5.28	5.20
Inflation Indexed ¹⁴	2.40	2.37	2.46	2.51	2.51	2.45	2.35	2.28
Interest rate swaps ¹⁵								
1-year	1.78	1.77	1.77	1.81	1.82	1.79	1.68	1.63
2-year	2.60	2.58	2.58	2.64	2.67	2.61	2.46	2.38
3-year	3.20	3.19	3.19	3.25	3.29	3.23	3.07	2.97
4-year	3.64	3.64	3.64	3.70	3.75	3.67	3.53	3.43
5-year	3.98	3.98	3.97	4.04	4.09	4.01	3.88	3.78
7-year	4.45	4.45	4.44	4.51	4.56	4.48	4.38	4.28
10-year	4.89	4.89	4.88	4.95	5.00	4.92	4.84	4.75
30-year	5.55	5.55	5.56	5.59	5.63	5.57	5.54	5.47
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	5.81	5.80	5.85	5.89	5.87	5.84	5.81	5.73
Baa	6.52	6.51	6.56	6.61	6.58	6.56	6.53	6.46
State & local bonds ¹⁷				4.95		4.95	4.89	4.82
Conventional mortgages ¹⁸					6.01	6.01	5.94	5.83

See overleaf for footnotes



FEDERAL RESERVE statistical release

These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES Yields in percent per annum

For immediate release
April 26, 2004

Instruments	2004	2004	2004	2004	2004	Week Ending		2004 Mar
	Apr 19	Apr 20	Apr 21	Apr 22	Apr 23	Apr 23	Apr 16	
Federal funds (effective) ^{1 2 3}	1.00	0.99	0.99	1.00	0.99	1.00	1.01	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	1.00	1.00	1.06	1.03	0.97	1.01	1.01	0.99
2-month	1.00	1.00	1.01	1.01	1.00	1.00	1.01	1.00
3-month	1.04	n.a.	1.07	1.04	1.05	1.05	1.02	1.00
Financial								
1-month	1.02	1.02	1.02	1.01	1.01	1.02	1.02	1.01
2-month	1.03	1.04	1.03	1.04	1.04	1.04	1.03	1.02
3-month	1.05	1.06	1.06	1.08	1.06	1.06	1.05	1.03
CDs (secondary market) ^{3 6}								
1-month	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.03
3-month	1.08	1.08	1.09	1.09	1.09	1.09	1.08	1.05
6-month	1.19	1.20	1.25	1.24	1.24	1.22	1.19	1.09
Eurodollar deposits (London) ^{3 7}								
1-month	1.01	1.02	1.01	1.02	1.02	1.02	1.02	1.02
3-month	1.05	1.07	1.08	1.08	1.07	1.07	1.06	1.04
6-month	1.17	1.19	1.24	1.25	1.21	1.21	1.17	1.08
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.90	0.92	0.92	0.79	0.85	0.88	0.91	0.95
3-month	0.95	0.96	0.98	0.95	0.96	0.96	0.93	0.94
6-month	1.09	1.11	1.15	1.12	1.17	1.13	1.07	0.99
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.92	0.93	0.93	0.81	0.87	0.89	0.92	0.96
3-month	0.96	0.97	0.99	0.97	0.98	0.97	0.94	0.95
6-month	1.11	1.13	1.17	1.14	1.20	1.15	1.09	1.01
1-year	1.43	1.46	1.52	1.49	1.59	1.50	1.41	1.19
2-year	2.07	2.11	2.22	2.15	2.29	2.17	2.04	1.58
3-year	2.58	2.62	2.71	2.64	2.78	2.67	2.53	2.00
5-year	3.42	3.45	3.52	3.46	3.58	3.49	3.38	2.79
7-year	3.93	3.97	4.01	3.95	4.07	3.99	3.90	3.31
10-year	4.39	4.43	4.45	4.40	4.48	4.43	4.36	3.83
20-year	5.22	5.24	5.25	5.20	5.27	5.24	5.18	4.72
Inflation Indexed ¹¹								
5-year	0.96	1.07	1.07	1.10	1.29	1.10	0.98	0.52
7-year	1.45	1.55	1.54	1.56	1.74	1.57	1.45	0.98
10-year	1.87	1.97	1.96	1.98	2.12	1.98	1.88	1.47
Treasury long-term average								
Nominal ^{12 13}	5.26	5.28	5.29	5.25	5.31	5.28	5.21	4.79
Inflation indexed ¹⁴	2.26	2.32	2.33	2.36	2.46	2.35	2.24	1.93
Interest rate swaps ¹⁵								
1-year	1.61	1.64	1.70	1.70	1.75	1.68	1.59	1.33
2-year	2.35	2.41	2.51	2.49	2.56	2.46	2.33	1.87
3-year	2.95	3.03	3.12	3.09	3.16	3.07	2.93	2.38
4-year	3.41	3.50	3.58	3.55	3.62	3.53	3.40	2.81
5-year	3.77	3.87	3.94	3.90	3.96	3.88	3.77	3.16
7-year	4.28	4.38	4.43	4.39	4.44	4.38	4.28	3.68
10-year	4.76	4.84	4.89	4.84	4.88	4.84	4.76	4.19
30-year	5.49	5.55	5.57	5.54	5.57	5.54	5.48	5.05
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	5.79	5.82	5.82	5.78	5.84	5.81	5.74	5.33
Baa	6.51	6.53	6.54	6.50	6.55	6.53	6.46	6.11
State & local bonds ¹⁷				4.89		4.89	4.89	4.41
Conventional mortgages ¹⁸					5.94	5.94	5.89	5.45

See overleaf for footnotes
n.a. -- not available



FEDERAL RESERVE statistical release

These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES

Yields in percent per annum

For immediate release
April 19, 2004

Instruments	2004 Apr 12	2004 Apr 13	2004 Apr 14	2004 Apr 15	2004 Apr 16	Week Ending		2004 Mar
						Apr 16	Apr 9	
Federal funds (effective) ^{1 2 3}	1.00	1.00	1.01	1.03	0.99	1.01	1.01	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	0.99	1.02	1.04	1.00	1.00	1.01	1.00	0.99
2-month	1.01	1.00	1.00	1.01	1.02	1.01	1.01	1.00
3-month	1.03	n.a.	n.a.	1.02	1.02	1.02	1.01	1.00
Financial								
1-month	1.02	1.03	1.02	1.03	1.02	1.02	1.01	1.01
2-month	1.03	1.03	1.04	1.03	1.03	1.03	1.02	1.02
3-month	1.04	1.04	1.07	1.06	1.06	1.05	1.04	1.03
CDs (secondary market) ^{3 6}								
1-month	1.03	1.04	1.05	1.05	1.05	1.04	1.04	1.03
3-month	1.06	1.07	1.09	1.09	1.08	1.08	1.07	1.05
6-month	1.15	1.17	1.22	1.23	1.20	1.19	1.16	1.09
Eurodollar deposits (London) ^{3 7}								
1-month	1.02	1.02	1.02	1.03	1.02	1.02	1.02	1.02
3-month	1.05	1.05	1.07	1.07	1.07	1.06	1.06	1.04
6-month	1.14	1.14	1.19	1.18	1.19	1.17	1.15	1.08
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.91	0.90	0.91	0.91	0.90	0.91	0.93	0.95
3-month	0.93	0.93	0.94	0.93	0.92	0.93	0.93	0.94
6-month	1.04	1.06	1.11	1.10	1.06	1.07	1.03	0.99
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.92	0.91	0.92	0.92	0.91	0.92	0.94	0.96
3-month	0.94	0.94	0.95	0.95	0.94	0.94	0.94	0.95
6-month	1.06	1.08	1.13	1.12	1.08	1.09	1.05	1.01
1-year	1.34	1.39	1.48	1.46	1.40	1.41	1.32	1.19
2-year	1.91	2.01	2.13	2.10	2.03	2.04	1.88	1.58
3-year	2.41	2.52	2.60	2.59	2.53	2.53	2.37	2.00
5-year	3.26	3.37	3.44	3.45	3.39	3.38	3.21	2.79
7-year	3.78	3.89	3.95	3.96	3.90	3.90	3.73	3.31
10-year	4.25	4.35	4.40	4.42	4.37	4.36	4.21	3.83
20-year	5.08	5.17	5.21	5.22	5.20	5.18	5.03	4.72
Inflation Indexed ¹¹								
5-year	0.91	0.98	1.01	1.03	0.95	0.98	0.86	0.52
7-year	1.38	1.46	1.49	1.49	1.43	1.45	1.35	0.98
10-year	1.81	1.88	1.91	1.93	1.87	1.88	1.78	1.47
Treasury long-term average								
Nominal ^{12 13}	5.12	5.20	5.23	5.26	5.24	5.21	5.09	4.79
Inflation indexed ¹⁴	2.17	2.23	2.27	2.29	2.25	2.24	2.15	1.93
Interest rate swaps ¹⁵								
1-year	1.52	1.56	1.64	1.65	1.60	1.59	1.51	1.33
2-year	2.22	2.29	2.40	2.40	2.35	2.33	2.19	1.87
3-year	2.81	2.89	2.99	3.01	2.95	2.93	2.76	2.38
4-year	3.27	3.36	3.47	3.48	3.43	3.40	3.22	2.81
5-year	3.65	3.74	3.85	3.83	3.80	3.77	3.59	3.16
7-year	4.16	4.25	4.36	4.34	4.31	4.28	4.10	3.68
10-year	4.65	4.74	4.84	4.81	4.79	4.76	4.59	4.19
30-year	5.39	5.46	5.53	5.51	5.50	5.48	5.34	5.05
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	5.64	5.73	5.76	5.80	5.77	5.74	5.61	5.33
Baa	6.38	6.46	6.48	6.51	6.48	6.46	6.36	6.11
State & local bonds ¹⁷				4.89		4.89	4.76	4.41
Conventional mortgages ¹⁸					5.89	5.89	5.79	5.45

See overleaf for footnotes
n.a. -- not available

FEDERAL RESERVE statistical release



These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES Yields in percent per annum

For immediate release
April 12, 2004

Instruments	2004 Apr 5	2004 Apr 6	2004 Apr 7	2004 Apr 8	2004 Apr 9 *	Week Ending		2004 Mar
						Apr 9	Apr 2	
Federal funds (effective) ^{1 2 3}	1.01	1.00	1.00	1.02	1.01	1.01	1.01	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	0.99	1.00	1.00	1.00		1.00	1.01	0.99
2-month	1.01	1.00	1.01	1.00		1.01	1.00	1.00
3-month	n.a.	n.a.	n.a.	1.01		1.01	1.01	1.00
Financial								
1-month	1.01	1.02	1.03	1.01	1.00	1.01	1.02	1.01
2-month	1.04	1.02	1.03	1.01	1.02	1.02	1.03	1.02
3-month	1.04	1.04	1.04	1.04	n.a.	1.04	1.04	1.03
CDs (secondary market) ^{3 6}								
1-month	1.04	1.04	1.04	1.04		1.04	1.04	1.03
3-month	1.07	1.07	1.07	1.06		1.07	1.06	1.05
6-month	1.16	1.16	1.15	1.15		1.16	1.11	1.09
Eurodollar deposits (London) ^{3 7}								
1-month	1.02	1.02	1.03	1.02		1.02	1.02	1.02
3-month	1.06	1.07	1.06	1.06		1.06	1.04	1.04
6-month	1.15	1.15	1.14	1.14		1.15	1.08	1.08
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.93	0.93	0.93	0.92		0.93	0.94	0.95
3-month	0.93	0.92	0.93	0.92		0.93	0.93	0.94
6-month	1.04	1.02	1.02	1.02		1.03	1.00	0.99
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.94	0.94	0.94	0.93		0.94	0.95	0.96
3-month	0.94	0.94	0.95	0.93		0.94	0.95	0.95
6-month	1.06	1.04	1.04	1.04		1.05	1.02	1.01
1-year	1.34	1.31	1.31	1.32		1.32	1.23	1.19
2-year	1.91	1.86	1.87	1.88		1.88	1.67	1.58
3-year	2.40	2.35	2.36	2.37		2.37	2.10	2.00
5-year	3.24	3.19	3.19	3.22		3.21	2.91	2.79
7-year	3.76	3.70	3.71	3.73		3.73	3.43	3.31
10-year	4.24	4.19	4.19	4.21		4.21	3.95	3.83
20-year	5.05	5.01	5.02	5.04		5.03	4.82	4.72
Inflation Indexed ¹¹								
5-year	0.84	0.82	0.91	0.88		0.86	0.59	0.52
7-year	1.32	1.30	1.39	1.37		1.35	1.06	0.98
10-year	1.75	1.73	1.82	1.80		1.78	1.53	1.47
Treasury long-term average								
Nominal ^{12 13}	5.10	5.07	5.08	5.09		5.09	4.89	4.79
Inflation indexed ¹⁴	2.12	2.11	2.19	2.16		2.15	1.97	1.93
Interest rate swaps ¹⁵								
1-year	1.53	1.51	1.48	1.51		1.51	1.39	1.33
2-year	2.22	2.19	2.15	2.20		2.19	1.97	1.87
3-year	2.79	2.76	2.72	2.78		2.76	2.49	2.38
4-year	3.25	3.22	3.18	3.23		3.22	2.93	2.81
5-year	3.62	3.58	3.54	3.60		3.59	3.28	3.16
7-year	4.14	4.10	4.06	4.11		4.10	3.81	3.68
10-year	4.62	4.59	4.55	4.60		4.59	4.32	4.19
30-year	5.37	5.35	5.31	5.35		5.34	5.16	5.05
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	5.62	5.60	5.59	5.62		5.61	5.43	5.33
Baa	6.37	6.35	6.34	6.36		6.36	6.21	6.11
State & local bonds ¹⁷				4.76		4.76	4.59	4.41
Conventional mortgages ¹⁸					5.79	5.79	5.52	5.45

See overleaf for footnotes

* Markets closed

n.a. -- not available

FEDERAL RESERVE statistical release



These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES

For immediate release
April 5, 2004

Yields in percent per annum

Instruments	2004 Mar 29	2004 Mar 30	2004 Mar 31	2004 Apr 1	2004 Apr 2	Week Ending		2004 Mar
						Apr 2	Mar 26	
Federal funds (effective) ^{1 2 3}	1.00	0.98	1.05	1.03	1.00	1.01	0.99	1.00
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	1.05	1.00	0.99	1.00	1.01	1.01	0.98	0.99
2-month	0.99	1.00	1.01	0.99	1.00	1.00	1.00	1.00
3-month	1.00	1.00	1.02	n.a.	n.a.	1.01	1.01	1.00
Financial								
1-month	1.03	1.02	1.02	1.01	1.02	1.02	1.01	1.01
2-month	1.04	1.03	1.02	1.04	1.03	1.03	1.02	1.02
3-month	1.03	1.04	1.04	1.04	1.06	1.04	1.03	1.03
CDs (secondary market) ^{3 6}								
1-month	1.03	1.04	1.04	1.04	1.04	1.04	1.03	1.03
3-month	1.05	1.06	1.06	1.05	1.08	1.06	1.04	1.05
6-month	1.09	1.09	1.10	1.09	1.16	1.11	1.08	1.09
Eurodollar deposits (London) ^{3 7}								
1-month	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
3-month	1.03	1.04	1.05	1.04	1.04	1.04	1.04	1.04
6-month	1.06	1.09	1.09	1.09	1.09	1.08	1.07	1.08
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.94	0.96	0.95	0.94	0.92	0.94	0.94	0.95
3-month	0.95	0.94	0.93	0.92	0.93	0.93	0.93	0.94
6-month	1.00	0.99	0.99	1.00	1.01	1.00	0.98	0.99
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.95	0.97	0.96	0.95	0.93	0.95	0.95	0.96
3-month	0.96	0.96	0.95	0.93	0.95	0.95	0.94	0.95
6-month	1.02	1.01	1.01	1.02	1.03	1.02	1.00	1.01
1-year	1.21	1.21	1.20	1.23	1.30	1.23	1.17	1.19
2-year	1.63	1.63	1.60	1.65	1.86	1.67	1.53	1.58
3-year	2.05	2.05	1.99	2.06	2.33	2.10	1.93	2.00
5-year	2.86	2.86	2.80	2.87	3.15	2.91	2.71	2.79
7-year	3.39	3.39	3.33	3.38	3.66	3.43	3.24	3.31
10-year	3.91	3.91	3.86	3.91	4.15	3.95	3.76	3.83
20-year	4.80	4.80	4.77	4.77	4.97	4.82	4.65	4.72
Inflation Indexed ¹¹								
5-year	0.55	0.57	0.51	0.53	0.77	0.59	0.45	0.52
7-year	1.02	1.04	0.99	1.01	1.25	1.06	0.93	0.98
10-year	1.50	1.52	1.48	1.48	1.69	1.53	1.42	1.47
Treasury long-term average								
Nominal ^{12 13}	4.86	4.86	4.83	4.86	5.03	4.89	4.73	4.79
Inflation indexed ¹⁴	1.94	1.96	1.93	1.93	2.08	1.97	1.90	1.93
Interest rate swaps ¹⁵								
1-year	1.36	1.35	1.35	1.38	1.52	1.39	1.30	1.33
2-year	1.93	1.90	1.90	1.95	2.16	1.97	1.81	1.87
3-year	2.45	2.42	2.41	2.47	2.72	2.49	2.31	2.38
4-year	2.89	2.85	2.85	2.91	3.15	2.93	2.73	2.81
5-year	3.25	3.20	3.20	3.26	3.51	3.28	3.07	3.16
7-year	3.78	3.73	3.73	3.79	4.02	3.81	3.60	3.68
10-year	4.29	4.25	4.25	4.30	4.51	4.32	4.11	4.19
30-year	5.14	5.10	5.09	5.15	5.29	5.16	4.98	5.05
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	5.40	5.41	5.37	5.40	5.55	5.43	5.28	5.33
Baa	6.19	6.19	6.15	6.18	6.32	6.21	6.09	6.11
State & local bonds ¹⁷				4.59		4.59	4.41	4.41
Conventional mortgages ¹⁸					5.52	5.52	5.40	5.45

See overleaf for footnotes
n.a. -- not available

FEDERAL RESERVE statistical release



These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES Yields in percent per annum

For immediate release
March 29, 2004

Instruments	2004 Mar 22	2004 Mar 23	2004 Mar 24	2004 Mar 25	2004 Mar 26	Week Ending		2004 Feb
						Mar 26	Mar 19	
Federal funds (effective) ^{1 2 3}	1.01	0.99	0.99	1.02	1.00	0.99	1.00	1.01
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	0.98	0.98	0.97	0.99	0.99	0.98	0.99	0.99
2-month	1.00	1.00	1.00	0.99	0.99	1.00	0.99	1.01
3-month	1.02	n.a.	1.01	1.00	1.02	1.01	1.01	1.01
Financial								
1-month	1.02	1.01	1.02	1.01	1.01	1.01	1.01	1.01
2-month	1.02	1.02	1.02	1.02	1.03	1.02	1.02	1.02
3-month	1.03	1.02	1.03	1.03	1.02	1.03	1.02	1.03
CDs (secondary market) ^{3 6}								
1-month	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
3-month	1.04	1.04	1.04	1.04	1.05	1.04	1.04	1.05
6-month	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.11
Eurodollar deposits (London) ^{3 7}								
1-month	1.02	1.01	1.02	1.02	1.02	1.02	1.02	1.02
3-month	1.04	1.03	1.04	1.04	1.04	1.04	1.04	1.04
6-month	1.07	1.06	1.07	1.08	1.08	1.07	1.07	1.10
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.93	0.95	0.94	0.92	0.93	0.93	0.93	0.90
3-month	0.94	0.93	0.92	0.94	0.93	0.93	0.93	0.93
6-month	1.00	0.99	0.98	0.97	0.98	0.98	0.99	0.99
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.94	0.96	0.95	0.95	0.94	0.95	0.94	0.92
3-month	0.95	0.95	0.93	0.94	0.95	0.94	0.94	0.94
6-month	1.02	1.01	1.00	0.99	1.00	1.00	1.01	1.01
1-year	1.17	1.17	1.16	1.15	1.19	1.17	1.18	1.24
2-year	1.52	1.52	1.50	1.51	1.59	1.53	1.54	1.74
3-year	1.93	1.92	1.91	1.91	2.00	1.93	1.94	2.25
5-year	2.69	2.69	2.68	2.70	2.81	2.71	2.70	3.07
7-year	3.22	3.21	3.21	3.23	3.33	3.24	3.23	3.59
10-year	3.74	3.73	3.73	3.75	3.85	3.76	3.75	4.08
20-year	4.63	4.62	4.62	4.65	4.75	4.65	4.65	4.94
Inflation Indexed ¹¹								
5-year	0.45	0.45	0.41	0.44	0.51	0.45	0.45	0.86
7-year	0.93	0.92	0.88	0.91	0.99	0.93	0.92	1.31
10-year	1.42	1.41	1.38	1.40	1.47	1.42	1.41	1.76
Treasury long-term average								
Nominal ^{12 13}	4.71	4.70	4.70	4.73	4.81	4.73	4.73	4.99
Inflation indexed ¹⁴	1.92	1.91	1.87	1.89	1.92	1.90	1.90	2.15
Interest rate swaps ¹⁵								
1-year	1.30	1.30	1.29	1.31	1.32	1.30	1.31	1.41
2-year	1.81	1.81	1.79	1.81	1.82	1.81	1.82	2.05
3-year	2.31	2.30	2.28	2.31	2.33	2.31	2.32	2.63
4-year	2.74	2.71	2.69	2.74	2.77	2.73	2.73	3.09
5-year	3.08	3.05	3.04	3.08	3.11	3.07	3.07	3.45
7-year	3.60	3.57	3.56	3.60	3.54	3.60	3.59	3.97
10-year	4.12	4.09	4.07	4.12	4.16	4.11	4.10	4.46
30-year	4.98	4.96	4.95	4.99	5.03	4.98	4.97	5.25
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	5.24	5.26	5.26	5.28	5.36	5.28	5.28	5.50
Baa	6.06	6.06	6.06	6.09	6.16	6.09	6.07	6.27
State & local bonds ¹⁷				4.41		4.41	4.35	4.55
Conventional mortgages ¹⁸					5.40	5.40	5.38	5.64

See overleaf for footnotes
n.a.-- not available



FEDERAL RESERVE statistical release

These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519) SELECTED INTEREST RATES

Yields in percent per annum

For immediate release
March 22, 2004

Instruments	2004 Mar 15	2004 Mar 16	2004 Mar 17	2004 Mar 18	2004 Mar 19	Week Ending		2004 Feb
						Mar 19	Mar 12	
Federal funds (effective) ^{1 2 3}	1.05	0.99	1.00	1.00	0.99	1.00	1.00	1.01
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	0.97	0.99	0.99	0.99	0.99	0.99	0.99	0.99
2-month	1.00	0.98	1.00	0.99	1.00	0.99	1.00	1.01
3-month	1.00	n.a.	n.a.	1.01	1.01	1.01	1.00	1.01
Financial								
1-month	1.01	1.01	1.02	1.01	1.01	1.01	1.01	1.01
2-month	1.02	1.04	1.01	1.01	1.03	1.02	1.02	1.02
3-month	1.02	1.02	1.03	1.02	1.03	1.02	1.03	1.03
CDs (secondary market) ^{3 6}								
1-month	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
3-month	1.04	1.04	1.04	1.05	1.04	1.04	1.04	1.05
6-month	1.08	1.09	1.07	1.08	1.08	1.08	1.08	1.11
Eurodollar deposits (London) ^{3 7}								
1-month	1.02	1.02	1.02	1.02	1.01	1.02	1.01	1.02
3-month	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04
6-month	1.07	1.08	1.07	1.07	1.07	1.07	1.07	1.10
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.93	0.96	0.93	0.92	0.92	0.93	0.95	0.90
3-month	0.95	0.94	0.92	0.92	0.92	0.93	0.94	0.93
6-month	1.00	0.99	0.99	0.98	0.99	0.99	0.98	0.99
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.94	0.97	0.94	0.93	0.93	0.94	0.96	0.92
3-month	0.96	0.96	0.93	0.93	0.94	0.94	0.96	0.94
6-month	1.02	1.01	1.01	1.00	1.01	1.01	1.00	1.01
1-year	1.18	1.17	1.18	1.17	1.19	1.18	1.16	1.24
2-year	1.56	1.51	1.53	1.55	1.56	1.54	1.53	1.74
3-year	1.97	1.89	1.92	1.96	1.97	1.94	1.94	2.25
5-year	2.74	2.65	2.66	2.72	2.75	2.70	2.72	3.07
7-year	3.25	3.17	3.18	3.25	3.28	3.23	3.23	3.59
10-year	3.78	3.70	3.71	3.76	3.80	3.75	3.75	4.08
20-year	4.67	4.61	4.62	4.66	4.68	4.65	4.66	4.94
Inflation Indexed ¹¹								
5-year	0.54	0.45	0.39	0.40	0.48	0.45	0.53	0.86
7-year	0.99	0.92	0.87	0.88	0.95	0.92	0.98	1.31
10-year	1.47	1.40	1.36	1.37	1.44	1.41	1.46	1.76
Treasury long-term average								
Nominal ^{12 13}	4.75	4.69	4.70	4.74	4.76	4.73	4.74	4.99
Inflation Indexed ¹⁴	1.92	1.87	1.86	1.89	1.94	1.90	1.91	2.15
Interest rate swaps ¹⁵								
1-year	1.31	1.33	1.29	1.31	1.31	1.31	1.30	1.41
2-year	1.82	1.87	1.79	1.82	1.83	1.82	1.80	2.05
3-year	2.32	2.38	2.26	2.32	2.33	2.32	2.31	2.63
4-year	2.73	2.78	2.66	2.72	2.76	2.73	2.73	3.09
5-year	3.08	3.12	2.99	3.05	3.09	3.07	3.07	3.45
7-year	3.60	3.65	3.52	3.58	3.62	3.59	3.60	3.97
10-year	4.11	4.15	4.03	4.09	4.13	4.10	4.12	4.46
30-year	4.98	5.01	4.92	4.97	4.99	4.97	4.99	5.25
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	5.28	5.27	5.27	5.28	5.31	5.28	5.27	5.50
Baa	6.09	6.04	6.04	6.08	6.10	6.07	6.06	6.27
State & local bonds ¹⁷				4.35		4.35	4.35	4.55
Conventional mortgages ¹⁸					5.38	5.38	5.41	5.64

See overleaf for footnotes
n.a. - not available



FEDERAL RESERVE statistical release

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H.15 (519) SELECTED INTEREST RATES Yields in percent per annum

For immediate release
 March 15, 2004

Instruments	2004	2004	2004	2004	2004	Week Ending		2004 Feb
	Mar 8	Mar 9	Mar 10	Mar 11	Mar 12	Mar 12	Mar 5	
Federal funds (effective) ^{1 2 3}	1.00	0.99	1.00	1.01	0.99	1.00	1.03	1.01
Commercial paper ^{3 4 5}								
Nonfinancial								
1-month	0.99	0.98	0.99	0.98	0.99	0.99	0.99	0.99
2-month	1.00	1.00	1.00	0.99	0.99	1.00	1.00	1.01
3-month	1.00	0.99	n.a.	1.00	n.a.	1.00	1.00	1.01
Financial								
1-month	1.02	1.01	1.02	1.01	1.01	1.01	1.01	1.01
2-month	1.03	1.02	1.02	1.02	1.02	1.02	1.02	1.02
3-month	1.03	1.03	1.03	1.02	1.04	1.03	1.03	1.03
CDs (secondary market) ^{3 6}								
1-month	1.02	1.03	1.03	1.03	1.03	1.03	1.03	1.03
3-month	1.04	1.04	1.04	1.04	1.04	1.04	1.05	1.05
6-month	1.08	1.07	1.08	1.07	1.08	1.08	1.10	1.11
Eurodollar deposits (London) ^{3 7}								
1-month	1.02	1.01	1.02	1.01	1.01	1.01	1.02	1.02
3-month	1.04	1.03	1.04	1.04	1.04	1.04	1.04	1.04
6-month	1.08	1.08	1.07	1.07	1.06	1.07	1.09	1.10
Bank prime loan ^{2 3 8}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Discount window primary credit ^{2 9}	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.S. government securities								
Treasury bills (secondary market) ^{3 4}								
4-week	0.94	0.97	0.96	0.95	0.95	0.95	0.96	0.90
3-month	0.95	0.94	0.94	0.95	0.94	0.94	0.94	0.93
6-month	0.99	0.98	0.98	0.98	0.99	0.98	1.00	0.99
Treasury constant maturities								
Nominal ¹⁰								
1-month	0.95	0.98	0.97	0.96	0.96	0.96	0.97	0.92
3-month	0.96	0.96	0.96	0.97	0.96	0.96	0.96	0.94
6-month	1.01	1.00	1.00	1.00	1.01	1.00	1.02	1.01
1-year	1.15	1.15	1.17	1.15	1.18	1.16	1.23	1.24
2-year	1.52	1.51	1.54	1.52	1.54	1.53	1.69	1.74
3-year	1.95	1.92	1.94	1.95	1.95	1.94	2.16	2.25
5-year	2.74	2.68	2.71	2.72	2.73	2.72	2.98	3.07
7-year	3.26	3.20	3.21	3.23	3.24	3.23	3.49	3.59
10-year	3.78	3.73	3.74	3.74	3.78	3.75	4.00	4.08
20-year	4.69	4.64	4.65	4.66	4.68	4.66	4.86	4.94
Inflation Indexed ¹¹								
5-year	0.49	0.48	0.53	0.57	0.59	0.53	0.61	0.86
7-year	0.94	0.92	0.97	1.02	1.04	0.98	1.07	1.31
10-year	1.43	1.40	1.45	1.50	1.52	1.46	1.56	1.76
Treasury long-term average								
Nominal ^{12 13}	4.76	4.72	4.72	4.74	4.76	4.74	4.91	4.99
Inflation indexed ¹⁴	1.90	1.88	1.90	1.92	1.95	1.91	1.99	2.15
Interest rate swaps ¹⁵								
1-year	1.29	1.29	1.31	1.31	1.30	1.30	1.39	1.41
2-year	1.81	1.80	1.82	1.80	1.80	1.80	2.00	2.05
3-year	2.35	2.30	2.31	2.29	2.29	2.31	2.57	2.63
4-year	2.78	2.73	2.73	2.70	2.70	2.73	3.02	3.09
5-year	3.13	3.08	3.07	3.04	3.05	3.07	3.39	3.45
7-year	3.66	3.61	3.60	3.57	3.58	3.60	3.91	3.97
10-year	4.17	4.13	4.11	4.08	4.10	4.12	4.40	4.46
30-year	5.03	5.00	4.99	4.97	4.97	4.99	5.19	5.25
Corporate bonds								
Moody's seasoned								
Aaa ¹⁶	5.29	5.24	5.26	5.27	5.29	5.27	5.43	5.50
Baa	6.08	6.03	6.05	6.06	6.09	6.06	6.20	6.27
State & local bonds ¹⁷				4.35		4.35	4.54	4.55
Conventional mortgages ¹⁸					5.41	5.41	5.59	5.64

See overleaf for footnotes
 n.a. -- not available

FIRST CALL® EARNINGS VALUATION REPORT

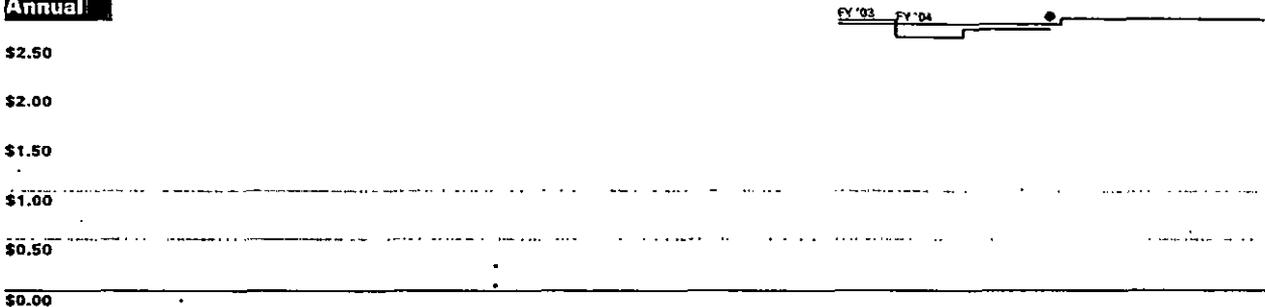
CH Energy Group Inc. (CHG)

Report as of 6/21/04

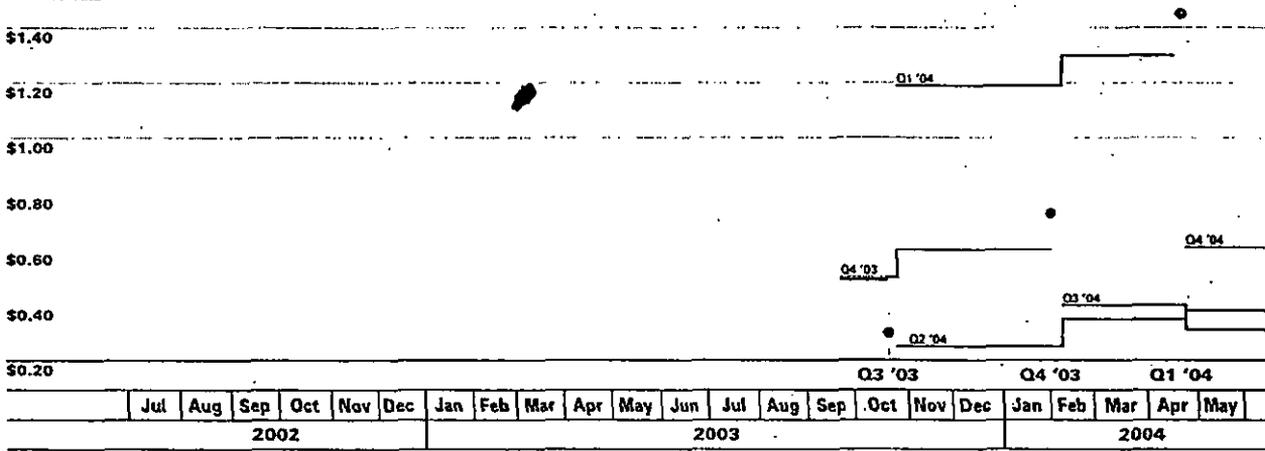
Historical EPS Consensus Expectations

Fiscal year ends Dec.

Annual

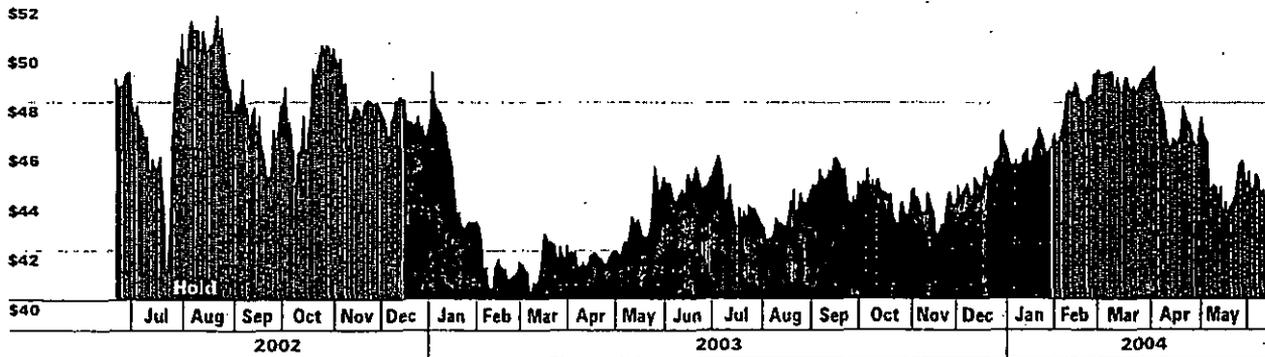


Quarterly



— EPS Expectation ● Actual Earnings Announcement (● Negative Surprise, ● Positive Surprise)

Stock Price and Recommendation History



Consensus Recommendation History

Strong Buy
1.0 - 1.5
Buy
1.6 - 2.5
Hold
2.6 - 3.5
Underperform
3.6 - 4.5
Sell
4.6 - 5.0

Year	Month	Recommendation
2002	Jul	Hold
2002	Aug	Hold
2002	Sep	Hold
2002	Oct	Hold
2002	Nov	Hold
2002	Dec	Hold
2003	Jan	Hold
2003	Feb	Hold
2003	Mar	Hold
2003	Apr	Hold
2003	May	Hold
2003	Jun	Hold
2003	Jul	Hold
2003	Aug	Hold
2003	Sep	Hold
2003	Oct	Hold
2003	Nov	Hold
2003	Dec	Hold
2004	Jan	Hold
2004	Feb	Hold
2004	Mar	Hold
2004	Apr	Hold
2004	May	Hold

FIRST CALL® EARNINGS VALUATION REPORT

CH Energy Group Inc.

continued

Stock Price

Price as of 6/18	\$45.00
Dividend Yield	NA
Beta	0.3
Industry	Electric
Sector	Utilities
Fiscal Year Ends	December

Expected Annual Growth Rates

Five year estimate

CHG	NA
Industry	5.3%
Sector	5.4%
Market	11.4%

PEG Ratio

A Way To Value Growth

	← LESS EXPENSIVE →	← MORE EXPENSIVE →
CHG	NA	
Industry	2.20	
Sector	2.19	
Market	1.34	

CHG's next earnings announcement is expected during the week of July 21st.

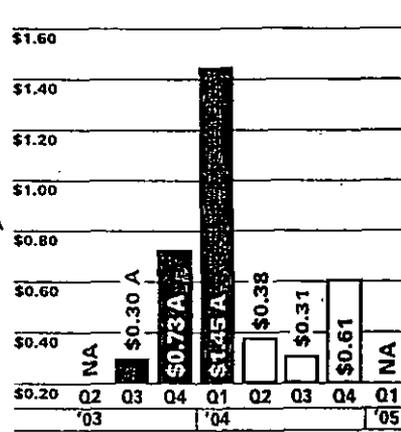
For comparison purposes, CHG's average growth rate during the last 5 years was -3.6% per year.

The PEG Ratio is the P/E Ratio divided by the expected growth rate. The higher the PEG ratio, the more expensive the stock.

Quarterly EPS Consensus Expectations

	Q2 '04	Q3 '04	Q4 '04	Q1 '05
Mean as of 2/3/04	\$0.38	\$0.31	\$0.61	NA
Previous Mean	NA	NA	NA	NA
# of Brokers	1	1	1	0
Range (low/high)	NM	NM	NM	NA/NA
Std. Deviation	NA	NA	NA	NA
Announce Date	Wk of 7/21	Wk of 10/20	Wk of 1/31	Wk of 4/21
Same Qtr. Last Yr.	NA	\$0.30 A	\$0.73 A	\$1.45 A

Quarterly EPS Trend



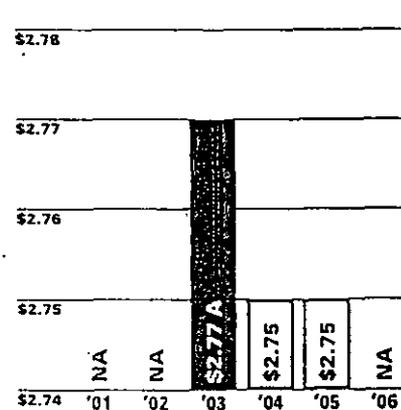
Change Over Same Quarter Last Year

	June	Sept	Dec	Mar
CH Energy Group Inc.	NA	3.3%	-16.4%	NA
Industry - Electric	3.5%	-1.3%	11.6%	NA
Sector - Utilities	3.1%	-2.2%	9.8%	NA
WSJ/DJ US Index	17.0%	18.5%	17.5%	NA

Annual EPS Consensus Expectations

	FY '04	FY '05	FY '06
Mean as of 2/3/04	\$2.75	\$2.75	NA
Previous Mean	NA	NA	NA
# of Brokers	1	1	NA
Range (low/high)	NM	NM	NA/NA
Std. Deviation	NA	NA	NA
Announce Date	Wk of 1/31		
Year Ago EPS	\$2.77 A		

Annual EPS Trend



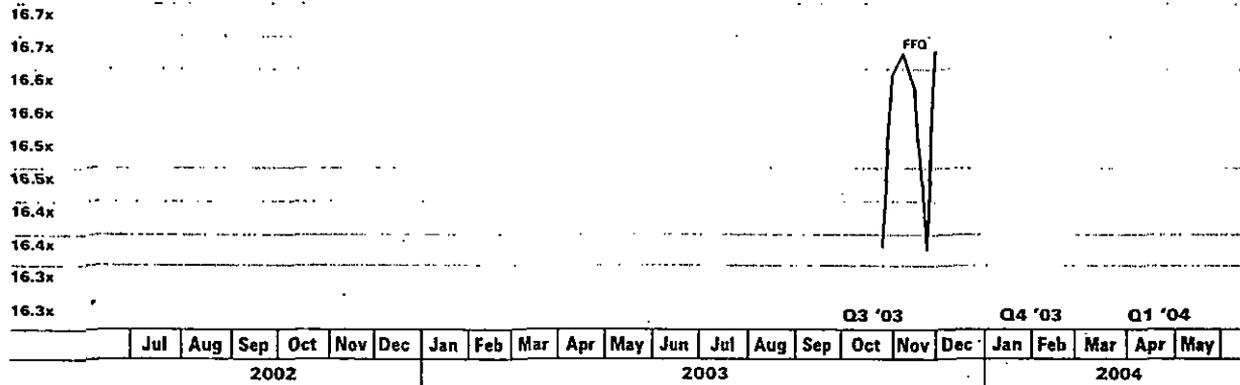
Change Over Previous Year

	'04	'05	'06
CH Energy Group Inc.	-0.7%	0.0%	NA
Industry - Electric	3.4%	NA	NA
Sector - Utilities	3.9%	NA	NA
WSJ/DJ US Index	15.5%	NA	NA

FIRST CALL® EARNINGS VALUATION REPORT

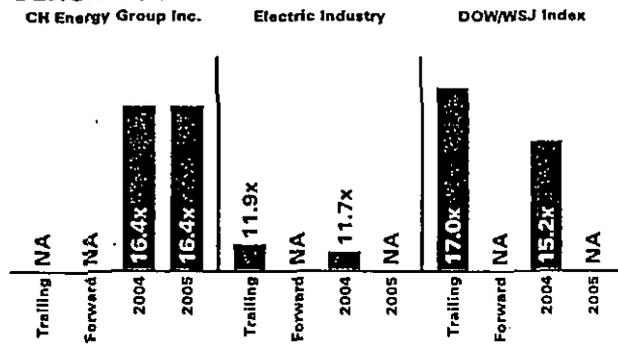
CH Energy Group Inc. continued

Historical P/E



FFQ is Price divided by Forward Four Quarters EPS estimate, TFO is Price divided by Trailing Four Quarters actual EPS. Lines do not appear for any week where the P/E is not meaningful.

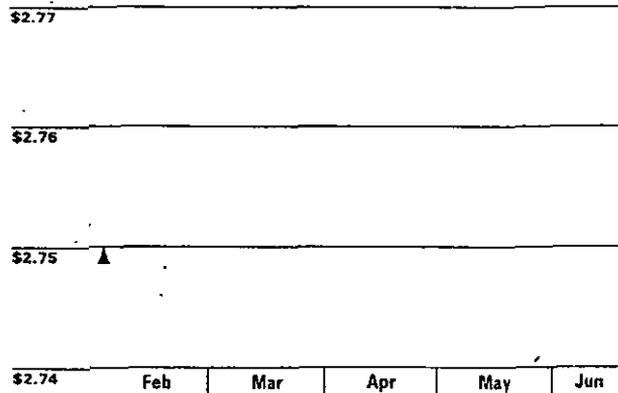
Current P/E



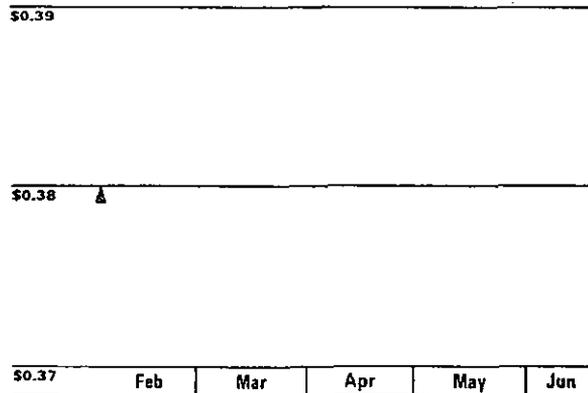
Current Recommendation

Opinion	Analysts with Opinion
Strong Buy	
Buy	
Hold	1
Underperform	
Sell - 5.0	1
Analysts Included in Consensus	2

Current Distribution of Estimates for This Year (FY '04)



Current Distribution of Estimates for This Quarter (Q2 '04)



▲ Analysts revising upwards, ▼ analysts revising downwards, ● and initial estimates.

■ FIRST CALL® EARNINGS VALUATION REPORT

CH Energy Group Inc.

continued

Earnings Notes and Announcements

Q1 '04 ↑ On 30-Jan-04, the company guided FY '04 estimates to between 2.60 and 2.85 -- Est at annc 2.69. On 30-Jan-04, the company guided FY '04 estimates to between 2.60 and 2.85 -- Est at annc 2.69. On 30-Jan-04, the company guided FY '04 estimates to between 2.60 and 2.85 -- Est at annc 2.69. On 30-Jan-04, the company guided FY '04 estimates to between 2.60 and 2.85 -- Est at annc 2.69. On 30-Jan-04, the company guided FY '04 estimates to between 2.60 and 2.85 -- Est at annc 2.69. On 21-Apr-04, the company guided FY '04 estimates to between 2.60 and 2.85 -- Est at annc 2.75. On 21-Apr-04, the company announced a Positive Surprise of \$1.45 vs. expectation of \$1.30 (+11.5%).

Q4 '03 ↑ On 31-Jan-03, the company guided FY '03 estimates to between 2.55 and 2.75. On 21-Apr-03, the company guided FY '03 estimates to between 2.55 and 2.75. On 30-Jan-04, the company announced a Positive Surprise of \$0.73 vs. expectation of \$0.60 (+21.7%). FY '03 of \$2.77 vs. expectation of NA.

Footnotes

No footnotes are available for CHG.

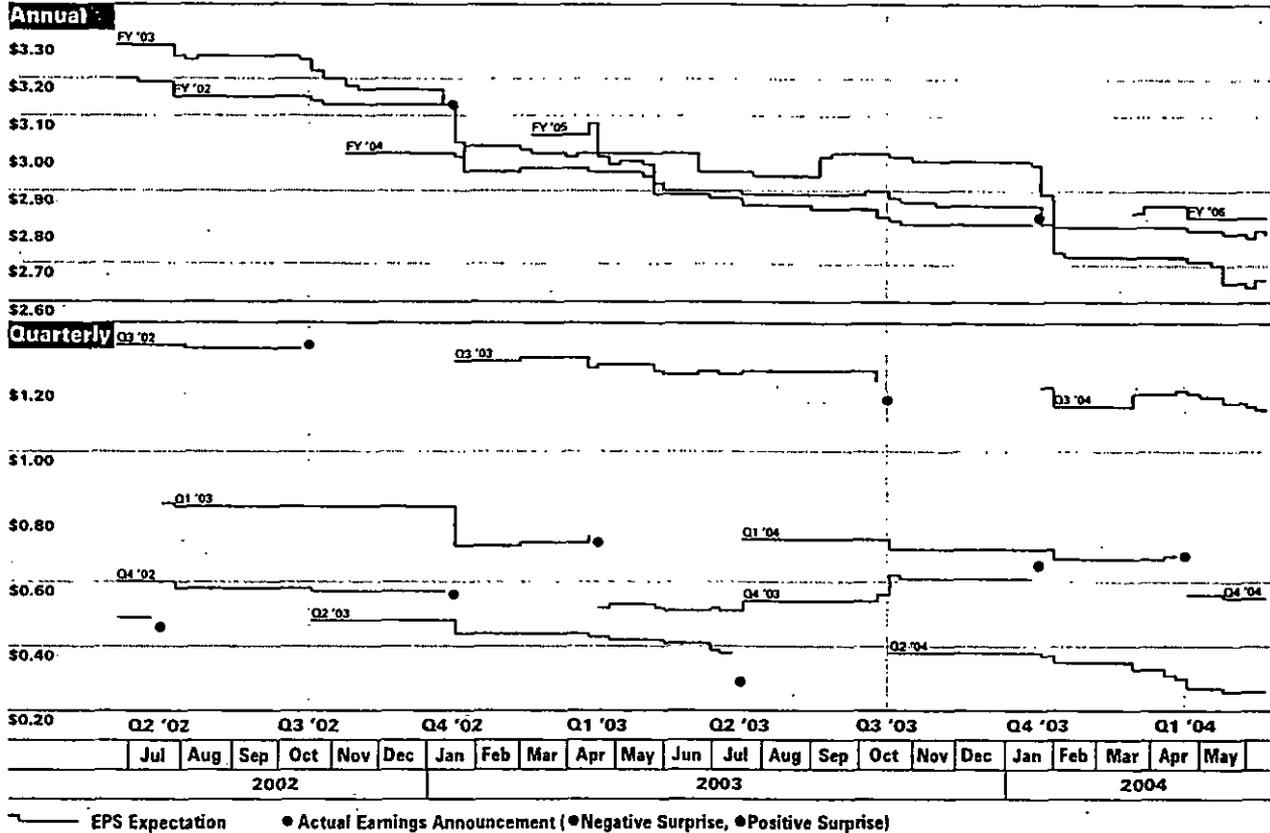
FIRST CALL® EARNINGS VALUATION REPORT

Consolidated Edison Inc (ED)

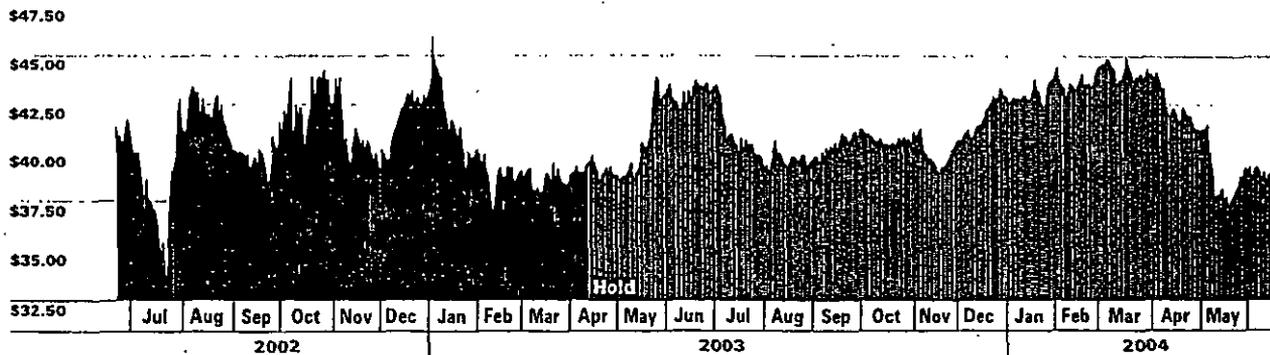
Report as of 6/21/04

Historical EPS Consensus Expectations

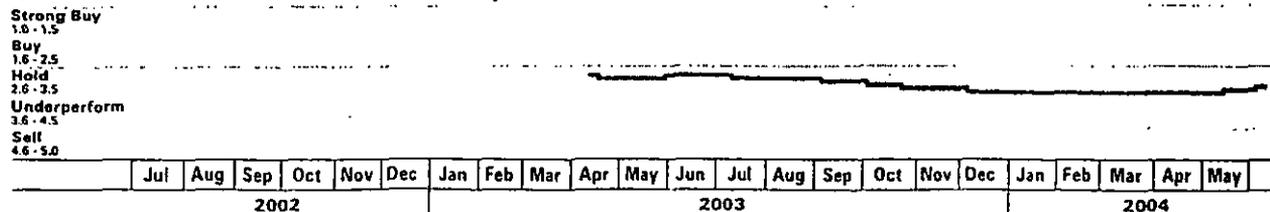
Fiscal year ends Dec.



Stock Price and Recommendation History



Consensus Recommendation History



FIRST CALL® EARNINGS VALUATION REPORT

Consolidated Edison Inc

continued

Stock Price

Price as of 6/18	\$39.53
Dividend Yield	NA
Beta	0.8
Industry	Electric
Sector	Utilities
Fiscal Year Ends	December

Expected Annual Growth Rates

Five year estimates from 7 analysts

ED	2.0%
Industry	5.3%
Sector	5.4%
Market	11.4%

PEG Ratio

A Way To Value Growth

ED	7.45
Industry	2.20
Sector	2.19
Market	1.34

ED's next earnings announcement is expected on **July 22nd**.

For comparison purposes, ED's average growth rate during the last 5 years was -2.3% per year.

The PEG Ratio is the P/E Ratio divided by the expected growth rate. The higher the PEG ratio, the more expensive the stock.

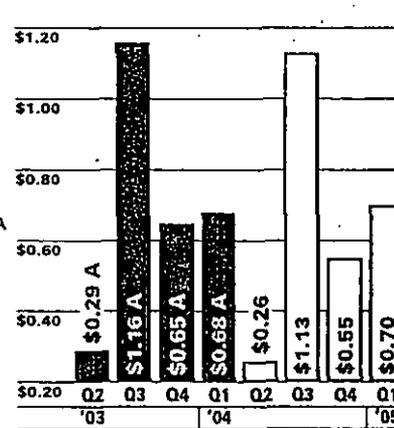
Quarterly EPS Consensus Expectations

	Q2 '04	Q3 '04	Q4 '04	Q1 '05
Mean as of 6/9/04	\$0.26	\$1.13	\$0.55	\$0.70
Previous Mean	\$0.27	\$1.14	\$0.56	\$0.71
# of Brokers	7	7	7	2
Range (low/high)	\$0.22/0.30	\$1.06/1.20	\$0.49/0.62	NM
Std. Deviation	\$0.03	\$0.05	\$0.05	\$0.00
Announce Date	7/22	Wk of 10/18	Wk of 1/24	Wk of 4/22
Same Qtr. Last Yr.	\$0.29 A	\$1.16 A	\$0.65 A	\$0.68 A

Change Over Same Quarter Last Year

	June	Sept	Dec	Mar
Consolidated Edison Inc	-10.3%	-2.6%	-15.4%	2.9%
Industry - Electric	3.5%	-1.3%	11.6%	NA
Sector - Utilities	3.1%	-2.2%	9.8%	NA
WSJ/DJ US Index	17.0%	18.5%	17.5%	NA

Quarterly EPS Trend



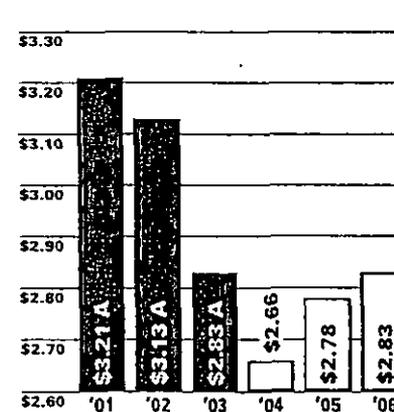
Annual EPS Consensus Expectations

	FY '04	FY '05	FY '06
Mean as of 6/9/04	\$2.66	\$2.78	\$2.83
Previous Mean	\$2.64	\$2.79	\$2.86
# of Brokers	15	14	2
Range (low/high)	\$2.55/2.95	\$2.65/2.95	\$2.80/2.86
Std. Deviation	\$0.09	\$0.08	\$0.04
Announce Date	Wk of 1/24		
Year Ago EPS	\$2.83 A		

Change Over Previous Year

	'04	'05	'06
Consolidated Edison Inc	-6.0%	4.5%	1.8%
Industry - Electric	3.4%	NA	NA
Sector - Utilities	3.9%	NA	NA
WSJ/DJ US Index	15.5%	NA	NA

Annual EPS Trend

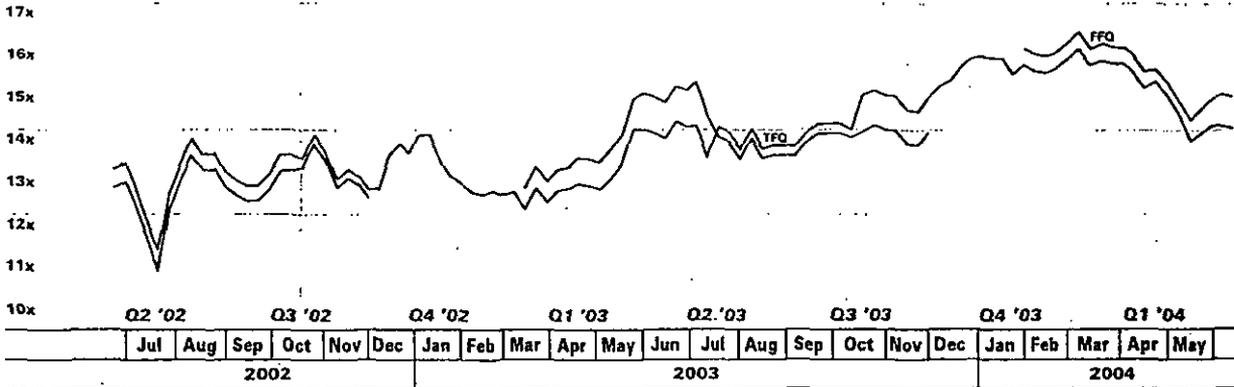


FIRST CALL® EARNINGS VALUATION REPORT

Consolidated Edison Inc

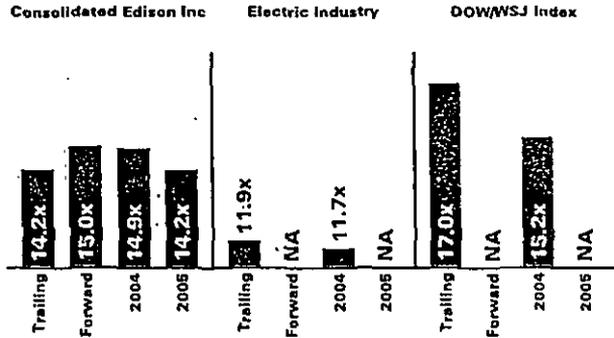
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Historical P/E



FFQ is Price divided by Forward Four Quarters EPS estimate, TFO is Price divided by Trailing Four Quarters actual EPS. Lines do not appear for any week where the P/E is not meaningful.

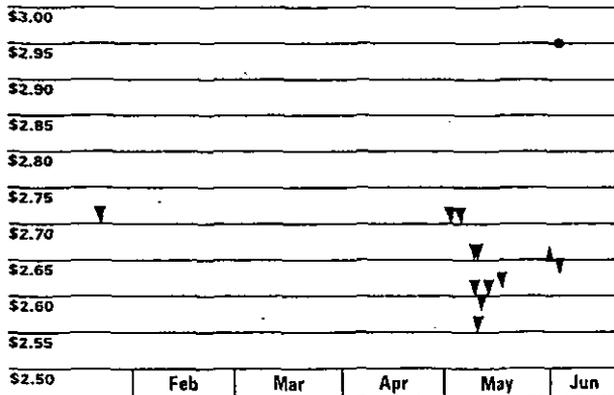
Current P/E



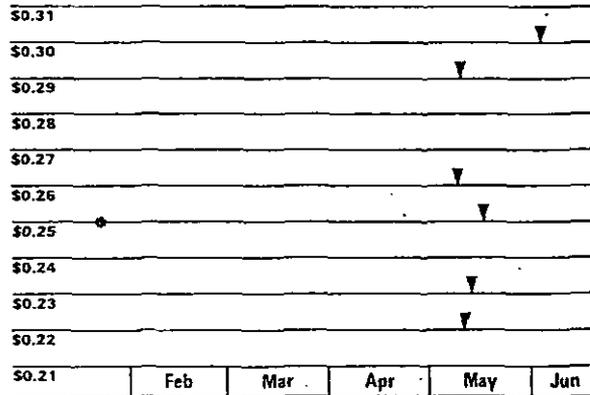
Current Recommendation

Opinion	Analysts with Opinion	Count
Strong Buy	1	1
Buy		
Hold - 3.2	11	11
Underperform	4	4
Sell	1	1
Analysts Included in Consensus		17

Current Distribution of Estimates for This Year (FY '04)



Current Distribution of Estimates for This Quarter (Q2 '04)



▲ Analysts revising upwards, ▼ analysts revising downwards, ● and initial estimates.

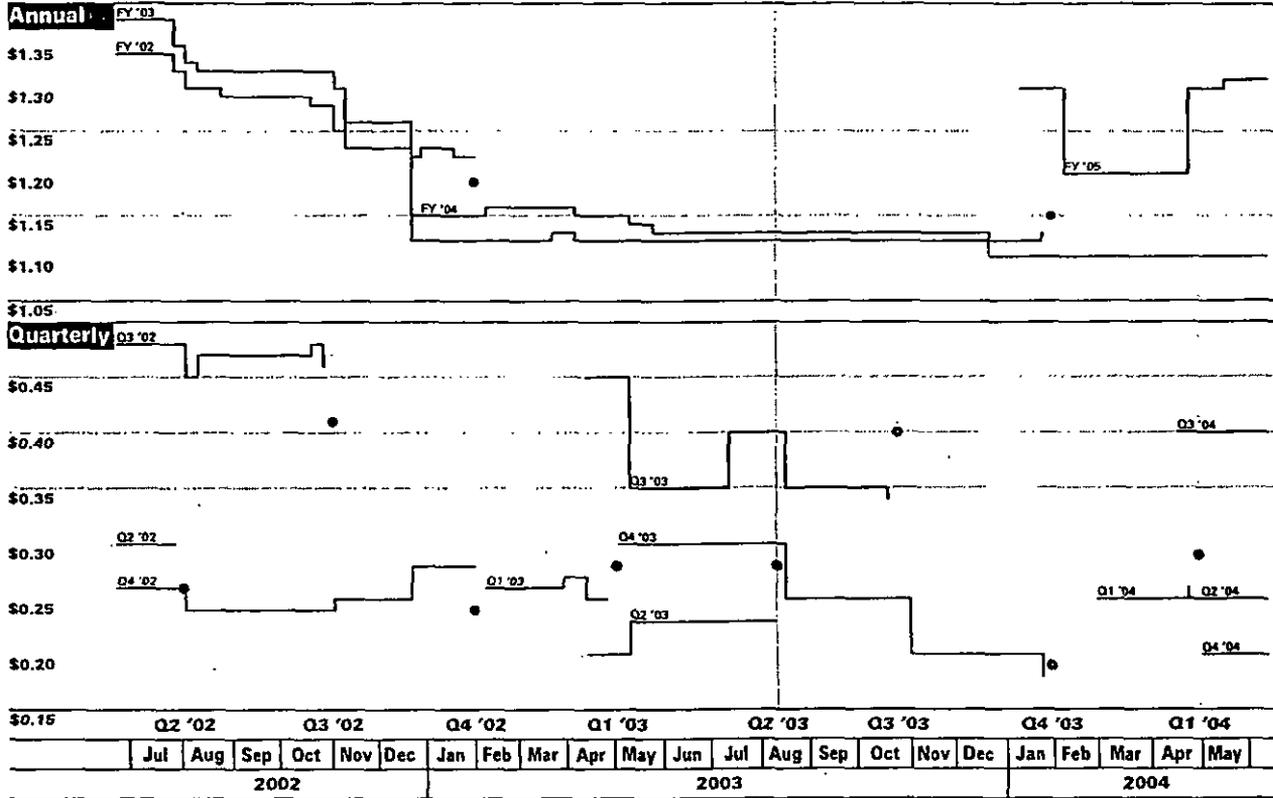
FIRST CALL® EARNINGS VALUATION REPORT

Duquesne Light Holdings Inc (DOE)

Report as of 6/21/04

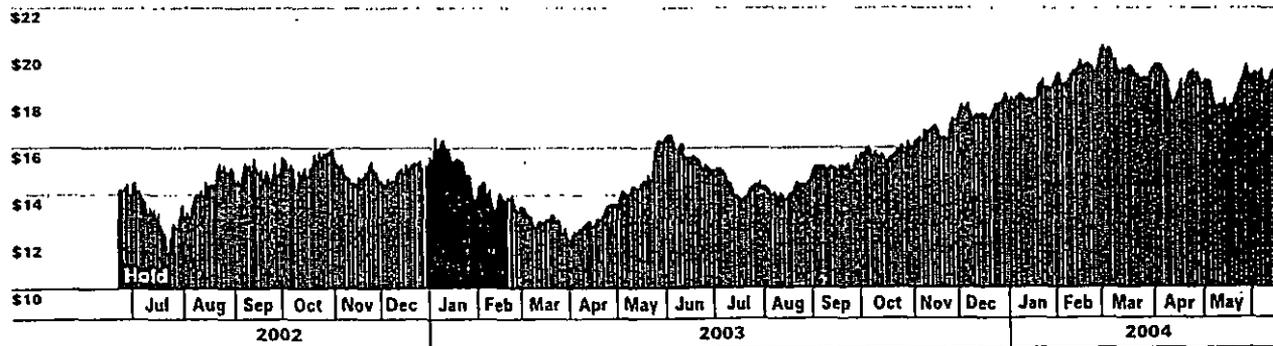
Historical EPS Consensus Expectations

Fiscal year ends Dec.

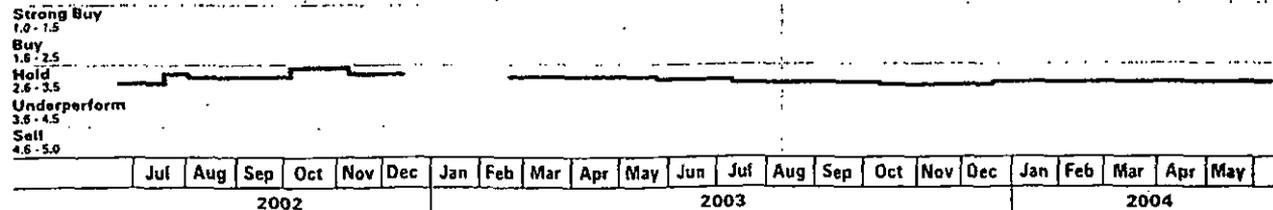


— EPS Expectation • Actual Earnings Announcement (● Negative Surprise, ● Positive Surprise)

Stock Price and Recommendation History



Consensus Recommendation History



FIRST CALL® EARNINGS VALUATION REPORT

Duquesne Light Holdings Inc

continued

Stock Price

Price as of 6/18	\$19.55
Dividend Yield	NA
Beta	0.7
Industry	Electric
Sector	Utilities
Fiscal Year Ends	December

Expected Annual Growth Rates

Five year estimates from 3 analysts

DQE	4.0%
Industry	5.3%
Sector	5.4%
Market	11.4%

PEG Ratio

A Way To Value Growth

	← Less EXPENSIVE →	More EXPENSIVE →
DQE	4.45	
Industry	2.20	
Sector	2.19	
Market	1.34	

DQE's next earnings announcement is expected during the week of August 11th.

For comparison purposes, DQE's average growth rate during the last 5 years was -25.1% per year.

The PEG Ratio is the P/E Ratio divided by the expected growth rate. The higher the PEG ratio, the more expensive the stock.

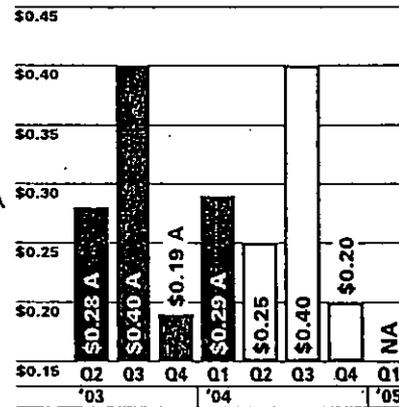
Quarterly EPS Consensus Expectations

	Q2 '04	Q3 '04	Q4 '04	Q1 '05
Mean as of 5/14/04	\$0.25	\$0.40	\$0.20	NA
Previous Mean	NA	NA	NA	NA
# of Brokers	2	1	1	0
Range (low/high)	NM	NM	NM	NA/NA
Std. Deviation	\$0.00	NA	NA	NA
Announce Date	Wk of 8/11	Wk of 10/25	Wk of 1/31	Wk of 4/29
Same Qtr. Last Yr.	\$0.28 A	\$0.40 A	\$0.19 A	\$0.29 A

Change Over Same Quarter Last Year

	June	Sept	Dec	Mar
Duquesne Light Holdings Inc	-10.7%	0.0%	5.3%	NA
Industry - Electric	3.5%	-1.3%	11.6%	NA
Sector - Utilities	3.1%	-2.2%	9.8%	NA
WSJ/DJ US Index	17.0%	18.5%	17.5%	NA

Quarterly EPS Trend



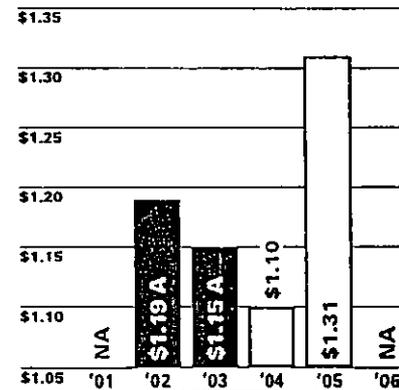
Annual EPS Consensus Expectations

	FY '04	FY '05	FY '06
Mean as of 5/14/04	\$1.10	\$1.31	NA
Previous Mean	\$1.11	\$1.30	NA
# of Brokers	5	5	NA
Range (low/high)	\$1.08/1.10	\$1.25/1.35	NA/NA
Std. Deviation	\$0.01	\$0.04	NA
Announce Date	Wk of 1/31		
Year Ago EPS	\$1.15 A		

Change Over Previous Year

	'04	'05	'06
Duquesne Light Holdings Inc	-4.3%	19.1%	NA
Industry - Electric	3.4%	NA	NA
Sector - Utilities	3.9%	NA	NA
WSJ/DJ US Index	15.5%	NA	NA

Annual EPS Trend

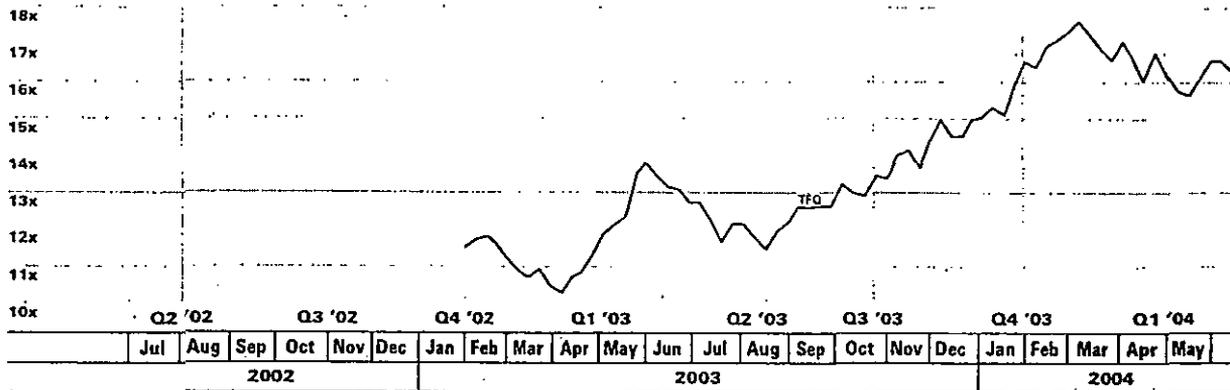


FIRST CALL® EARNINGS VALUATION REPORT

Duquesne Light Holdings Inc

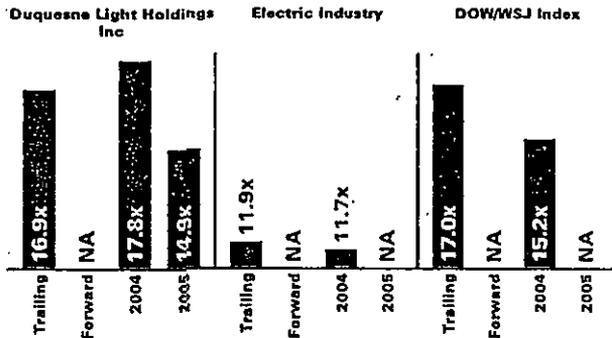
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Historical P/E



FFQ is Price divided by Forward Four Quarters EPS estimate, TFQ is Price divided by Trailing Four Quarters actual EPS. Lines do not appear for any week where the P/E is not meaningful.

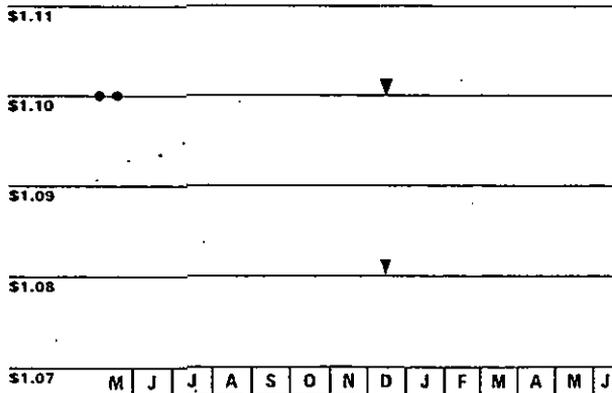
Current P/E



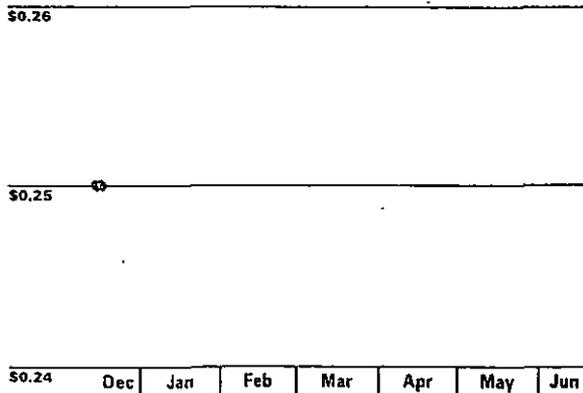
Current Recommendation

Opinion	Analysts with Opinion	Count
Strong Buy		
Buy		
Hold - 3.4		3
Underperform		2
Sell		
Analysts included in Consensus		5

Current Distribution of Estimates for This Year (FY '04)



Current Distribution of Estimates for This Quarter (Q2 '04)



▲ Analysts revising upwards, ▼ analysts revising downwards, ● and initial estimates.

FIRST CALL® EARNINGS VALUATION REPORT

Duquesne Light Holdings Inc

continued

Earnings Notes and Announcements

Q1 '04 ↑ On 29-Apr-04, the company guided FY '04 estimates to between 1.05 and 1.11 -- Est at annc 1.10. On 29-Apr-04, the company announced a Positive Surprise of \$0.29 vs. expectation of \$0.26 (+11.5%).

Q4 '03 ↑ On 29-Jan-04, the company announced a Positive Surprise of \$0.19 vs. expectation of \$0.18 (+5.6%). FY '03 of \$1.15 vs. expectation of \$1.13. On 29-Jan-04, the company issued this footnote: 0.89 income from discontinued operations.

Q3 '03 ↑ On 23-Oct-03, the company announced a Positive Surprise of \$0.40 vs. expectation of \$0.34 (+17.6%).

Q2 '03 ↑ On 11-Aug-03, the company announced a Positive Surprise of \$0.28 vs. expectation of \$0.23 (+21.7%).

Q1 '03 ↑ On 1-May-03, the company announced a Positive Surprise of \$0.28 vs. expectation of \$0.25 (+12.0%).

Q4 '02 ↓ On 31-Jan-03, the company announced a Negative Surprise of \$0.24 vs. expectation of \$0.28 (-14.3%). FY '02 of \$1.19 vs. expectation of \$1.22.

Q3 '02 • On 31-Oct-02, the company announced a Negative Report of \$0.41 vs. expectation of \$0.43 (-4.7%).

Q2 '02 ↓ On 1-Aug-02, the company announced a Negative Surprise of \$0.26 vs. expectation of \$0.30 (-13.3%).

Footnotes

No footnotes are available for DQE.

FIRST CALL® EARNINGS VALUATION REPORT

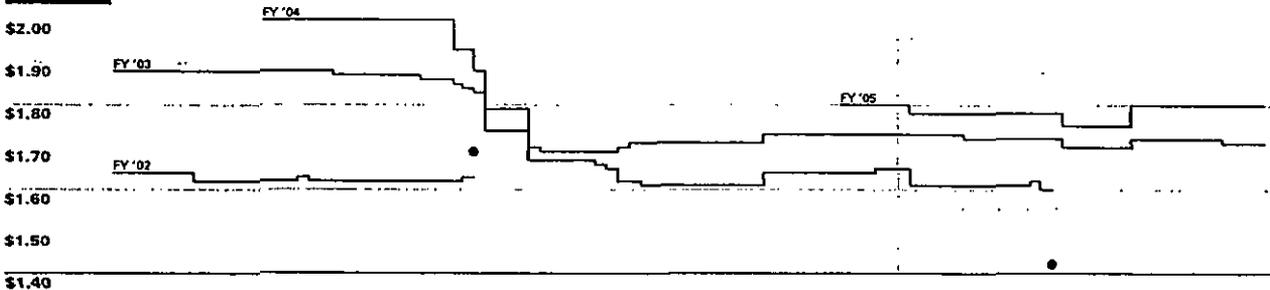
Energy East Corp (EAS)

Report as of 6/21/04

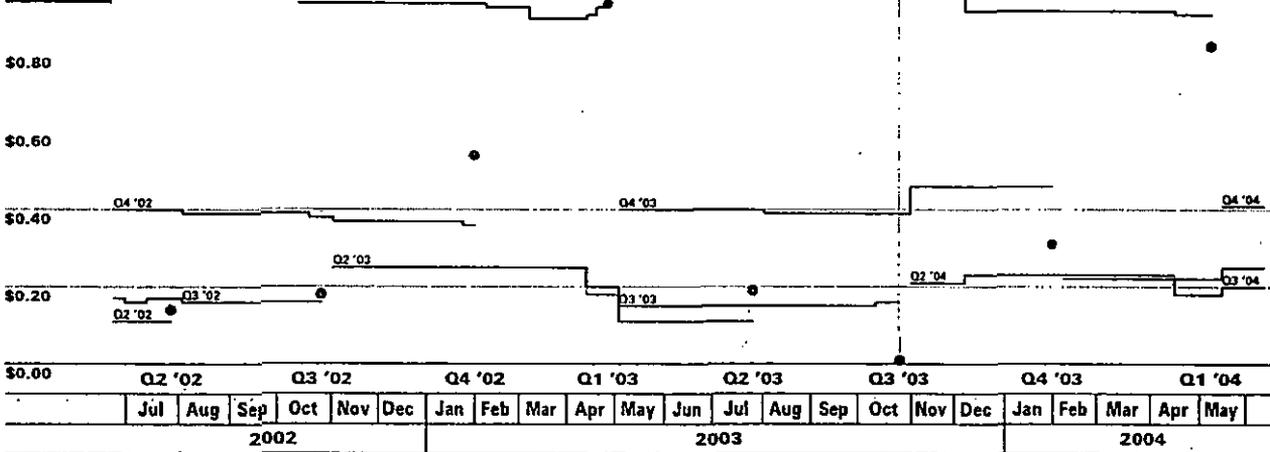
Historical EPS Consensus Expectations

Fiscal year ends Dec.

Annual

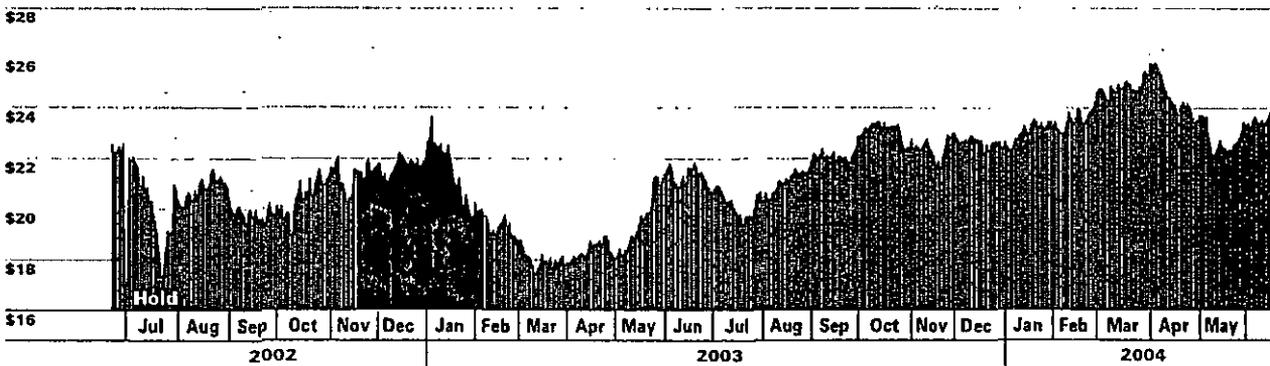


Quarterly



— EPS Expectation ● Actual Earnings Announcement (● Negative Surprise, ● Positive Surprise)

Stock Price and Recommendation History



Consensus Recommendation History

Strong Buy
1.0 - 1.5
Buy
1.6 - 2.5
Hold
2.6 - 3.5
Underperform
3.6 - 4.5
Sell
4.6 - 5.0

Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
2002																								
2003																								
2004																								

FIRST CALL EARNINGS VALUATION REPORT

Energy East Corp

continued

Stock Price	
Price as of 6/18	\$24.15
Dividend Yield	NA
Beta	0.5
Industry	Electric
Sector	Utilities
Fiscal Year Ends	December

Expected Annual Growth Rates	
Five year estimates from 6 analysts	
EAS	4.0%
Industry	5.3%
Sector	5.4%
Market	11.4%

PEG Ratio	
A Way To Value Growth	
	← Less Expensive →
	→ More Expensive ←
EAS	3.53
Industry	2.20
Sector	2.19
Market	1.34

EAS's next earnings announcement is expected during the week of August 6th.

For comparison purposes, EAS's average growth rate during the last 5 years was -7.8% per year.

The PEG Ratio is the P/E Ratio divided by the expected growth rate. The higher the PEG ratio, the more expensive the stock.

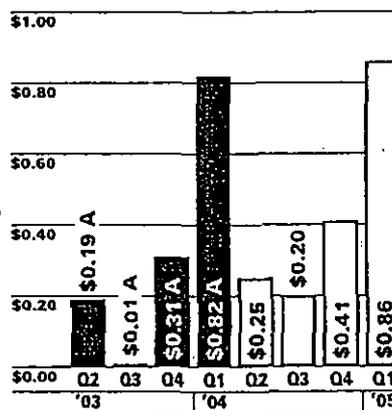
Quarterly EPS Consensus Expectations

	Q2 '04	Q3 '04	Q4 '04	Q1 '05
Mean as of 5/14/04	\$0.25	\$0.20	\$0.41	\$0.86
Previous Mean	\$0.22	\$0.18	\$0.42	NA
# of Brokers	4	3	3	1
Range (low/high)	\$0.23/0.30	\$0.17/0.22	\$0.40/0.43	NM
Std. Deviation	\$0.03	\$0.03	\$0.02	NA
Announce Date	Wk of 8/6		Wk of 1/31	Wk of 5/9
Same Qtr. Last Yr.	\$0.19 A	\$0.01 A	\$0.31 A	\$0.82 A

Change Over Same Quarter Last Year

	June	Sept	Dec	Mar
Energy East Corp	31.6%	NA	32.3%	4.9%
Industry - Electric	3.5%	-1.3%	11.6%	NA
Sector - Utilities	3.1%	-2.2%	9.8%	NA
WSJ/DJ US Index	17.0%	18.5%	17.5%	NA

Quarterly EPS Trend



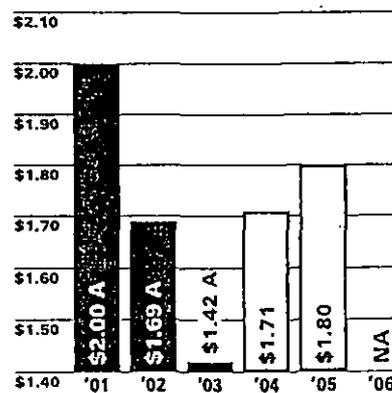
Annual EPS Consensus Expectations

	FY '04	FY '05	FY '06
Mean as of 5/14/04	\$1.71	\$1.80	NA
Previous Mean	\$1.72	\$1.77	NA
# of Brokers	9	9	NA
Range (low/high)	\$1.65/1.75	\$1.80/1.83	NA/NA
Std. Deviation	\$0.03	\$0.01	NA
Announce Date	Wk of 1/31		
Year Ago EPS	\$1.42 A		

Change Over Previous Year

	'04	'05	'06
Energy East Corp	20.4%	5.3%	NA
Industry - Electric	3.4%	NA	NA
Sector - Utilities	3.9%	NA	NA
WSJ/DJ US Index	15.5%	NA	NA

Annual EPS Trend

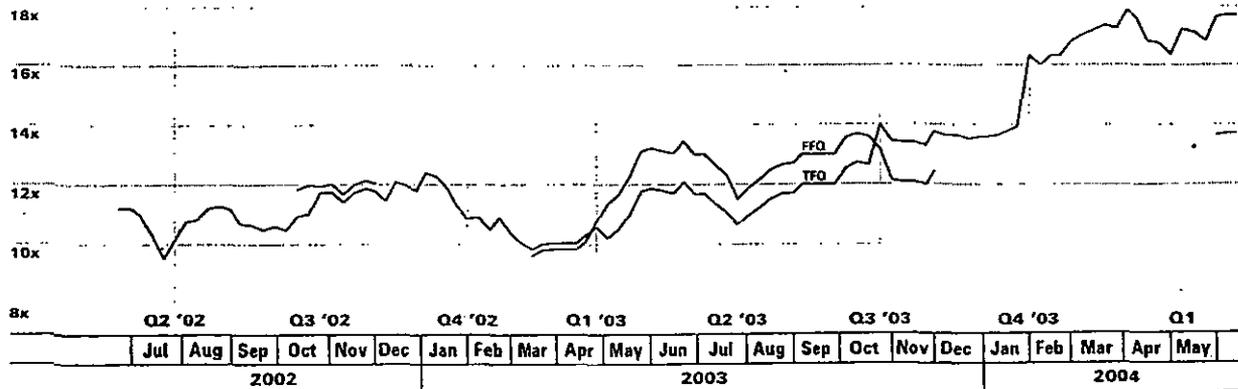


FIRST CALL® EARNINGS VALUATION REPORT

Energy East Corp

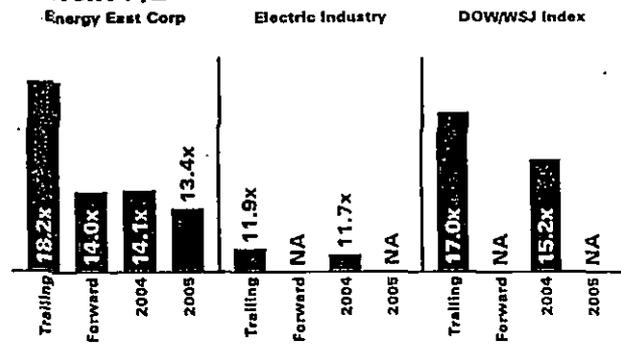
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Historical P/E



FFQ is Price divided by Forward Four Quarters EPS estimate, TFO is Price divided by Trailing Four Quarters actual EPS. Lines do not appear for any week where the P/E is not meaningful.

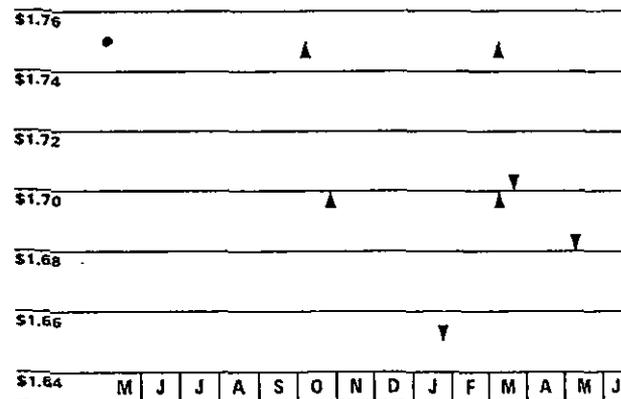
Current P/E



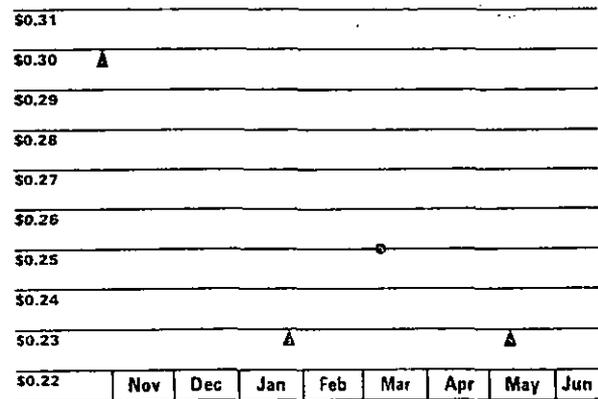
Current Recommendation

Opinion	Analysts with Opinion
Strong Buy	
Buy	
Hold - 3.0	9
Underperform	
Sell	
Analysts Included in Consensus	9

Current Distribution of Estimates for This Year (FY '04)



Current Distribution of Estimates for This Quarter (Q2 '04)



▲ Analysts revising upwards, ▼ analysts revising downwards, ● and initial estimates.

FIRST CALL® EARNINGS VALUATION REPORT

Energy East Corp

continued

Earnings Notes and Announcements

Q1 '04 ↓ On 7-May-04, the company announced a Negative Surprise of \$0.82 vs. expectation of \$0.90 (-8.9%).

Q4 '03 ↓ On 25-Apr-03, the company guided FY '03 estimates to between 1.55 and 1.70. On 24-Oct-03, the company guided FY '03 estimates to between 1.55 and 1.70 -- Est at annc 1.65. On 24-Oct-03, the company guided FY '03 estimates to between 1.55 and 1.70 -- Est at annc 1.65. On 24-Oct-03, the company guided FY '03 estimates to between 1.55 and 1.70 -- Est at annc 1.65. On 24-Oct-03, the company guided FY '03 estimates to between 1.55 and 1.70 -- Est at annc 1.65. On 30-Jan-04, the company announced a Negative Surprise of \$0.31 vs. expectation of \$0.46 (-32.6%). FY '03 of \$1.42 vs. expectation of \$1.60.

Q3 '03 ↓ On 24-Oct-03, the company announced a Negative Surprise of \$0.01 vs. expectation of \$0.16 (-93.8%). On 24-Oct-03, the company issued this footnote: 0.05 Loss from discontinued operations.

Q2 '03 ↑ On 25-Jul-03, the company announced a Positive Surprise of \$0.19 vs. expectation of \$0.11 (+72.7%).

Q1 '03 • On 25-Apr-03, the company announced a Positive Report of \$0.93 vs. expectation of \$0.92 (+1.1%).

Footnotes

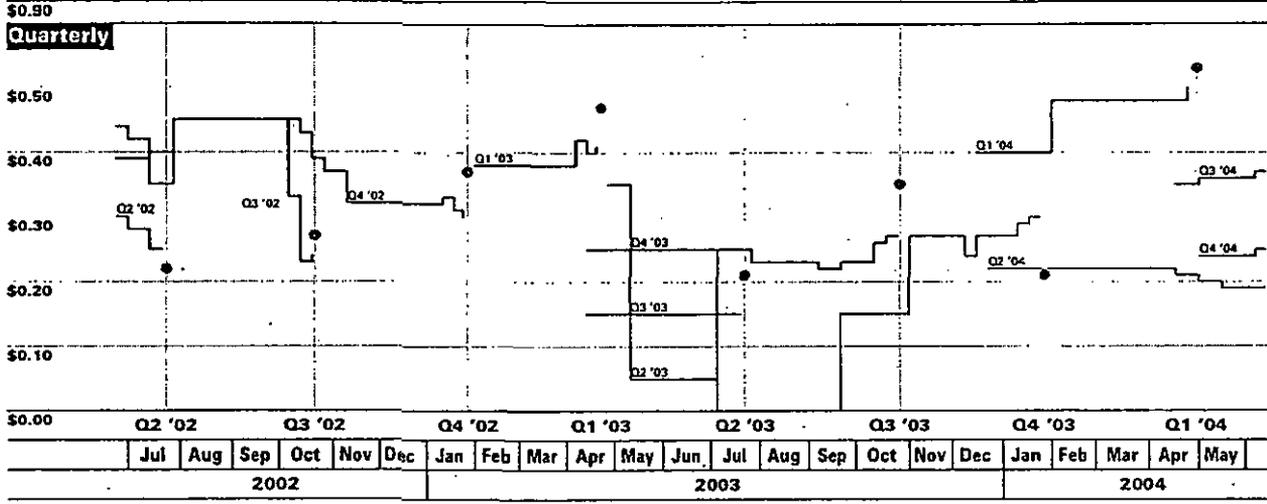
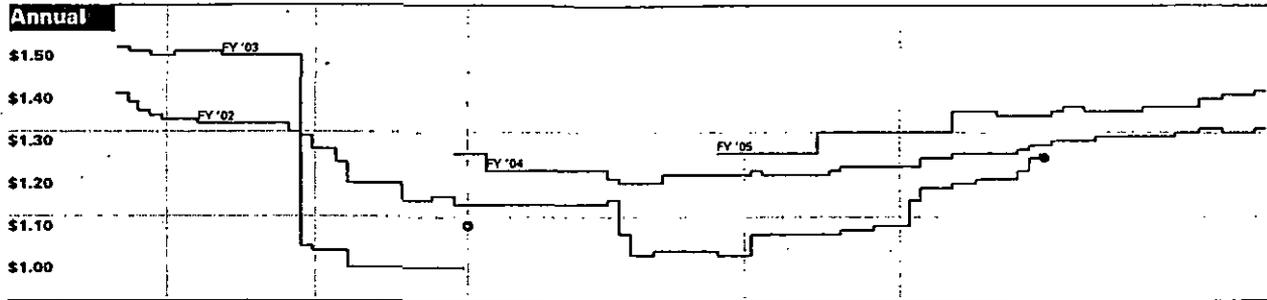
25-Nov-03 announced purchase of R.E. Ginna plant by Constellation Energy Group.

FIRST CALL® EARNINGS VALUATION REPORT

Northeast Utilities (NU)

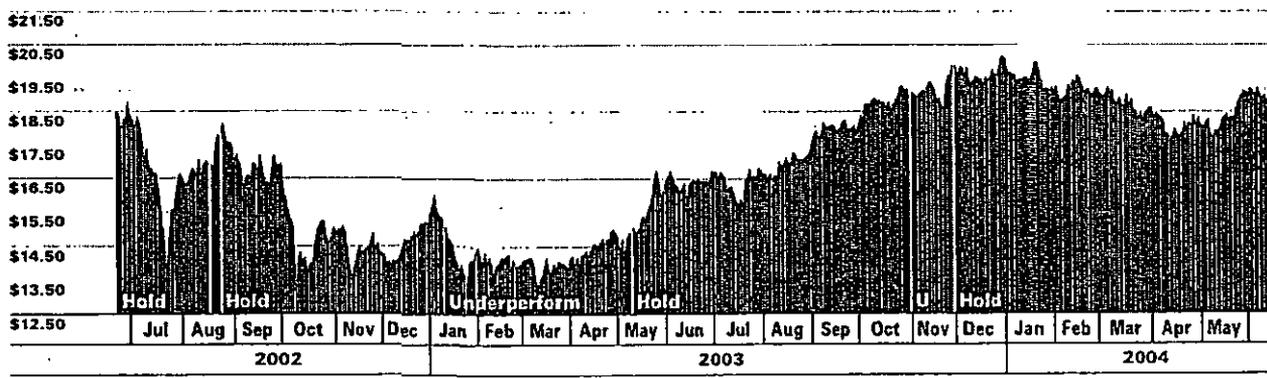
Report as of 6/21/04

Historical EPS Consensus Expectations Fiscal year ends Dec.

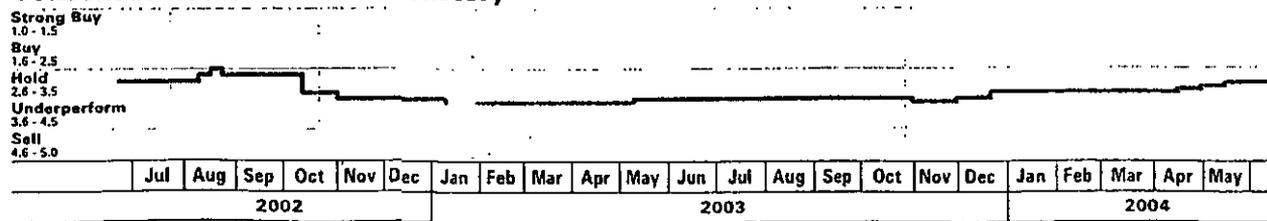


— EPS Expectation ● Actual Earnings Announcement (● Negative Surprise, ● Positive Surprise)

Stock Price and Recommendation History



Consensus Recommendation History



FIRST CALL® EARNINGS VALUATION REPORT

Northeast Utilities

continued

Stock Price

Price as of 6/18	\$19.28
Dividend Yield	NA
Beta	0.3
Industry	Electric
Sector	Utilities
Fiscal Year Ends	December

Expected Annual Growth Rates

Five year estimates from 4 analysts

NU	4.5%
Industry	5.3%
Sector	5.4%
Market	11.4%

PEG Ratio

A Way To Value Growth

NU	3.27
Industry	2.20
Sector	2.19
Market	1.34

NU's next earnings announcement is expected during the week of July 28th.

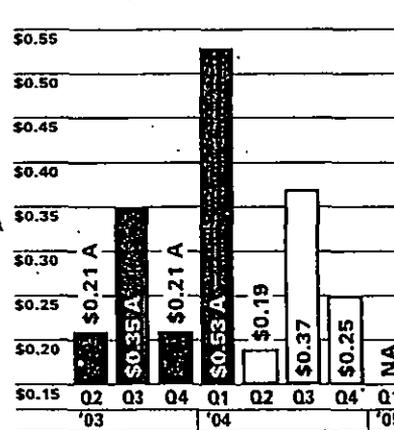
For comparison purposes, NU's average growth rate during the last 5 years was 3.0% per year.

The PEG Ratio is the P/E Ratio divided by the expected growth rate. The higher the PEG ratio, the more expensive the stock.

Quarterly EPS Consensus Expectations

	Q2 '04	Q3 '04	Q4 '04	Q1 '05
Mean as of 5/31/04	\$0.19	\$0.37	\$0.25	NA
Previous Mean	\$0.20	\$0.36	\$0.24	NA
# of Brokers	4	4	4	0
Range (low/high)	\$0.17/0.21	\$0.35/0.39	\$0.20/0.28	NA/NA
Std. Deviation	\$0.02	\$0.02	\$0.04	NA
Announce Date	Wk of 7/28	Wk of 10/27	Wk of 1/27	Wk of 4/29
Same Qtr. Last Yr.	\$0.21 A	\$0.35 A	\$0.21 A	\$0.53 A

Quarterly EPS Trend



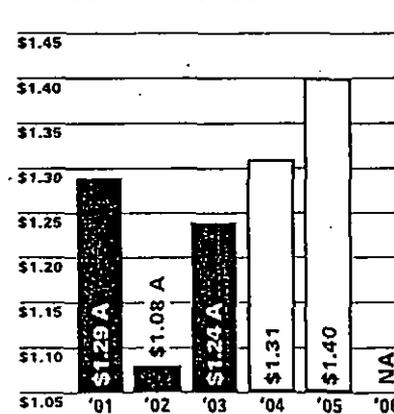
Change Over Same Quarter Last Year

	June	Sept	Dec	Mar
Northeast Utilities	-9.5%	5.7%	19.0%	NA
Industry - Electric	3.5%	-1.3%	11.6%	NA
Sector - Utilities	3.1%	-2.2%	9.8%	NA
WSJ/DJ US Index	17.0%	18.5%	17.5%	NA

Annual EPS Consensus Expectations

	FY '04	FY '05	FY '06
Mean as of 5/31/04	\$1.31	\$1.40	NA
Previous Mean	\$1.30	\$1.39	NA
# of Brokers	9	8	NA
Range (low/high)	\$1.25/1.36	\$1.35/1.47	NA/NA
Std. Deviation	\$0.04	\$0.04	NA
Announce Date	Wk of 1/27		
Year Ago EPS	\$1.24 A		

Annual EPS Trend



Change Over Previous Year

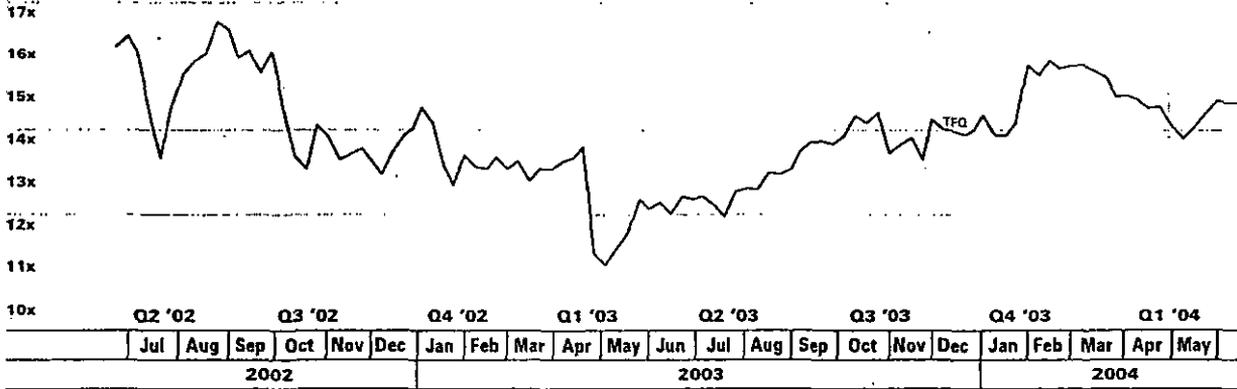
	'04	'05	'06
Northeast Utilities	5.6%	6.9%	NA
Industry - Electric	3.4%	NA	NA
Sector - Utilities	3.9%	NA	NA
WSJ/DJ US Index	15.5%	NA	NA

FIRST CALL EARNINGS VALUATION REPORT

Northeast Utilities

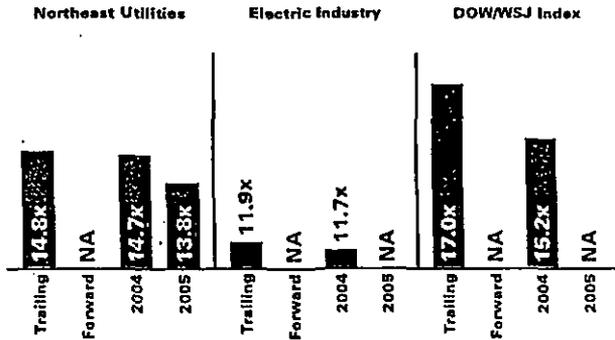
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Historical P/E



FFQ is Price divided by Forward Four Quarters EPS estimate, TFQ is Price divided by Trailing Four Quarters actual EPS. Lines do not appear for any week where the P/E is not meaningful.

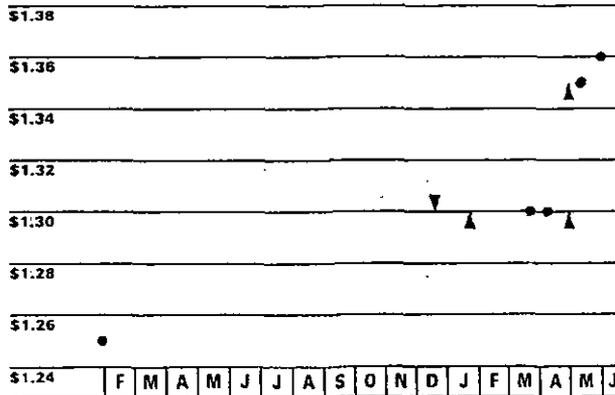
Current P/E



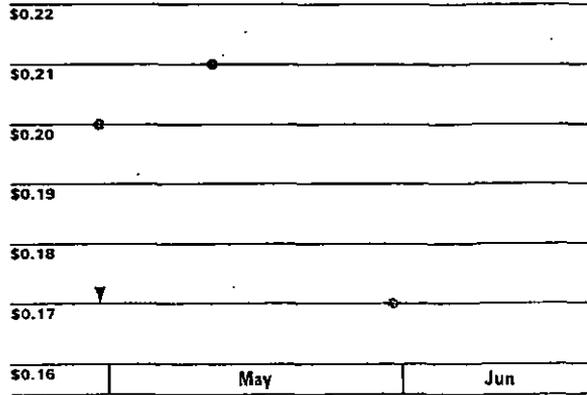
Current Recommendation

Opinion	Analysts with Opinion
Strong Buy	
Buy	1
Hold - 3.1	8
Underperform	2
Sell	
Analysts Included in Consensus	11

Current Distribution of Estimates for This Year (FY '04)



Current Distribution of Estimates for This Quarter (Q2 '04)



▲ Analysts revising upwards, ▼ analysts revising downwards, ● and initial estimates.

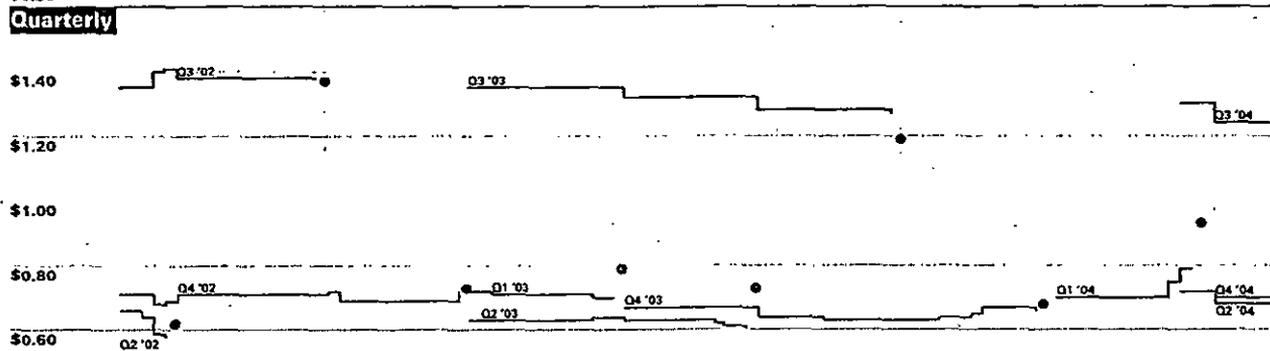
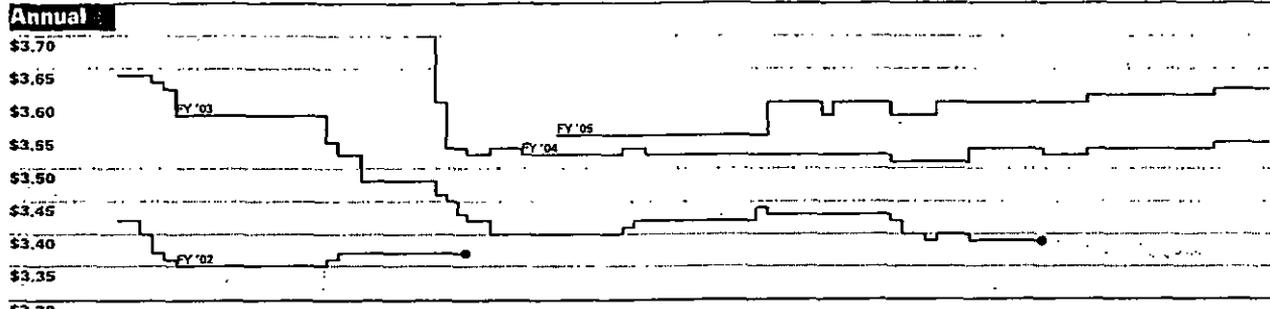
FIRST CALL® EARNINGS VALUATION REPORT

NSTAR (NST)

Report as of 6/21/04

Historical EPS Consensus Expectations

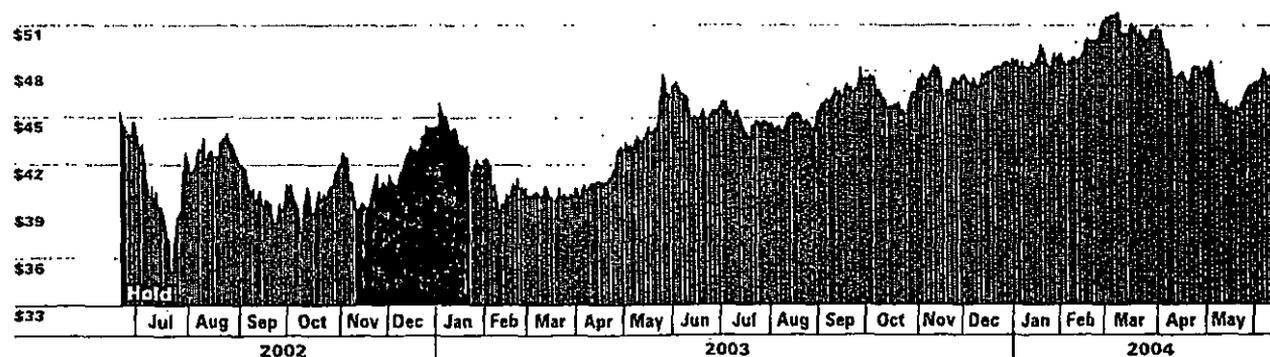
Fiscal year ends Dec.



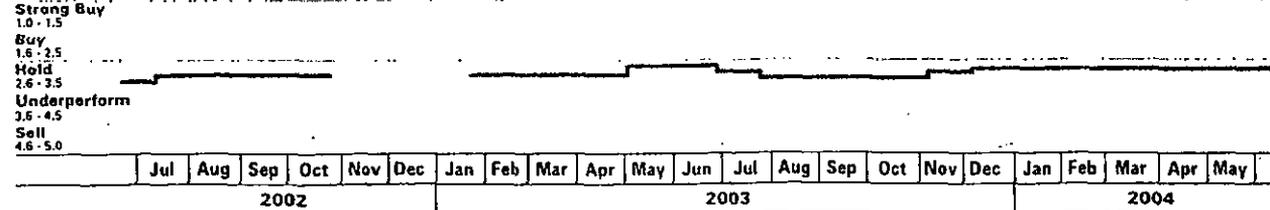
Q2 '02			Q3 '02				Q4 '02			Q1 '03				Q2 '03			Q3 '03			Q4 '03			Q1 '04	
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May		
2002						2003						2004												

— EPS Expectation ● Actual Earnings Announcement (● Negative Surprise, ● Positive Surprise)

Stock Price and Recommendation History



Consensus Recommendation History



FIRST CALL® EARNINGS VALUATION REPORT

NSTAR

continued

Stock Price

Price as of 6/18	\$48.00
Dividend Yield	NA
Beta	0.4
Industry	Electric
Sector	Utilities
Fiscal Year Ends	December

Expected Annual Growth Rates

Five year estimates from 3 analysts

NST	5.0%
Industry	5.3%
Sector	5.4%
Market	11.4%

PEG Ratio

A Way To Value Growth

	← LESS EXPENSIVE	MORE EXPENSIVE →
NST	2.72	
Industry	2.20	
Sector	2.19	
Market	1.34	

NST's next earnings announcement is expected on July 22nd.

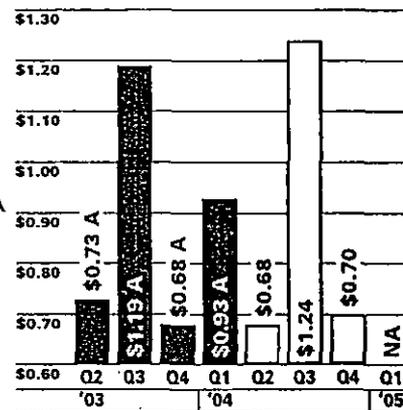
For comparison purposes, NST's average growth rate during the last 5 years was 3.4% per year.

The PEG Ratio is the P/E Ratio divided by the expected growth rate. The higher the PEG ratio, the more expensive the stock.

Quarterly EPS Consensus Expectations

	Q2 '04	Q3 '04	Q4 '04	Q1 '05
Mean as of 5/3/04	\$0.68	\$1.24	\$0.70	NA
Previous Mean	\$0.72	\$1.30	\$0.72	NA
# of Brokers	3	3	3	0
Range (low/high)	\$0.65/0.70	\$1.22/1.25	\$0.69/0.70	NA/NA
Std. Deviation	\$0.03	\$0.02	\$0.01	NA
Announce Date	7/22	Wk of 10/25	Wk of 1/24	Wk of 4/29
Same Qtr. Last Yr.	\$0.73 A	\$1.19 A	\$0.68 A	\$0.93 A

Quarterly EPS Trend



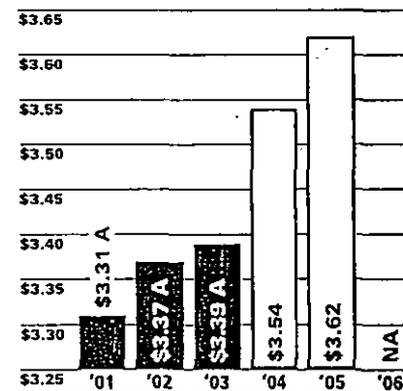
Change Over Same Quarter Last Year

	June	Sept	Dec	Mar
NSTAR	-6.8%	4.2%	2.9%	NA
Industry - Electric	3.5%	-1.3%	11.6%	NA
Sector - Utilities	3.1%	-2.2%	9.8%	NA
WSJ/DJ US Index	17.0%	18.5%	17.5%	NA

Annual EPS Consensus Expectations

	FY '04	FY '05	FY '06
Mean as of 5/3/04	\$3.54	\$3.62	NA
Previous Mean	\$3.53	\$3.61	NA
# of Brokers	6	5	NA
Range (low/high)	\$3.50/3.55	\$3.58/3.65	NA/NA
Std. Deviation	\$0.02	\$0.03	NA
Announce Date	Wk of 1/24		
Year Ago EPS	\$3.39 A		

Annual EPS Trend



Change Over Previous Year

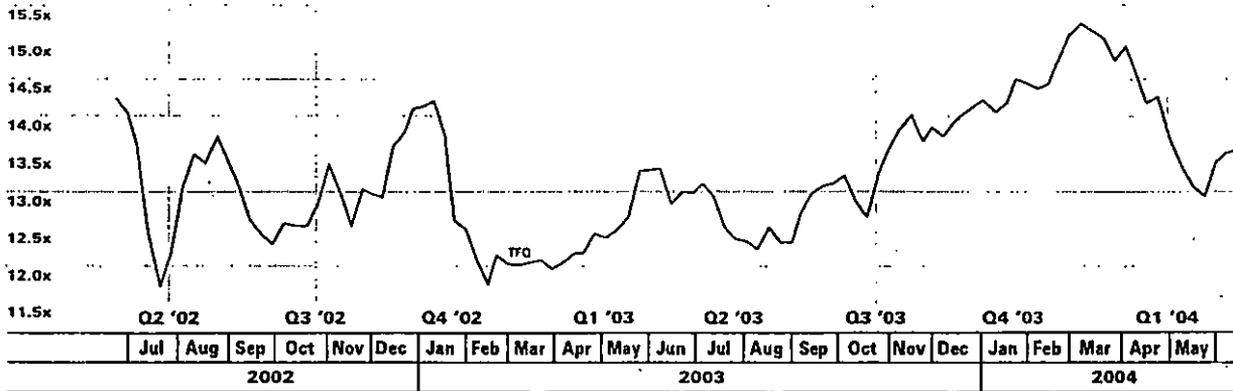
	'04	'05	'06
NSTAR	4.4%	2.3%	NA
Industry - Electric	3.4%	NA	NA
Sector - Utilities	3.9%	NA	NA
WSJ/DJ US Index	15.5%	NA	NA

FIRST CALL® EARNINGS VALUATION REPORT

NSTAR

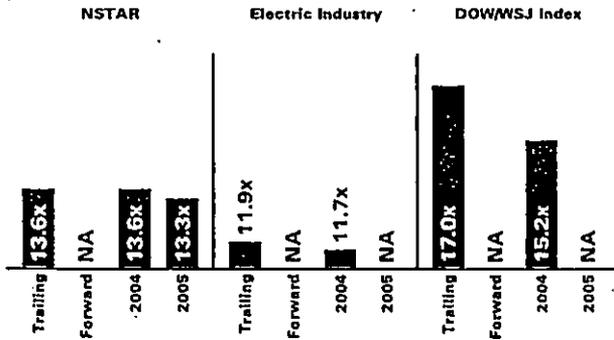
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Historical P/E



FFQ is Price divided by Forward Four Quarters EPS estimate, TFO is Price divided by Trailing Four Quarters actual EPS. Lines do not appear for any week where the P/E is not meaningful.

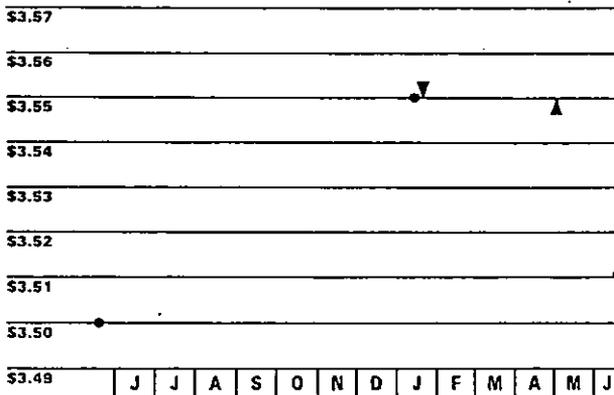
Current P/E



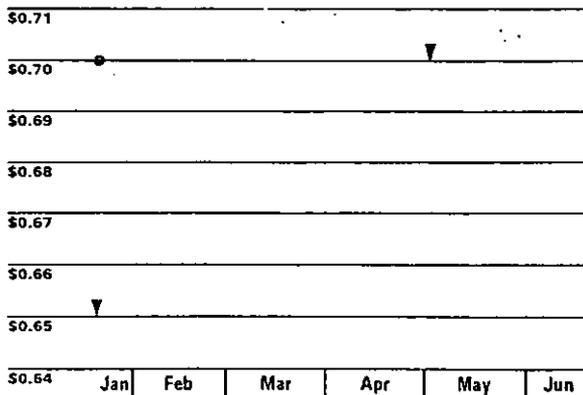
Current Recommendation

Opinion	Analysts with Opinion
Strong Buy	
Buy	1
Hold - 2.8	6
Underperform	
Sell	
Analysts Included in Consensus	7

Current Distribution of Estimates for This Year (FY '04)



Current Distribution of Estimates for This Quarter (Q2 '04)



▲ Analysts revising upwards, ▼ analysts revising downwards, ● and initial estimates.

FIRST CALL® EARNINGS VALUATION REPORT

NSTAR

continued

Earnings Notes and Announcements

Q1 '04 ↑ On 22-Jan-04, the company guided FY '04 estimates to between 3.45 and 3.55 -- Est at annc 3.53. On 22-Jan-04, the company guided FY '04 estimates to between 3.45 and 3.55 -- Est at annc 3.53. On 22-Jan-04, the company guided FY '04 estimates to between 3.45 and 3.55 -- Est at annc 3.53. On 22-Jan-04, the company guided FY '04 estimates to between 3.45 and 3.55 -- Est at annc 3.53. On 29-Apr-04, the company announced a *Positive Surprise of \$0.93 vs. expectation of \$0.79 (+17.7%).*

Q4 '03 • On 24-Jul-03, the company guided FY '03 estimates to between 3.34 and 3.44 -- Est at annc 3.42. On 22-Jan-04, the company announced a *Positive Report of \$0.68 vs. expectation of \$0.66 (+3.0%). FY '03 met expectation of \$3.39.*

Q3 '03 ↓ On 23-Oct-03, the company announced a *Negative Surprise of \$1.19 vs. expectation of \$1.27 (-6.3%).*

Q2 '03 ↑ On 24-Jul-03, the company announced a *Positive Surprise of \$0.73 vs. expectation of \$0.60 (+21.7%).*

Q1 '03 ↑ On 1-May-03, the company announced a *Positive Surprise of \$0.79 vs. expectation of \$0.70 (+12.9%).*

Q4 '02 • On 24-Jan-02, the company guided FY '02 estimates to between 3.45 and 3.55. On 23-Jan-03, the company met Q4 expectation of \$0.73. FY '02 met expectation of \$3.37. On 23-Jan-03, the company issued this footnote: 0.19 tax adjustment gain.

Q3 '02 • On 24-Oct-02, the company announced a *Negative Report of \$1.37 vs. expectation of \$1.38 (-0.7%).*

Q2 '02 ↑ On 25-Jul-02, the company announced a *Positive Surprise of \$0.62 vs. expectation of \$0.57 (+8.8%).*

Footnotes

22-Jan-04 DEC03Q *exclude 0.08 gain from tax hedged on invest. of RCN Corp.*

22-Jan-04 DEC03Q *excludes 0.08 loss for invstmt in RCN Corp offset by tax gai.*

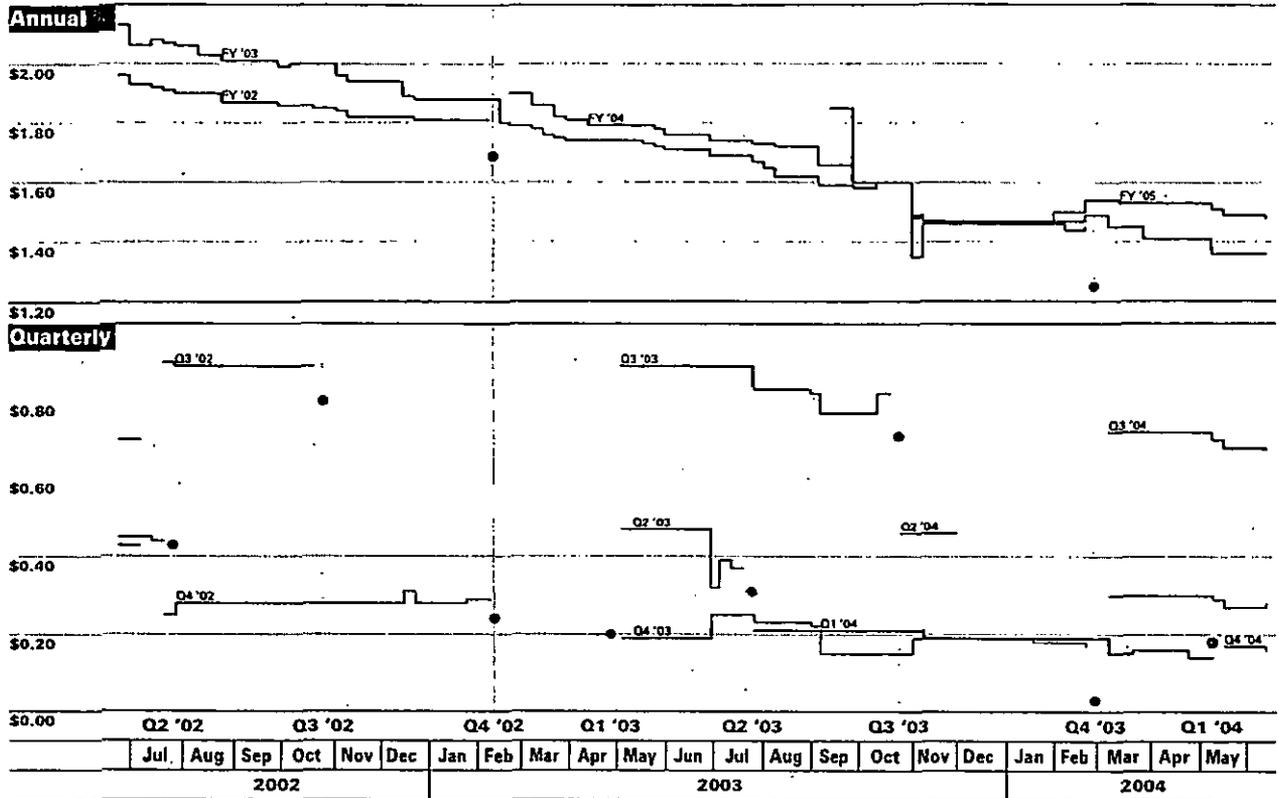
Q Quarters may not add to annual due to *changes in shares outstanding.*

FIRST CALL® EARNINGS VALUATION REPORT

PEPCO HOLDINGS (POM)

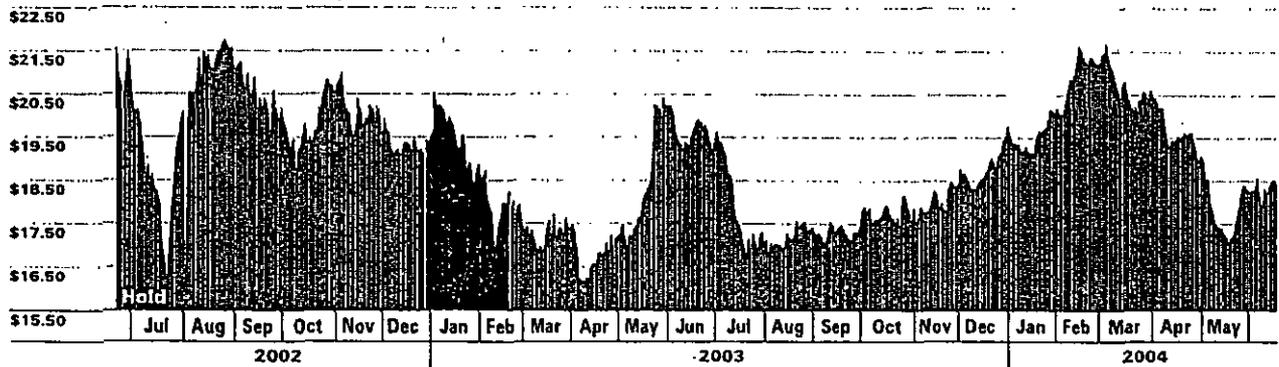
Report as of 6/21/04

Historical EPS Consensus Expectations Fiscal year ends Dec.

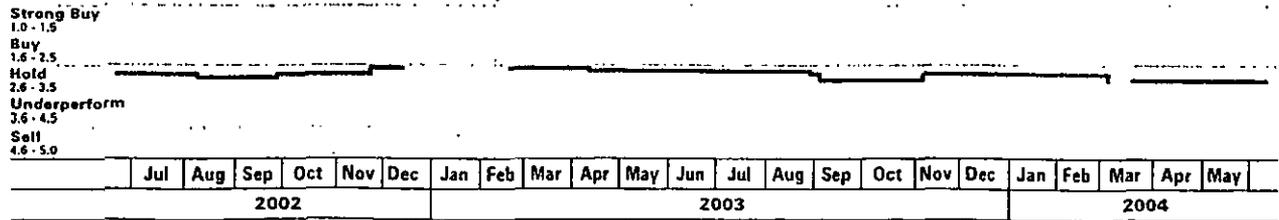


— EPS Expectation ● Actual Earnings Announcement (● Negative Surprise, ● Positive Surprise)

Stock Price and Recommendation History



Consensus Recommendation History



FIRST CALL® EARNINGS VALUATION REPORT

PEPCO HOLDINGS

continued

Stock Price

Price as of 6/18	\$18.45
Dividend Yield	NA
Beta	0.4
Industry	Electric
Sector	Utilities
Fiscal Year Ends	December

Expected Annual Growth Rates

Five year estimates from 6 analysts

POM	3.5%
Industry	5.3%
Sector	5.4%
Market	11.4%

PEG Ratio

A Way To Value Growth

	← LESS EXPENSIVE →	MORE EXPENSIVE →
POM	3.89	
Industry	2.20	
Sector	2.19	
Market	1.34	

POM's next earnings announcement is expected during the week of **July 26th**.

For comparison purposes, POM's average growth rate during the last 5 years was -7.5% per year.

The PEG Ratio is the P/E Ratio divided by the expected growth rate. The higher the PEG Ratio, the more expensive the stock.

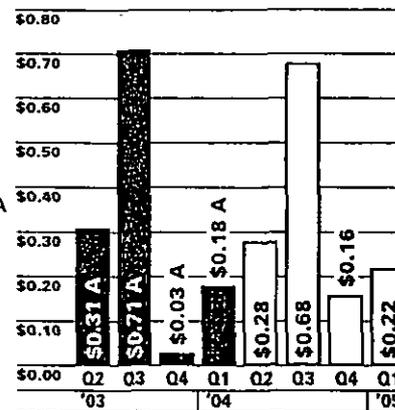
Quarterly EPS Consensus Expectations

	Q2 '04	Q3 '04	Q4 '04	Q1 '05
Mean as of 6/9/04	\$0.28	\$0.68	\$0.16	\$0.22
Previous Mean	\$0.27	\$0.69	\$0.17	NA
# of Brokers	4	3	3	1
Range (low/high)	\$0.27/0.28	\$0.66/0.69	\$0.14/0.20	NM
Std. Deviation	\$0.01	\$0.02	\$0.03	NA
Announce Date	Wk of 7/26	Wk of 10/25	Wk of 2/28	Wk of 5/9
Same Qtr. Last Yr.	\$0.31 A	\$0.71 A	\$0.03 A	\$0.18 A

Change Over Same Quarter Last Year

	June	Sept	Dec	Mar
PEPCO HOLDINGS	-9.7%	-4.2%	433.3%	22.2%
Industry - Electric	3.5%	-1.3%	11.6%	NA
Sector - Utilities	3.1%	-2.2%	9.8%	NA
WSJ/DJ US Index	17.0%	18.5%	17.5%	NA

Quarterly EPS Trend



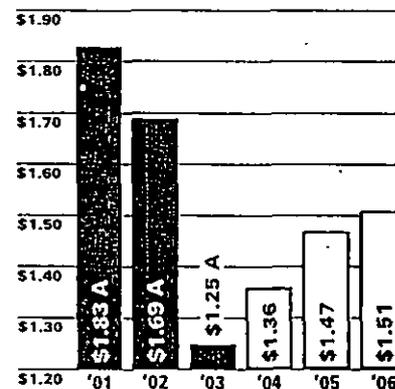
Annual EPS Consensus Expectations

	FY '04	FY '05	FY '06
Mean as of 6/9/04	\$1.36	\$1.47	\$1.51
Previous Mean	\$1.35	\$1.48	NA
# of Brokers	8	7	1
Range (low/high)	\$1.25/1.50	\$1.40/1.60	NM
Std. Deviation	\$0.09	\$0.07	NA
Announce Date	Wk of 2/28		
Year Ago EPS	\$1.25 A		

Change Over Previous Year

	'04	'05	'06
PEPCO HOLDINGS	8.8%	8.1%	2.7%
Industry - Electric	3.4%	NA	NA
Sector - Utilities	3.9%	NA	NA
WSJ/DJ US Index	15.5%	NA	NA

Annual EPS Trend

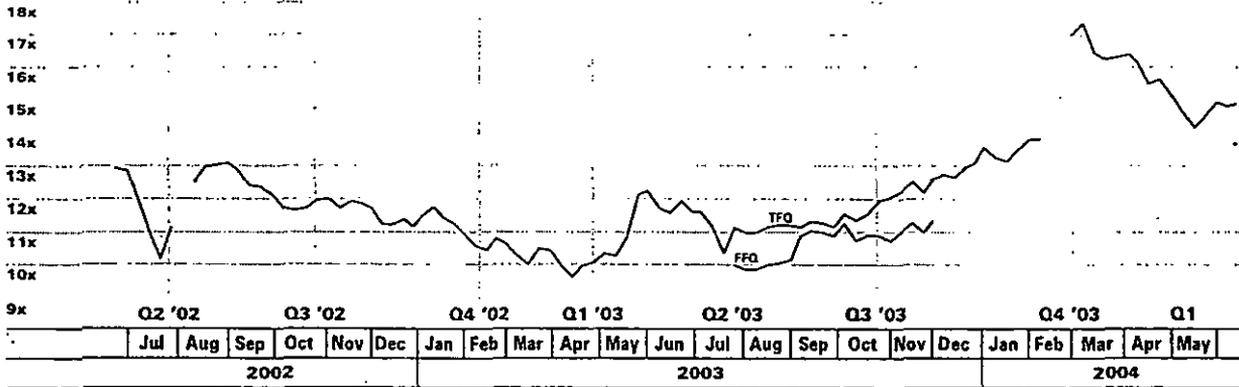


FIRST CALL® EARNINGS VALUATION REPORT

PEPCO HOLDINGS

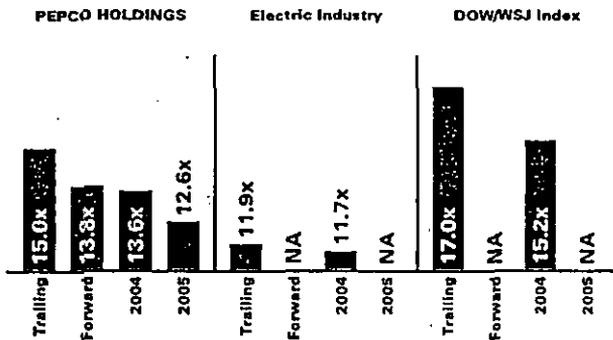
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Historical P/E



FFQ is Price divided by Forward Four Quarters EPS estimate, TFO is Price divided by Trailing Four Quarters actual EPS. Lines do not appear for any week where the P/E is not meaningful.

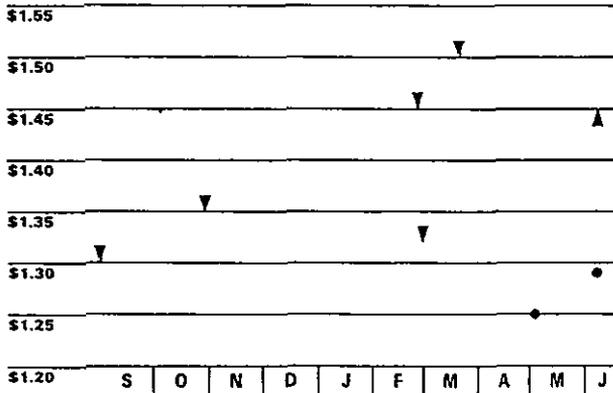
Current P/E



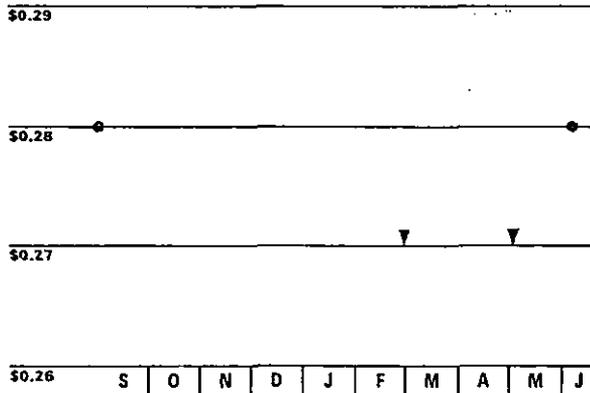
Current Recommendation

Opinion	Analysts with Opinion
Strong Buy	
Buy	
Hold - 3.0	10
Underperform	
Sell	
Analysts Included in Consensus	10

Current Distribution of Estimates for This Year (FY '04)



Current Distribution of Estimates for This Quarter (Q2 '04)



▲ Analysts revising upwards, ▼ analysts revising downwards, ● and initial estimates.

FIRST CALL® EARNINGS VALUATION REPORT

PEPCO HOLDINGS

continued

Earnings Notes and Announcements

Q1 '04 ↑ On 7-May-04, the company announced a Positive Surprise of \$0.18 vs. expectation of \$0.14 (+28.6%).

Q4 '02 ↓ On 11-Feb-03, the company announced a Negative Surprise of \$0.24 vs. expectation of \$0.29 (-17.2%). FY '02 of \$1.69 vs. expectation of \$1.78.

Q4 '03 ↓ On 26-Feb-04, the company announced a Negative Surprise of \$0.03 vs. expectation of \$0.17 (-82.4%). FY '03 of \$1.25 vs. expectation of \$1.45.

Q3 '02 ↓ On 24-Oct-02, the company announced a Negative Surprise of \$0.80 vs. expectation of \$0.89 (-10.1%).

Q3 '03 ↓ On 23-Oct-03, the company announced a Negative Surprise of \$0.71 vs. expectation of \$0.82 (-13.4%).

Q2 '02 • On 25-Jul-02, the company announced a Negative Report of \$0.43 vs. expectation of \$0.44 (-2.3%).

Q2 '03 ↓ On 24-Jul-03, the company announced a Negative Surprise of \$0.31 vs. expectation of \$0.37 (-16.2%).

Q1 '03 • On 25-Apr-03, the company met Q1 expectation of \$0.20.

Footnotes

25-Apr-03 MAR03Q exclude 0.16 charge from contract impact & trading items.

25-Apr-03 MAR03Q exclude 0.19 loss for Conectiv Energy cancellation contract.

27-Feb-03 announced acquisition of CMS Viron's Federal Government Business Uni.

11-Feb-03 DEC02Q excludes 0.08 charge, mostly from severance costs.

DOCUMENT

OTS Statement No. 2
Witness: Charles T. Weakley, III
Date: June 29, 2004

8/9/04
Hoggar

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PPL ELECTRIC UTILITIES CORPORATION

Docket No. R-00049255

Direct Testimony

of

Charles T. Weakley, III

Office of Trial Staff

DOCKETED
AUG 18 2004

RECEIVED
2004 AUG 12 AM 9:50
P.A. PUC
SECRETARY'S BUREAU

Concerning:

Operating and Maintenance Expenses
Cash Working Capital

PPL ELECTRIC UTILITIES CORPORATION
DOCKET NO. R-00049255

OTS STATEMENT NO. 2
ERRATA SHEET

1. Page 2, delete line 4.
2. Page 2, delete line 13
3. Page 2, line 17, delete \$2,277,000.
4. Page 2, line 18, delete \$1,766,000
5. Page 2, line 18, delete \$4,043,000 and insert \$1,725,000.
6. Page 2, line 19, delete \$3,556,000 and insert \$2,483,000.
7. Page 2, line 23, delete \$25,493,859 and insert \$13,114,000.
8. Page 3, delete line 2.
9. Page 3, delete lines 7 through 21.
10. Delete pages 4, 5 and 6.
11. Page 7, delete lines 1 through 15.
12. Page 26, delete lines 9 through 22.
13. Delete page 27.
14. Page 28, delete lines 1 through 16.
15. Page 32, line 1 delete ON-TRACK and insert WRAP.
16. Page 33, line 2 delete ON-TRACK and insert WRAP.

DOCUMENT

RECEIVED

AUG 12 2004

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

OTS EXHIBIT NO. 2
ERRATA SHEET

1. Schedule 2, line 10, delete 2004 and insert 2005.
2. Schedule 2, line 11, delete \$103860 and insert \$75,530.
3. Schedule 2, line 11, delete \$1,287,339 and insert \$1,423,052.

DOCKETED
AUG 18 2004

1 **Q. STATE YOUR FULL NAME, EMPLOYER AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Charles T. Weakley, III. I am employed by the Pennsylvania
4 Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265.

5
6 **Q. WHAT IS YOUR POSITION WITH THE PENNSYLVANIA PUBLIC**
7 **UTILITY COMMISSION?**

8 A. I am a Fixed Utility Financial Analyst in the Office of Trial Staff (OTS).

9
10 **Q. WHAT ARE YOUR DUTIES AS AN ANALYST IN OTS?**

11 A. My duties as an OTS analyst include participation in formal base rate
12 proceedings as an expert witness, with responsibility for the preparation
13 and presentation of OTS exhibits, schedules and testimony. My education
14 and professional background are set forth in Appendix A, which is
15 attached.

16
17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. The purpose of this testimony is to address PPL Electric Corporation's
19 (PPL or Company) claims for Operating and Maintenance (O&M)
20 expenses, Taxes, and Cash Working Capital.

1 Q. PLEASE SUMMARIZE YOUR PROPOSED ADJUSTMENTS.

2 A. I am recommending the following adjustments:

3	<u>Issue</u>		<u>Reduction</u>
4	Other Post employment Benefits		\$4,020,000
5	Pension Costs		\$1,396,976
6	Hurricane Isabel		\$1,864,000
7	AMR Displacement Costs		\$1,764,000
8	Community Betterment Initiative		\$1,000,000
9	Software Amortization		\$ 500,883
10	<u>PPL Service Support Charges</u>		
11	Rate Case Communications	\$130,000	
12	Community Affairs Services	<u>\$300,000</u>	\$ 430,000
13	Uncollectible Accounts Expense		\$3,700,000
14	Ontrack Program		\$1,500,000
15	WRAP Program		\$ 450,000
16	<u>Normalizations</u>		
17	FERC Account 588	\$2,277,000	
18	FERC Account 593	<u>\$1,766,000</u>	\$4,043,000
19	Remediation Expenses		\$3,556,000
20	<u>Pennsylvania Capital Stock Tax</u>		
21	Rate	\$808,000	
22	Update Calculation	<u>\$461,000</u>	<u>\$1,269,000</u>
23	Total		<u>\$25,493,859</u>

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Rate Base

Other Postemployment Benefits	\$1,765,000
Pension Costs	\$ 613,062
Cash Working Capital	<u>\$ 418,000</u>
Total	<u>\$2,796,062</u>

OTHER POST EMPLOYMENT BENEFITS (OPEBs)

Q. WHAT ARE OTHER POST EMPLOYMENT BENEFITS?

A. The term OPEBs refers to all benefits provided by a company to its retirees other than pension benefits. These benefits typically include, but are not limited to, medical and life insurance coverage for retirees and their dependents.

Q. WHAT IS SFAS 106?

A. In December of 1990, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 106 (SFAS 106). FASB is the entity responsible for establishing generally accepted accounting principles (GAAP) for business and industry, including rate regulated enterprises. SFAS 106 required employers to change from a pay-as-you-go method of accounting for OPEBs to an accrual basis of accounting for these costs for fiscal years beginning after December 15,

1 1992. The issuance of SFAS 106 was prompted by the increasing large
2 unrecorded OPEB obligations resulting from an aging population and
3 escalating health care costs.

4

5 **Q. WHAT CHANGES IN ACCOUNTING ARE REQUIRED BY SFAS**
6 **106?**

7 A. SFAS 106 requires that OPEB costs be viewed as deferred compensation
8 earned during the period of active employment. The estimated future
9 OPEB costs must be charge to expense (accrued) during the same period an
10 employee is providing the service necessary to earn these benefits.

11

12 **Q. WHAT TYPES OF POST EMPLOYMENT BENEFITS DOES PPL**
13 **OFFER TO ITS RETIREES?**

14 A. PPL offers medical, hospitalization, prescription drug, and life insurance.

1 **Q. WHAT IS THE COMPANY'S CLAIM FOR OPEBs?**

2 A. PPL's gross claimed post employment benefits expense is \$13,916,000 for
3 the 2004 future test year. PPL Electric's participation in the PPP
4 Postretirement Benefit Plans is calculated as follows:

5	Gross OPEBs	\$13,916,000
6	Distribution (94.59%)	\$13,163,000
7	O&M (69.5%)	\$ 9,148,000
8	Rate Base (30.5%)	\$ 4,015,000

9 The distribution amounts are the gross pension costs less the costs allocated
10 to transmission. The distribution amount is further allocated to O&M and
11 rate base. These allocations are based on the time worked on expense and
12 capital projects.

13

14 **Q. HOW WAS THIS CLAIM DEVELOPED?**

15 A. PPL Electric participates in postretirement benefit plans sponsored by PPL
16 Services and is allocated a share of the SFAS 106 costs based on active
17 employee headcount covered under those plans. PPL Services currently
18 makes contributions to its medical trust in amounts equal to the SFAS 106
19 cost.

1 **Q. HAS THERE BEEN ANY REVISIONS TO THE SFAS 106 COSTS**
2 **FOR THE FUTURE TEST YEAR?**

3 A. Yes. On February 24, 2004, PPL received a letter documenting the \$35
4 million estimate for the 2004 SFAS 106 expense (and thus contribution).
5 Included in this letter was a discussion concerning revision of the expense
6 estimate based on the actual 6.25% discount rate and other updated
7 information (i.e., assets, demographics, etc.).

8

9 **Q. WHAT WAS THE RESULT OF REFLECTING THE ACTUAL**
10 **DISCOUNT RATE OF 6.25% ON THE COMPANY'S SFAS 106**
11 **CLAIM?**

12 A. The SFAS 106 expense based upon the actual 6.25% discount rate is \$27.9
13 million. PPL Electric will be allocated \$7.8 million.

1 **Q. WHAT IS YOUR RECOMMENDATION?**

2 A. I recommend that this update be reflected in rates. This will reduce
3 distribution O&M expense by \$4,020,000 and rate base by \$1,765,000.

4 The calculation (in \$000) is shown below:

	Original	Actuarial	OTS	
	<u>Claim</u>	<u>Revision</u>	<u>Adjustment</u>	
5				
6				
7	Gross OPEBs	\$13,916	\$7,800	\$6,116
8	Distribution (94.59%)	\$13,163	\$7,378	\$5,785
9	O&M (69.5%)	\$ 9,148	\$5,128	\$4,020
10	Rate Base (30.5%)	\$ 4,015	\$2,250	\$1,765

11 The OTS recommended adjustment above is calculated by subtracting the
12 actuarial revision from the Company's original SFAS 106 claim. Note the
13 OTS recommendation is equal to the revised SFAS 106 accrued expense
14 because the Company will make equal cash contributions to its medical
15 trust.

16

17 **PENSION FUND CONTRIBUTIONS**

18 **Q. WHAT IS A PENSION FUND?**

19 A. A pension fund is a trust established to receive actual cash contributions by
20 the Company for the benefit of its employees.

1 **Q. WOULD YOU PROVIDE A BRIEF HISTORICAL OVERVIEW OF**
2 **THE RATEMAKING TREATMENT FOR PENSION FUND**
3 **CONTRIBUTIONS?**

4 A. Yes. In the past the Commission has allowed rate relief to utilities based on
5 the actual cash contribution required to be paid into the pension fund. The
6 contributions are based on an actuarial report which is prepared annually.
7 Contained in the actuarial report is the actual present value of the fund
8 (assets), as well as the anticipated liability of the fund. The liability is the
9 amount determined by the actuaries to meet the benefits payable to the
10 employees at any given time.

11
12 **Q. WHAT SHOULD THE PENSION EXPENSE ALLOWANCE BE FOR**
13 **RATEMAKING PURPOSES?**

14 A. The ratemaking claim for pension expense should be based on the
15 Company's cash contributions to the pension funds. The pension fund is an
16 entity separate from the Company, with its own assets, liabilities, revenues
17 and expenses. However, the Company is required to make contributions to
18 the fund, subject to minimum ERISA (Employee Retirement Income
19 Security Act) requirements and maximum limitations of the Internal
20 Revenue Code. These rules insure that the contributions are sufficient to
21 meet future obligations and do not result in excessive asset levels.

22 The amount contributed to the fund may be any amount between the

1 minimum and maximum determined by the actuary. The calculation that
2 utilizes a trended asset value intended to smooth out short term market
3 fluctuations results in a normal level of pension cost.

4
5 **Q. PLEASE EXPLAIN HOW PENSION CONTRIBUTIONS ARE**
6 **AFFECTED BY THE FINANCIAL ACCOUNTING STANDARDS**
7 **BOARD STATEMENT NO. 87 (SFAS 87).**

8 A. SFAS 87 requires a specific calculation to be used in determining pension
9 expense. This amount is included in the financial statements of all
10 companies. The purpose of SFAS 87 is to allow the user of the financial
11 statements to compare the pension plans and expenses among different
12 companies. SFAS 87 does not address funding requirements of the plan
13 nor the ratemaking treatment of the expense and should not be used for any
14 purpose other than satisfaction of the requirements of SFAS 87.

15
16 **Q. PLEASE DISCUSS AND COMPARE THE TWO PENSION**
17 **CONTRIBUTION CALCULATIONS THAT ARE REQUIRED TO**
18 **BE MADE ANNUALLY.**

19 A. There are two pension expense calculations that are computed annually by
20 the Company's actuary: (1) SFAS 87 pension expense and (2) the pension
21 contribution that must be made to comply with IRS and ERISA rules.

22 The SFAS 87 pension expense is accrued on the books of the

1 Company and is adjusted at year end to the actuarially determined amount.
2 There are no payments made to the pension plan for the SFAS 87 pension
3 expense since this expense does not represent the company's pension
4 liability but rather represents the amount that must be recorded on the
5 Company's books in order to comply with Generally Accepted Accounting
6 Principles (GAAP).

7 This second calculation performed by the actuary is the
8 determination of the Company's annual maximum and minimum pension
9 contribution computed in compliance with IRS and ERISA rules. It is these
10 calculations that may require a payment into the pension plan.

11 The difference between the cash contribution and the book expense
12 will be recorded on the books as a prepaid asset where the payment exceeds
13 the expense, or as a liability if the payment is less than the expense.

1 Q. WHAT IS THE COMPANY'S CLAIM FOR PENSION EXPENSE?

2 A. PPL Electric claimed gross pension costs of \$2,662,000 for the 2004 future
3 test year is based on an allocation of the SFAS 87 amount attributable to
4 PPL Electric's participation in the PPL Retirement Plan and PPL
5 Supplemental Executive Retirement Plan (SERP). This total \$2,662,000 is
6 divided as follows:

	<u>PPL Retirement Plan</u>	<u>PPL SERP</u>	<u>Total</u>	
7				
8				
9				
10				
11	Gross pension cost	\$2,125,000	\$537,000	\$2,662,000
12	Distribution (94.59%)	\$2,010,038	\$507,948	\$2,517,986
13	O&M Allocation (69.5%)	\$1,396,976	\$353,024	\$1,750,000
14	Rate Base (30.5%)	\$613,062	\$154,924	\$767,986

15 The distribution amounts are the gross pension costs less the costs allocated
16 to transmission. The distribution amount is further allocated to O&M and
17 rate base. These allocations are based on the time worked on expense and
18 capital projects.

19

20 Q. WHAT IS THE BASIS FOR PPL'S PENSION EXPENSE CLAIM?

21 A. The Company's pension expense claim is based on SFAS 87 accrued
22 expense. PPL Corporation's funding policy is to fund contributions equal
23 to SFAS 87 expense, subject to the tax deductibility of the contribution
24 (IRS maximum).

1 **Q. DOES PPL MAKE ACTUAL CASH CONTRIBUTIONS TO ITS**
2 **PENSION FUND?**

3 A. No. As stated earlier, the amount contributed to the fund may be any
4 amount between the ERISA minimum and the IRS maximum determined
5 by the actuary. Both ERISA and the IRS maximum contributions are zero.
6 Therefore, PPL cannot make a contribution to its pension trust because the
7 SFAS 87 expense is outside the contribution range.

8
9 **Q. IS PPL'S PENSION EXPENSE CLAIM CONSISTENT WITH ITS**
10 **CLAIM IN THE ITS LAST BASE RATE CASE?**

11 A. Yes. The Company's pension expense claim was based on the SFAS 87
12 accrual.

13
14 **Q. WHAT IS THE DANGER OF NOT SETTING THE RATEMAKING**
15 **ALLOWANCE FOR PENSION EXPENSE EQUAL TO THE CASH**
16 **CONTRIBUTIONS MADE TO THE COMPANY'S PENSION**
17 **TRUST?**

18 A. Setting rates based on the SFAS 87 accrual will result in a windfall to the
19 company when the pension trust is over-funded because the company
20 cannot make a cash contribution, but will receive a ratemaking allowance.

1 **Q. HAS PPL MADE ANY CONTRIBUTION TO ITS PENSION FUND**
2 **SINCE ITS LAST BASE RATE CASE?**

3 A. No. In PPL's last base rate case at Docket No. R-00943271, the
4 Commission accepted PPL's contention that funding for the pension fund
5 would be required, and allowed the Company to collect in rates, \$10.2
6 million in expense and \$5.3 million in rate base for pension expense. Over
7 the subsequent ten years, customers provided over \$100 million for pension
8 expense even though PPL was not required to and did not make any
9 payments to its pension trust (Reference OTS Exhibit No. 2, Schedule 17).

10
11 **Q. WHAT IS YOUR RECOMMENDATION?**

12 A. I recommend that the Company's claim for pension expense be rejected.
13 This will reduce expenses by \$1,396,976 and rate base by \$613,062.

14
15 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

16 A. The ratemaking allowance is based on the company's funding policy,
17 subject to the tax deductibility of the contribution (IRS maximum). Since
18 the IRS maximum is zero, PPL cannot make any cash contributions to its
19 pension trust.

1 Q. ARE YOU PROPOSING ANY ADJUSTMENT TO PPL'S SERP?

2 A. No, because the PPL SERP is an unfunded plan. Contributions to the plan
3 are equivalent to actual benefit payments.
4

5 Q. IS YOUR RECOMMENDED PENSION EXPENSE CONSISTENT
6 WITH THE COMMISSION'S TREATMENT OF POST
7 EMPLOYMENT BENEFITS (SFAS 106)?

8 A. Yes. The Company's funding policy for both pensions and post
9 employment benefits is to contribute an amount equal to the accrued
10 expense. The distinction is that PPL cannot contribute to its pension fund
11 but can contribute to its medical trust.
12

13 Q. WILL YOUR RECOMMENDATION AFFECT ANY NEGOTIATED
14 UNION BENEFITS?

15 A. No. Any adjustment to the Company's pension claim will not change the
16 assumed benefits included in its actuarial report.
17

18 **HURRICANE ISABEL EXPENSES AND AMORTIZATION PERIOD**

19 Q. PLEASE DESCRIBE THE EVENTS LEADING TO PPL'S
20 CLAIMED EXPENSES RELATED TO HURRICANE ISABEL.

21 A. Hurricane Isabel went across PPL's service territory during the evening of
22 September 19, 2003 and the morning of September 20, 2003. On October

1 20, 2003, PPL filed a petition for declaratory order (Docket No. P-
2 00032069) requesting authority to defer, for accounting and financial
3 reporting purposes, losses that were caused by Hurricane Isabel. On
4 January 16, 2004, the Commission issued an Order approving deferred
5 accounting treatment limited to PPL's actual operating and maintenance
6 costs incurred to restore service to customers as a result of Hurricane Isabel.
7 The Commission's approval did not extend to capital costs. This Order
8 permitted PPL to establish a regulatory asset and to credit the related O&M
9 expenses for 2003.

10
11 **Q. WHAT IS THE COMPANY'S REQUEST FOR O&M EXPENSES**
12 **RELATED TO HURRICANE ISABEL?**

13 A. The Company's adjustment for Hurricane Isabel deferred costs is in PPL
14 Exhibit Future 1, D-10. The Company established a regulatory asset of
15 \$15.012 million, which it proposes to amortize over a 5-year period and
16 will increase distribution operating expenses by \$3,002,000.

1 Q. HAS PPL PROVIDED A BREAKDOWN OF HURRICANE
2 ISABEL'S COSTS?

3 A. Yes, the breakdown of Hurricane Isabel's costs are as follows:

4	<u>Category of Costs</u>	<u>Amount</u>
5	Wages & benefits – regular time	\$3,631,282
6	Wages & benefits – overtime	3,529,212
7	Employee meals and misc.	279,744
8	Vehicles and equipment	423,846
9	Materials and Supplies	371,159
10	Customer outreach	21,781
11	Miscellaneous	163,983
12	Outside crews	<u>6,590,942</u>
13	Total	<u>\$15,011,949</u>

14

15 Q. DO YOU AGREE WITH THE COMPANY'S CLAIM?

16 A. No.

1 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

2 A. I am recommending two adjustments to PPL's amortization of the deferred
3 regulatory asset associated with Hurricane Isabel. First, I am
4 recommending that wages & benefits – regular time be removed from the
5 regulatory asset. This will reduce the regulatory asset by \$3,631,282 to
6 \$11,380,667 (\$15,011,949 - \$3,631,282). Second, I am recommending that
7 the amortization period be extended to 10 years which results in a OTS
8 recommended allowance of \$1,138,067. The combination of these two
9 adjustments will reduce O&M expenses by \$1,864,000, calculated as
10 follows:

11	Company claimed amortization	\$3,002,000
12	Less OTS recommendations	<u>\$1,138,000</u>
13	Reduction in O&M expenses	<u>\$1,864,000</u>

14
15 **Q. WHAT IS THE BASIS OF YOUR RECOMMENDATION TO**
16 **REMOVE WAGES AND BENEFITS – REGULAR TIME FROM**
17 **THE REGULATORY ASSET?**

18 A. Regular wages and benefits are ordinary expenses that would have been
19 incurred by PPL in 2003 regardless of Hurricane Isabel. Therefore, they
20 must be reversed out of the regulatory asset and included in the 2003
21 expenses.

1 **Q. WHAT IS THE BASIS FOR EXTENDING THE AMORTIZATION**
2 **PERIOD TO 10 YEARS?**

3 A. Major storm damage occurs infrequently over irregular intervals and it is
4 necessary to match the interval and the amortization period of the
5 regulatory asset. PPL has not experienced a storm the size of Hurricane
6 Isabel for an extended period. Therefore, PPL must recover the allowable
7 incremental costs for this one-time event over an extended period of time
8 consistent with Commission practice.

9
10 **AUTOMATED METER READING DISPLACEMENT COSTS**

11 **Q. WHAT IS PPL ELECTRIC'S AUTOMATED METER READING**
12 **SYSTEM?**

13 A. PPL Electric's Automated Meter Reading System (AMR) involves the
14 replacement of existing meters with new or retrofitted meters and
15 communication infrastructure that permits the meters to be read remotely.
16 Deployment of these meters began in the spring 2002 and it is expected to
17 be complete by September 2004. One benefit with this system is that the
18 manual reading of meters for billing is discontinued and the meter reading
19 workforce can, over time, be eliminated.

1 **Q. HAS PPL MADE A CLAIM FOR THESE AMR DISPLACEMENT**
2 **COSTS?**

3 A. Yes. PPL's claim for Automated Meter Reading displacement costs is in
4 PPL Future 1, D-9.

5

6 **Q. WHAT IS THE COMPANY'S CLAIM?**

7 A. The Company's claim is \$8.818 million to cover the anticipated
8 displacement costs of 94 employees to be separated as part of the ARM
9 implementation project. The Company proposes to recover these
10 displacement costs over a 5 year period resulting in an annual increase in
11 distribution operating expense of \$1,764,000.

12

13 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM FOR AMR**
14 **DISPLACEMENT COSTS?**

15 A. No.

16

17 **Q. WHAT IS YOUR RECOMMENDATION?**

18 A. I recommend that the Company's claim for AMR displacement costs be
19 rejected. This recommendation will reduce distribution operating expenses
20 by \$1,764,000.

1 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

2 A. These costs are based on an actuarial study for those employees separated
3 in 2003 and throughout 2004. The entire \$8,818,000 was recorded in the
4 third quarter of 2003, as a pension special termination benefit charge for the
5 benefits to be paid to separated employees including enhanced early
6 retirement benefits and a one time special separation allowances that will be
7 paid from the PPL Retirement Plan pension trust. The pension trust is an
8 entity separate from the Company. Therefore, PPL's Automated Meter
9 Reader displacement costs claim should be rejected since this claim will be
10 paid by the pension trust and ratepayers have already paid these costs
11 through past pension expenses included in base rates.

12

13 **COMMUNITY BETTERMENT INITIATIVE**

14 **Q. WHAT IS THE COMMUNITY BETTERMENT INITIATIVE?**

15 A. The Company is proposing to implement a new program in 2005 called the
16 *Community Betterment Initiative (CBI)*. The purpose of the CBI is to
17 assist community development organization and human service agencies in
18 addressing local needs by providing grant funds. The CBI would be a two
19 prong program targeting community and economic development programs
20 and affordable housing. The CBI also would support local efforts to
21 improve economic prosperity.

1 **Q. WHY IS PPL PROPOSING THE COMMUNITY BETTERMENT**
2 **INITIATIVE?**

3 A. PPL is proposing the CBI to enhance its role and visibility by addressing
4 social concerns in its service community and to improve relations with
5 community based organizations.

6

7 **Q. WHAT IS THE COMPANY'S COMMUNITY BETTERMENT**
8 **INITIATIVE CLAIM?**

9 A. The CBI claim is presented on PPL Exhibit Future 1, D-8. The Company
10 proposes funding the Community Betterment initiative at \$2 million
11 annually, with the costs shared equally between ratepayers and
12 shareholders, for an initial period of 3 years (2005 – 2007).

13

14 **Q. DO YOU AGREE WITH THE PROPOSED CBI CLAIM?**

15 A. No.

16

17 **Q. WHAT IS YOUR RECOMMENDATION?**

18 A. I recommend that the proposed recovery of \$1 million in base rates for the
19 CBI claim be rejected.

1 Q. WHAT IS THE BASIS OF YOUR RECOMMENDATION?

2 A. The basis for my recommendation is rooted in three main areas. First, this
3 program is not driven by specific Commission approved regulatory goals.
4 Second, there is no discernable benefit to ratepayers. This program in
5 general is designed to achieve social benefits that accrue to local
6 communities and society at large. The CBI is not driven by a regulatory
7 goal aimed at achieving direct benefits to ratepayers. The fact that benefits
8 may or may not materialize is secondary to the overall intent of the
9 program. Third, the funding of this program can be characterized as an
10 attempt to extract a forced contribution or even taxation of ratepayers.
11 Utilities certainly lack the statutory power of taxation and appropriation no
12 matter how well intentioned the use of these funds. To the extent any
13 portion of this program is being funded by tax dollars, the ratepayers would
14 be forced to contribute a second time. Likewise, any corporate or
15 individual ratepayer that contributed on their own behalf would now be
16 forced to contribute a second or third time. In addition, the Commission
17 has consistently rejected the regulatory recovery of forced contributions.
18 For example, the recovery of charitable contributions are routinely denied
19 regulatory recovery. The funding of these social initiatives is no different
20 than a charitable contribution and should be accorded the same treatment
21 when determining rates.

1 **AMORTIZATION OF POWER MANAGEMENT SYSTEM SOFTWARE**

2 **Q. PLEASE DESCRIBE THE COMPANY'S CLAIM FOR THE**
3 **AMORTIZATION OF ITS POWER MANAGEMENT SYSTEM**
4 **SOFTWARE.**

5 A. The Company has made an amortization expense claim of \$529,587 based
6 on a 5 year amortization of the costs for the software.

7

8 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM?**

9 A. No.

10

11 **Q. WHAT IS YOUR RECOMMENDATION?**

12 A. I recommend that the Company's Power Management System Software
13 amortization claim be rejected. After applying the Company's claimed
14 intangible T&D allocation of 94.58%, this will reduce distribution
15 operating expenses by \$500,883.

16

17 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

18 A. The basis for my recommendation is that 2004 is the last year of the 5 year
19 amortization period over which the Company expensed the cost of this
20 software. At the time that rates from this proceeding go into effect on
21 January 1, 2005, this expense will have been fully amortized.

22

1 **PPL SERVICE COMPANY SUPPORT CHARGES**

2 **Q. WHAT IS THE PPL SERVICE COMPANY?**

3 A. PPL Service Company provides a variety of services to the consolidated
4 group including PPL Electric. A description of the charges and services
5 provided to PPL Electric is shown on PPL Exhibit II-D-8. Included in
6 those services are charges from External Affairs and Community Affairs.
7 External Affairs provides support for the PPL Electric rate case and
8 additional government relations activities. Community Affairs provides
9 support for administering and coordinating the corporate charitable
10 contribution fund. Also, it provides support for community aid and public
11 education programs.

12
13 **Q. WHAT IS THE COMPANY'S CLAIM FOR EXTERNAL AFFAIRS
14 CHARGES FOR 2004?**

15 A. The 2004 claim for External Affairs services is \$1.2 million. That amount
16 was based on experience in 2003 and an understanding of the
17 communication needs associated with PPL Electric's base rate increase
18 request. Included in this claim is a charge of \$130,000 for rate case
19 communications, as shown on OTS Exhibit No. 2, Schedule 18.

1 **Q. IS THIS RATE CASE COMMUNICATION CHARGE**
2 **DUPLICATIVE OF THE COMPANY'S RATE CASE EXPENSE**
3 **CLAIM SHOWN ON PPL EXHIBIT FUTURE 1, D-6?**

4 A. No.

5

6 **Q. WHAT IS YOUR RECOMMENDATION?**

7 A. I recommend that this claim be rejected. This recommendation will reduce
8 the Company's distribution operating expense by \$130,000.

9

10 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

11 A. The basis for this recommendation is that the rate case communication
12 expense is a non-recurring expense.

13

14 **Q. WHAT IS THE COMPANY'S CLAIM FOR COMMUNITY**
15 **AFFAIRS SUPPORT CHARGES FOR 2004?**

16 A. The 2004 claim for Community Affairs services is \$800,000. However, in
17 response to OTS-RE-86, attached as OTS Exhibit No. 2, Schedule 4, the
18 Company states that the amount should have been \$500,000 rather than
19 \$800,000.

1 **Q. WHAT IS YOUR RECOMMENDATION?**

2 A. I recommend that distribution operating expenses be reduced by \$300,000
3 in order to recognize and correct this error.

4

5 **Q. WHAT IS YOUR TOTAL REDUCTION TO PPL SERVICE**
6 **CORPORATION CHARGES?**

7 A. The total reduction is \$430,000.

8

9 **UNCOLLECTIBLE ACCOUNTS EXPENSE**

10 **Q. IN THIS PROCEEDING THE COMPANY HAS MADE A CLAIM**
11 **FOR UNCOLLECTIBLE ACCOUNTS EXPENSE. WOULD YOU**
12 **BRIEFLY DEFINE WHAT IS MEANT BY UNCOLLECTIBLE**
13 **ACCOUNTS?**

14 A. Uncollectible accounts are specific receivables that are determined to be
15 uncollectible in whole or in part, either because the debtors do not pay or
16 because the creditor finds it impracticable to enforce payment. Those
17 accounts deemed uncollectible are charged against income.

18

19 **Q. HOW DO UTILITIES GENERALLY RECOGNIZE**
20 **UNCOLLECTIBLE ACCOUNTS FOR RATEMAKING PURPOSES?**

21 A. Generally, for ratemaking purposes, utilities compute uncollectible
22 accounts expense on an annual prospective basis. While the uncollectible

1 accounts expense is a prospective claim, the proper calculation begins with
2 an historic analysis of actual net write-offs to gross revenues to develop an
3 historic write-off ratio. Net write-offs are gross write-offs less recoveries
4 of amounts previously written off. This ratio is then applied to projected
5 revenues to determine the proper prospective allowance.
6

7 **Q. HOW WAS THE COMPANY'S CLAIM FOR UNCOLLECTIBLE**
8 **ACCOUNTS EXPENSE DEVELOPED?**

9 A. The expense for uncollectible accounts is based on historical write-offs
10 relative to revenue. PPL Electric projects future write-offs based on
11 projected revenue. Historic trends indicate that write-offs are about 0.65%
12 to 0.66% of revenue. Applying the write-off ratio of 0.665% against
13 projected revenue of \$2.668 billion for 2004 results in about \$17.5 million
14 in uncollectible accounts expense.
15

16 **Q. HAS PPL MADE ANY OTHER ADJUSTMENTS TO ITS**
17 **UNCOLLECTIBLE ACCOUNTS EXPENSE CLAIM?**

18 A. Yes. The Company's future test year claim for uncollectible accounts
19 expense is \$21.2 million which is comprised of a \$17.5 million provision
20 for the Company's normal uncollectible customer accounts and a \$3.7
21 million provision applicable to On-Track arrearage forgiveness. The \$3.7
22 million for On-Track arrearage forgiveness is included in Account 908 as

1 shown on PPL Exhibit Future 1, Schedule B-4, Page 3. PPL's On-Track
2 Program is its customer assistance program (CAP).

3

4 **Q. HAS PPL ALSO INCLUDED ARREARAGE FORGIVENESS AS**
5 **PART OF ITS ON-TRACK PROGRAM?**

6 A. Yes. The Company's future test year claim for its On-Track Program is
7 based on its projected expenditures for 2007 totaling \$14.7 million.

8

9 **Q. WHAT IS YOUR RECOMMENDATION?**

10 A. *I recommend that arrearage forgiveness be removed from the Company's*
11 *uncollectible accounts expense claim. This will reduce distribution*
12 *operating expenses by \$3.7 million.*

13

14 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

15 A. PPL has doubled counted arrearage forgiveness in its future test year
16 expense claims.

17

18 **ON-TRACK PROGRAM**

19 **Q. WHAT IS PPL'S ON-TRACK PROGRAM?**

20 A. PPL's On-Track Program is its customer assistance program. On-Track
21 offers a *reduced payment plan and arrearage forgiveness to low-income*
22 *customers.*

1 **Q. WHAT IS THE COMPANY'S CLAIM FOR ON-TRACK?**

2 A. The Company's future test year claim for its On-Track Program is based on
3 its projected expenditures for 2007 totaling \$14.7 million. The \$14.7
4 million is broken down as follows:

5 Revenue Shortfall	\$8.8 million
6 Arrearage Forgiveness	\$3.7 million
7 Program Administration	\$2.2 million

8 The 2007 funding level is \$3 million more than the projected expense for
9 2004. PPL proposes to start collecting the additional \$3 million in rates as
10 it prepares to ramp-up its expenditures over a three year period.

11

12 **Q. WHAT IS THE COMPANY'S BUDGET AMOUNTS FOR ON-**
13 **TRACK DURING THE PERIOD 2004 – 2011?**

14 A. The budget amounts in millions are as follows:

15	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
16	\$11.7	\$12.7	\$13.7	\$14.7	\$15.7	\$15.7	\$15.7	\$14.7

17 As can be seen, PPL proposes to over-collect in years 2005 and 2006 by a
18 total of \$3 million and under-collect in years 2008, 2009, and 2010 by a
19 total of \$3 million.

20

21 **Q. DO YOU AGREE WITH THE COMPANY'S ON-TRACK CLAIM?**

22 A. No.

1 **Q. WHAT IS YOUR RECOMMENDATION?**

2 A. I recommend a levelized expense allowance for On-Track of \$13.2 million.

3 The levelized expense allowance was calculated by taking an average of the
4 projected expenditures for 2005 and 2006 ($12.7 + 13.7 = 26.4 \div 2 = 13.2$).

5 This recommendation will reduce distribution operating expenses by

6 \$1,500,000 calculated as follows:

7 PPL On-Track Claim \$14.7 million

8 OTS Allowance \$13.2 million

9 Recommended Reduction \$1.5 million

10

11 **Q. WHAT IS THE BASIS OF YOUR RECOMMENDATION?**

12 A. PPL has stated that it will file the next base rate case in two years and
13 claimed a two year normalization period for rate case expense. Therefore,
14 there is no need for ratepayers to advance funds to PPL before it is
15 necessary. The increased spending levels for 2007 and beyond can be
16 addressed timely in the next base rate case.

17

18 **Q. DO YOU HAVE ANY FURTHER COMMENTS REGARDING PPL'S**
19 **ON-TRACK PROGRAM?**

20 A. Yes. As part of PPL's proposal, the Company states that it will track and
21 accumulate the excess recoveries for On-Track. If the Commission accepts
22 PPL's proposal requiring ratepayers to advance these funds, PPL should be

1 required to pay interest on these accumulated funds at a rate comparable to
2 the overall rate of return granted in this proceeding.

3
4 **WRAP PROGRAM**

5 **Q. WHAT IS PPL'S WRAP PROGRAM?**

6 A. PPL's WRAP provides free weatherization measures and energy
7 conservation education to low-income customers.

8
9 **Q. WHAT IS THE COMPANY'S CLAIM FOR WRAP?**

10 A. The Company's future test year claim for its WRAP is based on its
11 projected expenditures for 2007 totaling \$6.7 million. PPL proposes to
12 start collecting an additional \$1 million in rates as it prepares to ramp-up its
13 expenditures over a three year period.

14
15 **Q. WHAT IS THE COMPANY'S BUDGET AMOUNTS FOR WRAP**
16 **DURING THE PERIOD 2004 – 2011?**

17 A. The budget amounts in millions are as follows:

18 2004 2005 2006 2007 2008 2009 2010 2011
19 \$5.7 \$6.0 \$6.5 \$6.7 \$7.0 \$6.9 \$6.9 \$6.7

20 As can be seen, PPL proposes to over-collect in years 2005 and 2006 by a
21 total of \$0.9 million and under-collect in years 2008, 2009, and 2010 by a
22 total of \$0.7 million.

1 **Q. DO YOU AGREE WITH THE COMPANY'S ON-TRACK CLAIM?**

2 A. No.

3

4 **Q. WHAT IS YOUR RECOMMENDATION?**

5 A. I recommend a levelized expense allowance for WRAP of \$6.25 million.

6 The levelized expense allowance was calculated by taking an average of the
7 projected expenditures for 2005 and 2006 ($6.0 + 6.5 = 12.5 \div 2 = 6.25$).

8 This recommendation will reduce distribution operating expenses by
9 \$450,000 calculated as follows:

10	PPL WRAP Claim	\$6.70 million
11	OTS Allowance	\$6.25 million
12	Recommended Reduction	\$0.45 million

13

14 **Q. WHAT IS THE BASIS OF YOUR RECOMMENDATION?**

15 A. PPL has stated that it will file the next base rate case in two years and
16 claimed a two year normalization period for rate case expense. Therefore,
17 there is no need to for ratepayers to advance funds to PPL before it is
18 necessary. The increased spending levels for 2007 and beyond can be
19 addressed timely in the next base rate case.

1 Q. DO YOU HAVE ANY FURTHER COMMENTS REGARDING PPL'S
2 ON-TRACK PROGRAM?

3 A. Yes. As part of PPL's proposal, the Company states that it will track and
4 accumulate the excess recoveries for WRAP. If the Commission accepts
5 PPL's proposal requiring ratepayers to advance these funds, PPL should be
6 required to pay interest on these accumulated funds at a rate comparable to
7 the overall rate of return granted in this proceeding.

8

9 NORMALIZATION OF FERC ACCOUNTS 588 AND 593

10 Q. WOULD YOU BRIEFLY DISCUSS THE CONCEPT OF
11 NORMALIZATION?

12 A. Yes. Normalization is a ratemaking concept that describes the
13 transformation of an operating expense that recurs at irregular intervals into
14 a "normal" annual test year expense allowance. Normalization specifically
15 addresses the prospective recovery of an ongoing expense that recurs
16 sporadically. Allowed normalized expenses are no different than any other
17 O&M expense in that the Company is given the opportunity to achieve full
18 recovery in the prospective revenue allowance.

1 **Q. WHAT TYPE OF COSTS IS INCLUDED IN FERC ACCOUNT 588?**

2 A. FERC Account 588 is Miscellaneous Distribution Expenses. This account
3 includes the costs of labor, materials used and expenses incurred in
4 distribution system operations not provided for elsewhere. Specific
5 expenses include maintaining records of physical characteristics lines and
6 substations, such as, capacities and distribution system voltage and load
7 records. Also included are preparing maps, prints and records covering
8 poles, transformers, manholes, cables and other distribution facilities.

9

10 **Q. WHAT TYPE OF COSTS IS INCLUDED IN FERC ACCOUNT 593?**

11 A. FERC Account 593 is Maintenance of Overhead Lines. This account
12 includes the cost of labor, materials used and expenses incurred in the
13 maintenance of overhead distribution line facilities. Specific expenses
14 include work on poles, towers, fixtures, overhead conductors and devices.

15

16 **Q. DOES PPL BUDGET BY FERC ACCOUNT?**

17 A. No. PPL's budget is created by functional activity. However, to satisfy the
18 requirements for this rate filing, PPL has allocated its expenditures into
19 FERC accounts. This was accomplished by first allocating O&M costs
20 budgeted by category of expenditures to FERC accounts where the budget
21 classification was specifically identifiable to those accounts. For those
22 budget classifications not identifiable to a specific FERC account, the total

1 remaining budgeted expenditures were allocated to FERC accounts based
2 on the same relationship to the total as the actual costs shown for the
3 Historic Test Year O&M expenditures, which are reported by both budget
4 classification and FERC account.

5
6 **Q. WHAT IS THE COMPANY'S FUTURE TEST YEAR CLAIMS FOR
7 FERC ACCOUNT 588 AND FERC ACCOUNT 593?**

8 A. The Company's claims are found in PPL Exhibit Future 1, B-4, Page 2.
9 The future test year claim for FERC Account 588 is \$12,003,000 and FERC
10 Account 593 is \$36,741,000.

11
12 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIMS FOR FERC
13 ACCOUNT 588 AND FERC ACCOUNT 593?**

14 A. No.

15
16 **Q. WHAT IS YOUR RECOMMENDATION?**

17 A. I recommend that these two FERC accounts be normalized. This will
18 reduce distribution O&M expenses by \$4,043,000 as shown on OTS
19 Exhibit No. 2, Schedule 3.

1 **Q. PLEASE EXPLAIN YOUR NORMALIZATION ADJUSTMENT.**

2 A. On OTS Exhibit No. 2, Schedule 3, the adjustment begins with an average
3 of the actual expenses incurred in 2001 through 2003 adjusted for inflation.
4 This inflation adjusted average represents a normal level of expense to be
5 included in the future test year. The average is then subtracted from the
6 Company's future test year claim resulting in the adjustment to O&M
7 expense.

8
9 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

10 A. Expenses that fluctuate year to year should be normalized in order to
11 determine a reasonable level of expense to be included in the future test
12 year.

13
14 **ENVIRONMENTAL REMEDIATION COSTS**

15 **Q. PLEASE DESCRIBE PPL ELECTRIC'S ENVIRONMENTAL**
16 **REMEDATION EXPENSES AND HOW ARE THEY**
17 **RECOGNIZED FOR ACCOUNTING PURPOSES?**

18 A. Environmental Remediation Expenses are expenditures required to fund the
19 liability assumed by the Company for environmentally contaminated sites
20 which were owned and operated by PPL Electric's predecessor, PP&L.
21 PPL Electric follows the guidance of the Financial Accounting Standards
22 Board Statement of Financial Accounting Standards No. 5, "Accounting for

1 Contingencies” (SFAS 5). That statement requires that when a loss
2 contingency is probable, and the amount of loss can be reasonably
3 estimated, the loss shall be accrued by a charge to income. During 2003,
4 PPL Electric reviewed estimated future site remediation costs, including
5 Superfund sites, substations and pole sites, former coal gas manufacturing
6 facilities, and former generating facilities. The estimated future site
7 remediation costs exceeded the loss contingency previously accrued by
8 \$3.025 million. Therefore, based on SFAS 5 guidance, that amount was
9 charged to income to bring the loss contingency to the proper level for 2003
10 (See response to OTS-RE-144 A which is attached as OTS Exhibit No. 2,
11 Schedule 5).

12
13 **Q. WHAT IS THE COMPANY’S CLAIMED INCREASE IN**
14 **ENVIRONMENTAL REMEDIATION EXPENSES FOR THE**
15 **FUTURE TEST YEAR ENDED DECEMBER 31, 2004?**

16 **A.** On Attachment II-D-7a Page 1 of 1, the Company claimed an increase in
17 environmental remediation expenses of \$3,556,000 for the future test year
18 ended December 31, 2004.

1 **Q. WHAT IS THE BASIS FOR THE COMPANY'S CLAIMED**
2 **INCREASE IN ENVIRONMENTAL REMEDIATION EXPENSES?**

3 A. The Company carried forward the \$3,025,000 that it determined for 2003 as
4 a proxy for 2004 and bumped it up an additional \$531,000 in anticipation of
5 ongoing remediation (Response to OCA X-10, which is attached as OTS
6 Exhibit No. 2, Schedule 6). This claim is based upon the Company's
7 opinion that its predecessor may have had involvement through prior
8 operation or ownership of up to 17 additional manufactured gas plant sites,
9 that its costs to remediate these sites could be \$0 to \$5 million and that
10 these costs are dependent on what actions, if any, are taken at a site and
11 whether PPL Electric is required to participate in remedial actions
12 (Response to OTS-RE-149, Exhibit No. 2, Schedule 19).

13
14 **Q. DID THE COMPANY PROVIDE ANY EVIDENCE THAT IT IS**
15 **REQUIRED TO INCREASE ITS ACCRUAL BY \$3,556,000 WITH A**
16 **CORRESPONDING ONGOING CHARGE TO INCOME?**

17 A. Other than the Company's speculation described above, the answer is no.

18
19 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE**
20 **COMPANY'S 2004 CLAIM FOR INCREASED ENVIRONMENTAL**
21 **EXPENSES?**

22 A. I recommend that the entire amount be disallowed.

1 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

2 A. In the two years prior to its increase in its accrual and its corresponding
3 charge to income of \$3,025,000 in 2003, the Company charged \$193,000
4 and \$0 to income for 2001 and 2002, respectively (Response to OTS-81-C).
5 While the Company increased its accrual and expensed \$3,025,000 for
6 2003, its claim that it requires a \$3,556,000 increase for the future test year
7 2004 is a quantum leap from the reality that it funded little to no increase in
8 prior years and provided absolutely no evidence of future liability increases
9 and corresponding charges to income. Therefore, the Company's requested
10 future test year claimed increase in expense of \$3,556,000 should be
11 rejected in its entirety. All current remediation projects are adequately
12 funded.

13
14 **PENNSYLVANIA CAPITAL STOCK TAX**

15 **Q. WHAT IS THE PENNSYLVANIA CAPITAL STOCK TAX (CST)?**

16 A. The capital stock tax is a property tax computed on a combined base of
17 average net income and net worth.

18
19 **Q. HOW IS THE CST LIABILITY DETERMINED?**

20 A. The CST liability is determined by multiplying the CST rate times the CST
21 valuation.

1 **Q. HOW IS THE COMPANY'S CST VALUATION DETERMINED?**

2 A. The CST valuation is based on a formula that is an average of two
3 numbers. The first number is the average of the most recent five years
4 book net income capitalized at 9.5%. The second number is 75% of the
5 Company's net worth.

6

7 **Q. WHAT IS THE COMPANY'S CLAIM FOR CAPITAL STOCK**
8 **TAX?**

9 A. The Company's claim for Capital Stock Tax is \$7,060,000 and is found in
10 PPL Exhibit Future 1, D-12, Page 2 of 4.

11

12 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM?**

13 A. No.

14

15 **Q. WHAT IS YOUR RECOMMENDATION?**

16 A. My recommendation can be broken down into three parts. First, I
17 recommend that the CST rate used in the calculation be 5.99 mills effective
18 on January 1, 2005, as shown on OTS Exhibit No. 2, Schedule 8, instead of
19 the 6.99 mills claimed. Second, I am recommending a change to the net
20 income calculation since the calendar year 2000 book income includes
21 generation. Third, I will discuss the Company's attempt to iterate Capital
22 Stock tax under proposed rates.

1 **Q. WHY ARE YOU RECOMMENDING USING THE CAPITAL**
2 **STOCK TAX RATE FOR 2005?**

3 A. Rates in this proceeding will be effective on January 1, 2005. If the
4 Company is permitted to use the 2004 rate of 6.99 mills, it will have to also
5 file a state tax adjustment surcharge (STAS) on the same day to reflect the
6 lower 2005 Capital Stock Tax rate of 5.99 mills. There is no reason not to
7 reflect the change in rates now which will eliminate the filing of a negative
8 STAS. This recommendation will reduce distribution expense for Capital
9 Stock Tax by \$808,000 as shown on OTS Exhibit No. 2, Schedule 1.

10

11 **Q.. WHAT IS THE NATURE OF YOUR SECOND ADJUSTMENT FOR**
12 **THE CST?**

13 A. I am recommending that the CST liability included in base rates be based
14 on an estimate of the 2005 CST liability rather than on the projection of the
15 2004 CST liability.

1 Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION TO
2 BASE THE CST LIABILITY ON 2005 RATHER THAN 2004?

3 A. As I previously stated, ½ of the calculation of the CST liability is based on
4 the capitalization of five years of book net income. The Company's 2004
5 CST calculation reflects the following five years of book net income in
6 (\$000):

7

8	2000	\$ 277,364
9	2001	124,282
10	2002	43,633
11	2003	28,470
12	2004	45,551

13
14 As can be seen from a review of the five years of book net income, the
15 income for 2000 is disproportionately high in relation to subsequent years
16 and is inflating the CST liability over what will actually be incurred during
17 the first year that rates from this proceeding will be in effect.

18

19 Q. DO YOU KNOW WHY THE BOOK NET INCOME FOR 2000 IS
20 DISPROPORTIONATELY HIGH?

21 A. Yes. The Company has stated that the book net income for 2000 includes
22 generation activity. The book net income for the other years reflects
23 distribution activity only.

1 **Q. WHAT IS THE EFFECT OF BASING THE CST BASE RATE**
2 **LIABILITY ON 2005 INSTEAD OF 2004?**

3 A. By basing the CST liability on 2005 rather than 2004, the anomalies book
4 income for 2000 is removed from the calculation. The CST liability is now
5 based on distribution activity only with all remnants of generation activity
6 removed from the calculation. OTS Exhibit No. 2, Schedule 2, details my
7 revised computation of the CST. The effect is a further reduction of
8 \$461,000.

9
10 **Q. IN PROJECTING THE 2005 LIABILITY, HOW DID YOU**
11 **CALCULATE THE 2005 BOOK NET INCOME?**

12 A. My estimate for 2005 is the sum of the book net income for 2004
13 (\$45,551,000) plus the operating income of \$90,162,000 related to the
14 Company's proposed rate increase as shown on PPL Exhibit Future 1,
15 D-13. This estimate is conservative, to the Company's benefit, because it
16 assumes the Company will receive its full requested increase.

17
18 **Q. WHY IS IT NECESSARY TO BASE THE CST LIABILITY ON AN**
19 **ESTIMATE FOR 2005?**

20 A. If the 2004 liability is used to establish rates, the inflated liability caused
21 by the 2000 generation income will remain in distribution rates until the
22 next rate proceeding. Future state tax adjustment filings (STAS) would

1 capture future reductions in CST liability due to reductions in the CST rate,
2 but would not capture reductions in CST liability due to changes in
3 valuation.

4
5 **Q. WHAT IS THE COMBINED EFFECT OF THESE TWO**
6 **ADJUSTMENTS?**

7 A. The combined effect of these two adjustments will reduce distribution
8 operating expense (taxes – other than income) by \$1,269,000 as shown on
9 OTS Exhibit No. 2, Schedule 2.

10
11 **Q. WHAT IS THE NATURE OF YOUR THIRD RECOMMENDATION**
12 **REGARDING CST?**

13 A. In the increase column the Company has calculated an additional increase
14 of \$660,000 in CST, based on the requested increase of \$90,162,000
15 (Exhibit Future 1, D-13, Page 4). The iteration of the CST should be
16 rejected.

17
18 **Q. WHY IS CAPITAL STOCK TAX EXCLUDED FROM THE RE-**
19 **ITERATION PROCESS?**

20 A. Capital Stock Tax does not increase in direct proportion with an increase in
21 revenues as does gross receipts tax and federal and state income taxes.
22 Therefore, Capital Stock Tax should not be included on PPL Exhibit Future

1 1, D-13, Page 4. The effect of the increase that the Commission ultimately
2 grants would be an increase to book income in the current year. The
3 increase would be averaged with four other years and then averaged again
4 with 75% of net equity. At best the effect would be 1/10 of that requested
5 by the Company because of the lessened impact on the CST valuation
6 calculation. Because of the de minimus impact, current regulatory practice
7 is not to iterate CST.

8
9 **CASH WORKING CAPITAL**

10 **Q. WHAT IS A CASH WORKING CAPITAL (CWC) ALLOWANCE**
11 **FOR RATEMAKING PURPOSES?**

12 **A.** CWC is the amount of funds necessary to operate a utility during the
13 interim between the rendition of service, including the payment of related
14 expenses and the receipt of revenue in payment of services rendered. A
15 lead/lag study measures the differences in time between: (1) the time
16 services are rendered until payment of those services are received; and (2)
17 the time between when a utility has incurred an expense and the actual
18 payment of the expense.

1 Q. WOULD YOU EXPLAIN THE DIFFERENCE BETWEEN THE
2 RATEMAKING AND ACCOUNTING CONCEPTS OF WORKING
3 CAPITAL?

4 A. Yes. Outside the arena of utility ratemaking, accountants define working
5 capital as the difference between current assets and current liabilities,
6 which is a measure of a business' liquidity at a given point in time. On the
7 other hand, the ratemaking concept defines CWC as the amount of capital
8 that a utility requires to cover the gap between the payment of operating
9 expenses and taxes and the receipt of revenue from utility ratepayers.

10

11 Q. WHAT IS THE COMPANY'S CLAIM FOR CWC?

12 A. The total Company claim for CWC is \$23,205,000. The five major
13 components that comprise the Company's total CWC claim are as follows:

14	1.	O&M expense	\$ 13,990,000
15	2.	Average prepayments	2,152,000
16	3.	Accrued taxes	16,805,000
17	4.	Interest payments	(9,746,000)
18	5.	Preferred dividend payments	<u>4,000</u>
19		Total CWC	<u>\$ 23,205,000</u>

20

21 Q. WHAT IS YOUR PROPOSED ALLOWANCE FOR CASH
22 WORKING CAPITAL?

23 A. I recommend a CWC allowance of \$22,787,000. This represents a
24 reduction of \$418,000 to the Company's claim. OTS Exhibit No. 2,

1 Schedule 9, summarizes my proposed allowance. I am proposing two
2 adjustments to the Company's claim for O&M expenses.

3
4 **Q. HOW DID THE COMPANY CALCULATE THEIR CWC CLAIM**
5 **FOR O&M EXPENSES?**

6 A. First, the Company calculated the O&M daily expense by dividing the net
7 pro-forma O&M expense claims by 365. The Company then multiplied
8 that number by a net lag of 13.4 days to produce their claim of
9 \$13,990,000 (PPL Exhibit Future 1, C-4, Page 2). The net lag of 13.4 days
10 is the difference in the average lag in days between payment of O&M
11 expenses and the lag in receipt of revenue.

12
13 **Q. WHAT ISSUES DO YOU HAVE WITH REGARD TO THE**
14 **COMPANY'S CWC CLAIM FOR O&M EXPENSES?**

15 A. The Company's net lag of 13.4 days is the net of the revenue lag of 45.5
16 days less the expense lag of 32.1 days. My issue is with the calculation of
17 the expense lag of 32.1 days.

18
19 **Q. HOW DID THE COMPANY CALCULATE THE OPERATING**
20 **EXPENSE LAG OF 32.1 DAYS?**

21 A. The Company's operating expense lag of 32.1 days is the weighted average
22 of four expense groupings: Payroll; Employee Benefits; Affiliate Support

1 Costs; and Other Operating Expenses. The Company's calculated lags for
2 the four expense groups are 12, 35, 35 and 41 days, respectively (PPL
3 Exhibit Historic I, C-4, Page 2).

4
5 **Q. HOW DID THE COMPANY CALCULATE THE WEIGHTED**
6 **AVERAGE LAG OF 41.0 DAYS FOR OTHER OPERATING**
7 **EXPENSES?**

8 A. The lag for Other Operating Expenses is a weighted average calculation for
9 eleven various expense categories, which are detailed at PPL Attachment
10 11-B-4, Page 4.

11
12 **Q. WHAT ADJUSTMENT ARE YOU PROPOSING TO THE**
13 **CALCULATION OF THE OPERATING EXPENSE LAG?**

14 A. I am proposing to increase the lag for Other Operating Expenses from 41
15 days to 41.86 days. The increase is due to the corrections to two of the
16 eleven sub-categories of expense: Materials & Supplies and Rents. I have
17 recomputed the Company claimed lag of 55.35 days for Materials &
18 Supplies to 55.98 days. I have also recomputed the Company claimed lag
19 of -22.25 for Rents to -18.62 days.

1 **Q. WHAT IS THE BASIS FOR YOUR ADJUSTMENT TO**
2 **MATERIALS & SUPPLIES?**

3 A. The lag associated with an expense item is the time between when the
4 expense is incurred or service rendered and the date of payment. The mid-
5 point of service date would refer to the date service was provided or the
6 mid-point of the period over which the service was provided. For example,
7 if the service encompassed a full month, the service date would be the mid-
8 point of the month (15th). In calculating the lag of -85 days associated with
9 the invoice for Airgas East, the Company calculated the mid-point of
10 service as September 30, 2003, which was the invoice date for the delivery
11 of sulfur hexafluoride gas. The Company actually took delivery on August
12 30, 2002 (OTS Exhibit No. 2, Schedule 14). The correct lag should be -54
13 days, calculated from the date of receipt of service on August 30, 2002 to
14 payment on July 7, 2003.

15
16 **Q. WHAT IS THE BASIS FOR YOU ADJUSTMENT TO RENTS?**

17 A. In calculating the lag of -22.25 days for Rents, the Company calculated a
18 lag of -174 days for an invoice from Doble Engineering Company. The
19 Company calculated the mid-point of service date for this invoice as
20 February 1, 2004 (PPL Attachment 11-B-4, Page 12). The invoice clearly
21 indicates the service period to be 7/1/2003 to 6/30/2004. The mid-point of
22 this service period is December 30, 2003, not February 1, 2004. The lag

1 from the mid-point of service at December 30, 2003 to payment date on
2 August 11, 2003 is -142 days.

3

4 **Q. WOULD YOU SUMMARIZE YOUR ADJUSTMENTS?**

5 A. Yes. I am proposing an increase in the lag for Materials & Supplies from
6 55.35 days to 55.98 days. I am proposing an increase in the lag for Rents
7 from -22.25 to -18.62 days. The net affect is an increase in the lag for
8 Other Operating Expenses from 41.48 days to 41.86 days (OTS Exhibit
9 No. 2, Schedule 12). When carried through the entire lead/lag study, the
10 net effect is a reduction to CWC of \$418,000.

11

12 **Q. DO YOU HAVE ANY OTHER COMMENTS RELATED TO THE**
13 **COMPANY'S CWC CLAIMS?**

14 A. Yes. OTS does not agree with the Company's calculation of its CWC
15 requirement for accrued taxes. However, at this time the rate impact of
16 adjusting the CWC claim for accrued taxes would be de minimus.
17 Therefore, OTS is not proposing an adjustment.

1 **Q. DOES YOUR RECOMMENDED CWC ALLOWANCE OF**
2 **REPRESENT A FINAL RECOMMENDED ALLOWANCE FOR**
3 **CWC?**

4 A. No. All adjustments to the Company's claims for revenues, expenses,
5 taxes, and rate base must be consistently brought together in the ALJ's
6 Recommended Decision, and again in the Commission's Final Order. This
7 process, which is known as "iteration", effectively prevents the
8 determination of a precise calculation until such time as all adjustments
9 have been made to the Company's claim.

10

11 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12 A. Yes.

APPENDIX A

Professional and Educational Background

Charles T. Weakley, III

Education:

A.A. in Accounting, Harrisburg Area Community College, 1973.

B.B.A. in Administration, Pennsylvania State University, 1975.

Graduate Studies in Operations Management, Pennsylvania State University, 1977.

Employment:

Prior to accepting my position with the PUC, in the Bureau of Rates in February 1984, I was a Corporation Tax Officer with the Pennsylvania Department of Revenue.

I am a Certified Public Accountant, however, my license is currently inactive, since I am no longer in public practice. In addition, I am a Member of the Pennsylvania Institute of Certified Public Accountants and have three years of public accounting experience.

Testimony:

I have testified and/or submitted testimony in the following proceedings:

PECO Rate Case, R-842590, R-850152 and R-891364

Penn Power Rate Case, R-842740, R-850267 and R-870732

Met-Ed Rate Case, R-842770 and R-00922314

Penelec Rate Case, R-842771

Duquesne Light Rate Case, R-850021, R-860378 and R-870651

PECO - Gas Operations Rate Case, R-870629

Philadelphia Suburban Water Company Rate Case, R-870860 and R-891270

Peoples Natural Gas Rate Case, R-880961

Equitable Gas Rate Case, R-880971, R-901595 and R-912164

PECO-PGC No. 6, 1307(f) Proceeding, R-891290

T.W. Phillips Gas and Oil Co. PGC-90, R-891572

T.W. Phillips Gas and Oil Co. Rate Case, R-891566

Arrowhead Public Service Corporation Rate Case, R-891557

Peoples Natural Gas - PGC-90, 1307(f) Proceeding, R-901640

Peoples Natural Gas - PGC-91, 1307(f) Proceeding, R-911919

PECO-PGC No. 8, 1307(f) Proceeding, R-911976

West Penn Power - Petitions (CAAA, 1990) P-910511 and R-910512

Borough of Phoenixville - Rate Case, R-912038

Shenango Valley Water Company - R-912060 and R-00932798

Dallas Water Company, Inc. - R-00922326

Harvey's Lake Water Company, Inc. - R-00922327

Noxen Water Company, Inc. - R-00922328

Shavertown Water Company, Inc. - R-00922329

Pennsylvania Gas and Water Company (Spring Brook/Crystal Lake) R-00922404

Pennsylvania-American Water Company - R-00922428

Pennsylvania Gas and Water Company (Scranton) R-000922482

National Fuel Gas Distribution Corporation - R-00932548

Lemont Water Company, Rate Case, R-00932673

The Peoples Natural Gas Company, Rate Case, R-00932866

The Peoples Natural Gas Company, 1994-1307(f), R-00943028, C-945601

Equitable Gas Company - R-00943246

Pennsylvania Power & Light Company - R-00943271

The Peoples Natural Gas Company, 1996-1307(f), R-00963563

The Peoples Natural Gas Company, 1997-1307(f), R-00973896, R-00973928, A-122250F0007

Peco Energy Company - R-00973877, R-00973953

Pennsylvania Electric Company - R-00974009

Metropolitan Edison Company - R-00974008

Bell/ GTE Merger - A-310200F0002, A-310222F0002, A-310291F0003,
A-311350F0002

The Peoples Natural Gas Company - Rate Restructuring - R-00994782

Equitable Gas Company - Rate Restructuring - R-00994784

UGI Utilities, Inc. - Rate Restructuring - R-00994786

PECO Energy Company - Rate Restructuring - R-00994787

National Fuel Gas Distribution Corporation - 1307(f) - R-00994898

PECO Energy Company - 1307(f) - R-00005285

UGI Utilities, Inc. - 1307(f) - R-00005281

Philadelphia Gas Works - Rate Case - R-00005654, R-0006042, R-00017034

Philadelphia Gas Works - Extraordinary Rate Relief - R-00017034F0002

Philadelphia Gas Works - Rate Restructuring - M-00021612

Philadelphia Gas Works - 1307(f) - R-00038173

National Fuel Gas Distribution Corporation - R-00038168, P-00032027

OTS Exhibit No. 2
Witness: Charles T. Weakley, III
Date: June 29, 2004

DOCUMENT

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PPL ELECTRIC UTILITIES CORPORATION

Docket No. R-00049255

DOCKETED
AUG. 18 2004

Exhibit to Accompany

the

Direct Testimony

of

Charles T. Weakley, III

Office of Trial Staff

Concerning:

Operating and Maintenance Expenses
Cash Working Capital

2004 AUG 12 AM 9:50
Pa. PUC
SECRETARY'S BUREAU

RECEIVED

PPL ELECTRIC UTILITIES CORPORATION
Capital Stock Tax Calculation
Year Ended December 31, 2004
Per OTS
(Thousands of Dollars)

Line No.	Description	Amount
1	PA Capital Stock Tax = ((5 Year Net Income / .095) + (.75 x (Net Worth)))	
2	Net Income	
3	2000	\$ 277,364
4	2001	124,282
5	2002	43,633
6	2003	28,470
7	2004	45,551
8	Total	<u>\$ 519,300</u>
9	Average	<u>\$ 103,860</u>
10	Net Worth at December 31, 2004	<u>\$ 1,287,339</u>
11	PA Capital Stock value = .5((\$103860 / .095) + (.75 x \$1,287,339))=	\$ 1,029,384
12	Statutory Exemption	125
13	Value of Capital Stock less Statutory Exemption	<u>\$ 1,029,259</u>
14	Apportionment Percentage	<u>0.995148</u>
15	PA Capital Stock Value	<u>\$ 1,024,265</u>
16	PA Capital Stock Tax at 5.99 mills (a)	\$ 6,135
17	Less PA Education tax credit	100
18	OTS Recommended PA Capital Stock Tax	<u>\$ 6,035</u>
19	Less Company Claim	<u>7,060</u>
20	OTS Recommended Adjustment	\$ (1,025)
21	Allocation to Distribution	0.7885
22	OTS Allocated Adjustment to Distribution	<u>\$ (808)</u>

(a) Reference OTS Exhibit No. 2, Schedule 8.

PPL ELECTRIC UTILITIES CORPORATION
Capital Stock Tax Calculation
Year Ended December 31, 2005
Per OTS
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	PA Capital Stock Tax = ((5 Year Net Income / .095) + (.75 x (Net Worth)))	
2	Net Income	
3	2001	124,282
4	2002	43,633
5	2003	28,470
6	2004	45,551
7	2005	135,713
8	Total	<u>\$ 377,649</u>
9	Average	<u>\$ 75,530</u>
10	Net Worth at December 31, 2004	<u>\$ 1,423,052</u>
11	PA Capital Stock value = .5((\$103860 / .095) + (.75 x \$1,287,339))=	\$ 931,171.
12	Statutory Exemption	125
13	Value of Capital Stock less Statutory Exemption	<u>\$ 931,046</u>
14	Apportionment Percentage	<u>0.995148</u>
15	PA Capital Stock Value	<u>\$ 926,529</u>
16	PA Capital Stock Tax at 5.99 mills	\$ 5,550
17	Less PA Education tax credit	100
18	OTS Recommended PA Capital Stock Tax	<u>\$ 5,450</u>
19	Less Company Claim	<u>7,060</u>
20	OTS Recommended Adjustment	\$ (1,610)
21	Allocation to Distribution	0.7885
22	OTS Allocated Adjustment to Distribution	<u>\$ (1,269)</u>

PPL Electric Utilities Corporation
Docket R-00049255
Normalization Adjustments
Year Ended December 31, 2004
(Thousands of Dollars)

Account	Company FTY Claim	OTS Normalized Expenses	OTS Recommended Adjustment	
(A)	(B)	(C)	(D)	
1 588 Misc. Dist. Exp.	\$12,003	\$9,726 (*)	\$2,277	
2 593 Maint. Of O/H Lines	\$36,741	\$34,975 (**)	\$1,766	
3	Total OTS Decrease to O&M Expense		\$4,043	
	(A)	(B)	(C)	(D)
4 <u>Actual Expenses</u>	Year <u>2001</u>	Year <u>2002</u>	Year <u>2003</u>	Year <u>2004</u>
Account				
5 588 Misc. Dist Exp.	\$7,473	\$9,482	\$10,928	\$12,003
6 593 Maint. Of O/H Lines	\$31,178	\$36,610	\$32,259	\$36,741
7 <u>Adjusted to 2004 dollars</u>	Year <u>2001</u>	Year <u>2002</u>	Year <u>2003</u>	
8 Inflation Factor (1)	106.78%	105.11%	102.78%	
Account				3-Year <u>Average</u>
9 588 Misc. Dist Exp.	\$7,979	\$9,967	\$11,231	\$9,726 (*)
10 593 Maint. Of O/H Lines	\$33,291	\$38,481	\$33,154	\$34,975 (**)
(1) Inflation rates were calculated using the 12 month average Consumer Price Index level.				
	Year	Rate		
11 Economic Indicators - April 2004	2002	1.58	1.067843335	
12 Economic Indicators - April 2004	2003	2.28	1.05123384	
13 Blue Chip Financial Forecast - June 2	2004	2.78		

**PPL Electric Utilities Corporation
Response to Interrogatories of the
Office of Trial Staff, Set 7,
Dated April 27, 2004
Docket No. R-00049255**

Q.OTS-RE-86. Reference 11-D-8, Page 2 of 4, PPL Services for Community Affairs.

- A. Supply a description of the "Corporate Charitable Contribution Fund". What is the funds purpose? Who administers the fund?
- B. Provide an explanation of the projected 50% increase in allocated costs from Community Affairs.
- C. Provide the amount of Community Affairs expenses allocated to PPL Electric for 2001 and 2002.

A.OTS-RE-86.

- A. The Corporate Charitable Contribution Fund budget is used to distribute cash grants throughout the year to organizations for issues important to the Company. The fund is administered by the Office of the Chairman.
- B. The allocated costs from Community Affairs as reported in response to Question II-D-8 of Exhibit Regs. § 53.53, Part II should have been \$500,000 rather than \$800,000. The increase is due to a higher allocation of expected activities and expenses in 2004 when compared to 2003 actual expenses.
- C. In 2001, the Community Affairs Department organizationally was part of PPL Electric. All of its costs were included in PPL Electric's actual O&M expenses. In 2002, Community Affairs was moved to PPL Services and charged PPL Electric for costs totaling \$400,000.

**PPL Electric Utilities Corporation
Response to Interrogatories of the
Office of Trial Staff, Set 19,
Dated June 3, 2004**

Docket No. R-00049255

Q.OTS-RE-144.

Reference PPL's response to OTS-RE-81.

- A. Please provide a breakdown of \$3.025 million by plant site and PCB substation.**
- B. Please provide the total remediation cost and duration (start and end dates) by plant site and PCB substation.**
- C. Please explain if these costs are being incurred directly by PPL Electric or allocated to PPL from another company in the consolidated group.**
- D. Please explain if any of the remediations are being done by outside contractors, and, if so, provide a summary of the terms of the contract(s).**

A.OTS-RE-144.

- A. See Attachment 1. PPL Electric follows the guidance of the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" (SFAS 5). That statement requires that when a loss contingency is probable, and the amount of loss can be reasonably estimated, the loss shall be accrued by a charge to income.**

In 2003, PPL Electric reviewed the estimated costs of site remediation, including Superfund sites, substations and pole sites, former coal gas manufacturing facilities, and former generating facilities. The estimated future site remediation costs exceeded the loss contingency that previously had been accrued by \$3.025 million. Therefore, based on SFAS 5 guidance, that amount was charged to income to bring the loss contingency to the proper level.

During 2003, PPL Electric spent \$3.9 million for remediation work at many of the sites shown on Attachment 1.

- B. See Attachment 2.**

- C. Remediation costs are incurred directly by PPL Electric.
- D. PPL Electric utilizes outside contractors for multiple remediation activities, including testing and analysis, waste disposal, remediation construction and engineering. *Contract terms and conditions are dependent on the type and scope of work.*

PPL Electric Utilities Corporation
2003 Changes in Environmental Contingency
(Thousands of Dollars)

Attachment 1

<u>Site</u>	<u>Increase/(Decrease) in Estimated Liability</u>
Manufactured Gas Plants	
Carlisle	\$ 100
Tamaqua	(540)
Lehighton	(100)
Shamokin	(50)
Sunbury	3,650
Superfund Sites	
Metal Bank	(200)
Novak Landfill	35
Substations (PCB Cleanup)	<u>130</u>
TOTAL	<u>\$ 3,025</u>

Note: Negative amounts represent a reduction to previous remediation cost estimates.

**PPL Electric Utilities Corporation
 Total Remediation Cost and Duration
 For Current Projects
 (Thousands of Dollars)**

Attachment 2

<u>Site</u>	<u>Total Estimated Remediation Cost at March 31, 2004 (1)</u>	<u>Start Date</u>	<u>End Date</u>
Manufactured Gas Plants			
Carlisle	\$ 870	1993	Ongoing
Tamaqua	1,260	1985	Ongoing
Lehighton	225	1992	Ongoing
Shamokin	205	1991	Ongoing
Sunbury	3,850	2001	Ongoing
Columbia	4,971	1985	Ongoing
Brodhead Creek	3,259	1982	Ongoing
Superfund Sites			
Metal Bank	590	1988	Ongoing
Novak Landfill	485	1989	Ongoing
Substations (PCB Cleanup)	<u>1,244</u>	1987	Ongoing
TOTAL	<u>\$ 16,959</u>		

(1) Total estimated remediation costs do not include any costs incurred prior to PPL Electric establishing a contingency balance for these sites.

**PPL Electric Utilities Corporation
Response to Interrogatories of the
Office of Consumer Advocate, Set X,
Dated May 20, 2004**

Docket No. R-00049255

Q.10. With reference to the response to OCA-III-15, please provide documentation showing that remediation costs have increased by \$532,000.

A.10. In 2003, PPL Electric incurred approximately \$3.0 million for remediation of manufactured gas plant facilities and PCB contamination, and anticipates on-going remediation for these and other sites.

The 2004 claim for environmental remediation was based on 2003 actual expenses. See Attachment II-D-1b of the response to the Question II-D-1 of Exhibit Regs. § 53.53, Part II, for a description of the process by which the PPL Electric's budgeted operation and maintenance expenses were allocated to FERC accounts.

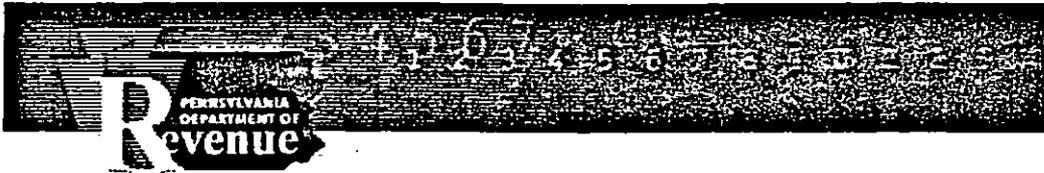
**PPL Electric Utilities Corporation
Response to Interrogatories of the
Office of Trial Staff, Set 5,
Dated April 23, 2004**

Docket No. R-00049255

Q.OTS-RE-81. Reference II-D-7a, Page 1, environmental remediation expense.

- A.** Provide an explanation for the projected 17% increase in remediation expenses.
- B.** Provide an itemized breakdown of the 2003 expense of \$3,025,000 by project, with a brief explanation of each remediation.
- C.** Provide the 2001 and 2002 level of expenses for environmental remediation.

- A.OTS-RE-81.**
- A.** The projected 17% increase in remediation expenses for 2004 relates to the continued assessment and remediation costs associated with addressing formerly owned and operated manufactured gas plant site liabilities. The predecessor of PPL Electric had owned or operated a number of manufactured gas plant sites.
 - B.** The \$3.025 million of net expenditures incurred in 2003 relate to remediation costs at the Sunbury and Tamaqua manufactured gas plant sites as well as PCB remediation costs at substations.
 - C.** Environmental remediation costs were \$193,000 in 2001 and \$0 in 2002.



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2003-2004 Capital Stock and Franchise Tax Change

Continued Phase-out

Act 23 of 2000 provided for the phase-out of the capital stock franchise tax (CSFT) through a series of rate reductions. Act 4 that the tax rate in effect for tax years beginning in 2003 will 7.24 mills. As of January 1, 2004, the rate will be 6.99 mills. will continue to be phased-out through a series of rate reductions through 2010. The new rates will be 6.99 mills in 2004, 5.99 mills in 2005, 4.99 mills in 2006, 3.99 mills in 2007, 2.99 mills in 2008, 1.99 mills in 2009 and 0.99 mills in 2010. The CSFT will expire regard to taxable years beginning after 12/31/10.

Definition of Corporation

The definition of corporation has been amended to clarify that liability company is considered to be a corporation for purpose stock and franchise tax. It also clarifies that certain restricted professional companies are not considered to be corporations. applies retroactively to June 29, 2002.

REITS

A business trust that is a captive REIT/QRS is subject to the capital stock franchise tax. A captive REIT/QRS is a real estate investment qualified real estate investment trust subsidiary that has more than 50 percent of the voting power or value of the trust owned or controlled by a single corporation. A captive REIT/QRS owned by a REIT, a bank or a mutual thrift institution or their affiliates is not subject to CSFT. Applies to tax years beginning after December 31, 2002.

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**OTS Exhibit No. 2
Schedule 9**

**PPL Electric Utilities Corporation
R-00049255
Cash Working Capital
As of December 31, 2004
(Thousands of Dollars)**

<u>Line No.</u>	<u>Claim Per Company</u> (a)	<u>Allowance Per OTS</u>	<u>OTS Recommended Adjustment</u>
1	Operation and maintenance expense	\$ 13,990	\$ 13,572 (b) \$418
2	Average prepayments	2,152	2,152 0
3	Accrued taxes	16,805	16,805 0
4	Interest payments	(9,746)	(9,746) 0
5	Preferred dividend payments	<u>4</u>	<u>4</u> <u>0</u>
6	Total cash working capital requirement	<u><u>\$23,205</u></u>	<u><u>\$22,787</u></u> <u><u>\$418</u></u>

(a) Reference Co. Exhibit Future 1, C-4, page 1.

(b) Reference OTS Exhibit No.2, Schedule 10.

OTS Exhibit No. 2
Schedule 10

PPL Electric Utilities Corporation
R-00049255
Working Capital Required for Operation and Maintenance Expenses
As of December 31, 2004
(Thousands of Dollars)

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Net pro forma O&M expense	\$ 380,924
2	O&M expense per day (line 1 divided by 365 days)	1,044
3	Average lag in days between payment of O&M expenses and receipt of revenue	13.0 (a)
4	Working capital requirement (line 2 x Line 3)	<u>\$ 13,572</u>

(a) Reference OTS Exhibit No. 2, Schedule 11.

OTS Exhibit No. 2
Schedule 11

PPL Electric Utilities Corporation
R-00049255
Net Lag in O&M Expenses & Revenue
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Avg. Days</u>	<u>Weighted Amount</u>
	Average Lag in Receipt of Operating Revenue			
1	Revenue from 15-day due date customers	\$231,792	0	\$0
2	Revenue from 20-day due date customers	351,449	0	0
3	Revenue from 30-day due date customers	84,908	0	0
4	Total Revenue	<u>\$668,149</u>		<u>\$0</u>
	Average Lag in Payment of Operation and Maintenance Expense			
5	Payroll	\$94,675	12	\$1,136,100
6	Employee benefits	36,747	35	1,286,145
7	Affiliate support cost	77,758	35	2,721,530
8	Other operating expenses	176,629	41.86 (a)	7,393,690
9	Total pro forma O&M expense	<u>\$385,809</u>	<u>32.5</u>	<u>\$12,537,465</u>
10	Average lag in receipt of revenue			45.5
11	Average lag in payment of operating expense			<u>32.5</u>
12	Average lag in days between payment of operating expense and receipts of revenue (line 10 - line 11)			<u>13.0</u>

(a) Reference OTS Exhibit No. 2, Schedule 12.

PPL Electric Utilities Corporation
Lag in Payment of Other Expenses
3Months Ended September 30, 2003

	Category	Amount	Days Lag	Weighted Amount
1	Employee Expenses	\$ 636,938	12.00	\$7,643,256
2	Materials & Suoolies	617,554	56.10 (a)	34,644,779
3	Printing & Office Supplies	301,276	-5.64	(1,699,197)
4	Tree Trimming	3,862,562	56.08	216,612,477
5	Work by Outsiders	4,946,413	80.71	399,224,993
6	Services	1,726,824	54.52	94,146,444
7	Postage	1,277,309	-13.73	(17,537,453)
8	Telephone & Leased Wires	624,380	18.29	11,419,910
9	Rents	1,883,186	18.62 (b)	(35,057,549)
10	Advertising	739,563	9.55	7,062,827
11	Miscellaneous	2,836,460	34.49	97,829,505
12	Total	\$19,452,465.00		\$814,289,992

Weighted Average Lag = Total Weighted Amount / Total Amount = 41.86

(a) Reference OTS Exhibit No. 2, Schedule 13.

(b) Reference OTS Exhibit No. 2, Schedule 15.

PPL Electric Utilities Corporation
R-00049255
Lag in Payment of Materials
3 Months Ended September 30, 2003

<u>Vendor Name</u>	<u>Voucher Number</u>	<u>Invoice Number</u>	<u>Mid-point of Service Date</u>	<u>Payment Date</u>	<u>(A) Amount</u>	<u>(B) Days Lag</u>	<u>(A) x (B) Weighted Amount</u>
Flir Systems Inc	1735624	31558	24-Jun-03	15-Sep-03	\$50,827.00	83	\$4,218,641
Archieveglobal Inc	1716934	1277619	24-Jul-03	29-Aug-03	13,623.12	36	490,432.32
Benson W Probst Excavating	1742225	780	9-Sep-03	9-Oct-03	1,244.44	30	37,333.20
Greentree Transportation Co.	1730555	G606053A	14-Aug-03	4-Sep-03	546.46	21	11,475.66
BOC Gases	1740099	29433179	29-Aug-03	9-Oct-03	299.88	41	12,295.08
ITRON	1713074	213376	23-Jun-03	11-Aug-03	17,162.31	49	840,953.19
Archieveglobal Inc	1716934	1277619	24-Jul-03	29-Aug-03	13,623.12	36	490,432.32
MEGASYS	1709165	PPLSERV 04 25 03	26-Mar-03	4-Aug-03	11,315.78	131	1,482,367.18
Keystone Fluid Power	1716741	307405	5-Aug-03	4-Sep-03	720.13	30	21,603.90
United Parcel Service	1714524	172377303	23-Jul-03	11-Aug-03	358.02	19	6,802.38
Burkhardt Excavating	1722889	9653	22-Apr-03	22-Aug-03	201.00	122	24,522.00
Flir Systems Inc	1693192	31390	18-Jun-03	4-Aug-03	104,848.57	47	4,927,882.79
MEGASYS	1701905	PPLSERV 06 13 03	2-May-03	23-Jul-03	8,968.78	82	735,439.96
Osmose Utilities Services Inc	1701078	72 3300074	5-Jun-03	25-Jul-03	8,205.05	50	410,252.50
Airgas East	1691639	116788279	30-Aug-03	7-Jul-03	5,842.00	54	(315,468.00)
Brazen Software Inc.	1702191	172	15-Jul-03	31-Jul-03	1,023.96	16	16,383.36
Emery Forwarding	1698533	2784666696	3-Jun-03	16-Jul-03	506.66	43	21,786.38
UGI Utilities Inc.	1703165	6.09549E +11	25-Jun-03	23-Jul-03	247.20	28	6,921.60
Total					\$239,563.48		\$13,440,057

Weighted Average Lag (A x B)/A

56.10 days

**PPL Electric Utilities Corporation
Response to Interrogatories of the
Office of Consumer Advocate, Set X,
Dated May 20, 2004**

Docket No. R-00049255

Q.19. With reference to the response to OTS-RE-38, please provide copies of each invoice listed on Attachment II-B-4, page 5 of 14. Also in your response, provide the delivery date of the sulfur hexafluoride gas purchased from Airgas East for Susquehanna 230 kV Switchyard.

A.19. See Attachment 1. The delivery date of the sulfur hexafluoride gas purchased from Airgas East for Susquehanna 230 kV Switchyard was August 30, 2002.

Airgas

ORIGINAL INVOICE

OTS Exhibit No. 2
 Schedule 14
 Page 2 of 2

(15)

Airgas East
 1237 Mid Valley Drive
 Jessup PA 18434
 (570) 383-6325

DATE	ACCT. NO.	INVOICE NUMBER
09/30/02	TCT96	116788279

116

PLEASE MAKE CHECKS PAYABLE TO
 AND MAIL TO

AIRGAS EAST
 PO BOX 7777
 PHILADELPHIA PA 19175-4880
 (800) 666-6523

SHIP TO

PPL COMPANY
 9TH AND HAMILTON STS
 ALLENTOWN PA 18101

SHIP TO

PPL CO
 SUSQUEHANNA 230 SWITCH YARD
 ROUTE 239 & S MOUNTAIN RD
 WAPWALOPEN PA 18660

CJN
 457369-00

CUSTOMER ORDER NUMBER	LOC	SLIP	TSR#	SHIP VIA	TERMS	PAGE
3005059	062	336	75	OUR TRUCK	NET 30	1

SHIPPING ORDER NUMBER	STOCK NUMBER	QTY SHIPD	QTY SO	CYLINDER	DESCRIPTION	UOM	UNIT PRICE	AMOUNT
					RELEASE #: 39		730.25	5842.06
	** LOCATION: NJE **						825.50	6604.00
3794220828SH	CP200	8	0		SULFUR HEXAFLUORIDE CP G SIZE 200		1252.56	10018.80 N
	(Order#:379422 08/28/02				P/O#:3005059			
				8	VOL: 920			
					Customer Item Number: 3674			
3794220828RTN	8150	0	0		APCI SPEC GAS SIZE B RSG		.00	.00 N
	(Order#:379422 08/28/02				RETURN ONLY			
				0	P/O#:3005059			
				9	VOL: 0			
Subtotal								10018.80
TOTAL CYLINDERS SHIPPED: 8 RETURNED: 9								
TAX ID: 000000074 TAX DESCRP: PENNSYLVAN EXMPT CD: 31 EXMPT/CERT: XE								05
<p>OK to short pay Angel Rodriguez Ady. Cd 01</p>								
Subtotal								5842.00
Subtotal								6604.00
TAXABLE AMOUNT								.00
AMOUNT THIS INVOICE INCLUDING TAX								16018.80

PPL Electric Utilities Corporation
R-00049255
Lag in Payment of Rents
3 Months Ended September 30, 2003

<u>Vendor Name</u>	<u>Voucher Number</u>	<u>Invoice Number</u>	<u>Mid-point of Service Date</u>	<u>Payment Date</u>	<u>(A) Amount</u>	<u>(B) Days Lag</u>	<u>(A) x (B) Weighted Amount</u>
ASPECT COMMUNICATIONS		Monthly Leave JE 322	15-Sep-03	1-Oct-03	\$35,310.56	16	\$564,969
NATIONAL RAILROAD PASSENGER CORP	1738041	MKA CMAGEDEL	1-Mar-04	22-Sep-03	14,928.59	-161	(\$2,403,503)
UNITED RENTALS INC.	1738037	33163983 006	25-Aug-03	29-Sep-03	2,913.92	35	\$101,987
CLEVELAND BROTHERS EQUIP CO INC	1740618	K7719515	30-Jul-03	25-Sep-03	2,385.00	57	\$135,945
DILO CO.		Monthly Leave JE 322	15-Sep-03	1-Oct-03	1,384.78	16	\$22,156
CLEVELAND BROTHERS EQUIP CO INC	1743520	P6972428	17-Aug-03	2-Oct-03	1,219.00	46	\$56,074
IPC INFORMATIONAL SYSTEM		Monthly Leave JE 322	15-Sep-03	30-Sep-03	1,168.16	15	\$17,522
ASPECT COMMUNICATIONS		Monthly Leave JE 322	15-Aug-03	1-Oct-03	35,470.51	47	\$1,667,114
DOBLE ENGINEERING COMPANY	1714803	27525	30-Dec-03	11-Aug-03	25,557.50	-142	(\$3,629,165)
CLEVELAND BROTHERS EQUIP CO INC	1729146	K7719513	30-May-03	2-Sep-03	2,438.00	95	\$231,610
METROPOLITAN EDISON CO	1157094	INTERCONNECTION-30	15-Sep-03	29-Aug-03	1,767.00	-17	(\$30,039)
IPC INFORMATIONAL SYSTEM		Monthly Leave JE 322	15-Aug-03	1-Oct-03	1,318.12	47	\$61,952
PRECISE POSITIONING PRODUCTS	1685998	E13952	30-May-03	11-Jul-03	35,838.60	42	\$1,505,221
ASPECT COMMUNICATIONS		Monthly Leave JE 322	15-Aug-03	1-Aug-03	35,566.01	17	\$604,622
SUSQUEHANNA COAL CO	410998	R/W RENT-6	1-Jan-03	1-Jul-03	19,866.00	-184	(\$3,655,344)
UNITED RENTALS INC.	1704837	33163983 002	1-Jul-03	4-Aug-03	2,913.92	34	\$99,073
HV DIAGNOSTICS		Monthly Leave JE 322	15-Jul-03	1-Oct-03	2,267.04	78	\$176,829
IPC INFORMATIONAL SYSTEM		Monthly Leave JE 322	15-Jul-03	1-Oct-03	1,321.07	78	\$103,043
IPC INFORMATIONAL SYSTEM		Monthly Leave JE 322	15-Jul-03	30-Sep-03	1,184.61	77	\$91,215
AVO INTERNATIONAL		Monthly Leave JE 322	15-Jul-03	30-Sep-03	977.65	77	\$75,279
Total					<u>\$225,796.04</u>		<u>(\$4,203,438)</u>

Weighted Average Lag (A x B)/A

-16.62 days

**PPL Electric Utilities Corporation
Response to Interrogatories of the
Office of Trial Staff, Set 4,
Dated April 16, 2004**

Docket No. R-00049255

Q.OTS-RE-41. Reference Attachment II-B-4, Page 12 of 14.

- A. Provide copies of the invoices for National Railroad Passenger Corp. (MKA CMAGEDEL), Doble Engineering Co. (27525), and Susquehanna Coal Co. (RIW Rent-6).**
- B. Explain how the mid-point of service date was determined for each of the invoices listed in Part A.**

A.OTS-RE-41

- A. See Attachments 1, 2 and 3.**
- B. The mid-point of the service date for each invoice was considered to be the mid-point of the service period, as follows:**
 - National Railroad Passenger Corp. (MKA CMAGEDEL) is an AMTRAK invoice for annual right-of-way rental payments. The current contracts on this invoice are for the period September 2003 to August 2004. Also included in this invoice are assessments for CPI escalation, which AMTRAK only periodically computes.**
 - Doble Engineering Co. (27525) is an invoice for rentals and service for the period July 2003 through June 2004.**
 - Susquehanna Coal Co. (RIW Rent-6) is a recurring right-of-way rental contract dating back to 1927. Annual payments, payable July 1, are made every year for the subsequent 12 months. Because this is an old recurring contract, invoices are not received every year. The latest complete invoice is dated June 15, 1982 for \$20,026.00. Since that time, several minor adjustments to the total rentals have been made, which brings the current total rental payment due each year to \$19,886.00.**



Doble Engineering Company
 85 Walnut Street
 Watertown, MA USA 02472
 Telephone (617) 926-4900
 Fax # (617) 393-3105

INVOICE

Date	Invoice #	Cust #
6/19/2003	00027525	45140

BILL TO
CO PPL UTILITIES ONE SCOTCH PINE DRIVE CEDAR & BUTTONWOOD STS ATTN: John Drinkle HAZLETON PA 18201

SHIP TO
CO PPL UTILITIES ONE SCOTCH PINE DR CEDAR & BUTTONWOOD STS ATTN: John Drinkle HAZLETON PA 18201

Customer Order #	FOB Point	Terms	Contract ID
AMENDMENT # 20	WATERTOWN	30	1469
Item Description			Extended Price

ANNUAL EQUIPMENT RENTAL FEE For the period 7/1/2003 to 6/30/2004	93,880.00
DOBLE TEST ASSISTANT COMPUTER SOFTWARE For the period 7/1/2003 to 6/30/2004	6,600.00
DOBLE OIL SERVICE For the period 7/1/2003 to 6/30/2004	1,750.00

ORDER NO				
BI	CA	ACCOUNT	CODE	AMOUNT
36	872	800621	100	25,557.50
36	872	800626	100	25,557.50
36	872	800626	209	25,557.50
APPROVED BY X <i>[Signature]</i>				
EMP NO 32245		DATE		

ORDER NO				
BI	CA	ACCOUNT	CODE	AMOUNT
36	872	800632	100	25,557.50
APPROVED BY X <i>[Signature]</i>				
EMP NO 32245		DATE		

x *Robert J. Gombosi*

29734

Comments:

CUSTOMER CONTACT: LYN HAHNLEN (570) 384-5178

Sales Total	Freight	Sales Taxes	Total Due
102,230.00	0.00	0.00	102,230.00

PERMIT TO: P.O. BOX 3028 BOSTON, MA 02241

**PPL Electric Utilities Corporation
Response to Interrogatories of the
Office of Trial Staff, Set 15,
Dated May 11, 2004
Docket No. R-00049255**

Q.OTS-RE-131. Regarding Pension Expense. Please provide the Company's actual cash contributions to the pension fund from 1995 - 2004. Please provide a breakdown, by year, the amounts applicable to generation, transmission, and distribution.

A.OTS-RE-131. There were no cash contributions by the Company to the pension fund of the PPL Retirement Plan from 1995-2004.

See the response to Question OTS-RE-93 of the Interrogatories of the Office of Trial Staff, Set 7, dated April 27, 2004 for an explanation of the Company's funding policy for pension expense.

**PPL Electric Utilities Corporation
Response to Interrogatories of the
Office of Trial Staff, Set 7,
Dated April 27, 2004**

Docket No. R-00049255

- Q.OTS-RE-84. Reference 11-D-8, Page 2, PPL Services for External Affairs.
- A. Provide the reason for the projected 50% increase in External Affairs costs.
 - B. Provide the level of expenses incurred for 2001 and 2002.
 - C. Provide an itemized breakdown of the 2003 expenses of \$800,000 by activity or service provided.
 - D. How was the 2004 projection developed?

- A.OTS-RE-84.
- A. The increase primarily is due to External Affairs support of the PPL Electric rate case and additional government relations activities.
 - B. The level of expenses in 2001 and 2002 was \$700,000 per year.
 - C.

Federal/State Government Relations activities	\$80,000
Rate case communications preparation, including survey research	130,000
Media and Customer Communications (including CONNECT bill inserts, WRAP, and ON Track/Customer Choice Programs)	475,000
Employee Communications	40,000
Other	75,000
Total	<u>\$800,000</u>
 - D. The 2004 budget was developed based on experience in 2003 and an understanding of the communications needs associated with a base rate increase request. The breakdown of 2004 projected costs is:

Federal/State Government Relations activities	\$360,000
Rate case communications	130,000
Media and Customer Communications (including CONNECT bill inserts, WRAP, and ON Track/Customer Choice Programs)	580,000
Employee Communications	55,000
Other Services	75,000
Total	<u>\$1,200,000</u>

**PPL Electric Utilities Corporation
Response to Interrogatories of the
Office of Trial Staff, Set 20,
Dated June 8, 2004
Docket No. R-00049255**

- Q.OTS-RE-149.** Reference PPL's response to OTS-RE-81 and provide the following:
- A.** Provide a schedule that shows the name of each remediation site and the corresponding county in which it is located.
 - B.** Indicate the projected cost of remediation for each site above.
 - C.** Indicate which sites above are being cleaned in order to sell the properties.
 - D.** Indicate which of the sites above are being remediated as a result of a DEP or EPA investigation.

A.OTS-RE-149.

A., B., & D.-

See Attachment 1 for the sites that are currently in the process of remediation. In addition to the seven manufactured gas plant ("MGP") sites noted on Attachment 1, PPL Electric's predecessor company, PP&L, may have had involvement through prior operation or ownership of up to 17 additional MGP sites in Pennsylvania. See Attachment 2 for a summary of the other potential MGPs by county. Based on its experience with MGP site remediation, PPL Electric's share of the costs to remediate each of these sites could range from \$0 to \$5 million. The costs are dependent on what actions, if any, are taken at a site and whether PPL Electric is required to participate in the remedial actions.

- C.** None of the sites are being cleaned up to facilitate the sale of the properties.

Attachment 1

**PPL Electric Utilities Corporation
 Current Site Locations by County and Lead Regulatory Agency
 Total Estimated Remediation Cost
 (In thousands of dollars)**

Site	County	Total Estimated Remediation Cost at March 31, 2004	Lead Agency
Manufactured Gas Plants			
Carlisle	Cumberland	\$ 870	DEP
Tamaqua	Schuylkill	1,260	DEP
Lehighton	Carbon	225	DEP
Shamokin	Northumberland	205	DEP
Sunbury	Northumberland	3,850	DEP
Columbia	Lancaster	4,971	EPA
Brodhead Creek	Monroe	3,259	EPA
Superfund Sites			
Metal Bank	Philadelphia	590	EPA
Novak Landfill	Lehigh	485	EPA
Substations (PCB Cleanup)	Various	<u>1,244</u>	DEP
TOTAL		<u>\$ 16,959</u>	

Attachment 2

**PPL Electric Utilities Corporation
Potential Future Sites by County**

	Number of Potential Sites	County
Manufactured Gas Plants		
	1	Columbia
	4	Lancaster
	3	Luzerne
	4	Lycoming
	1	Montour
	2	Northumberland
	2	Schuylkill
Total	<u>17</u>	

OTS Statement No. 2-SR
Witness: Charles T. Weakley, III
Date: August 5, 2004

DOCUMENT

8/9/04
HUG [signature]

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PPL ELECTRIC UTILITIES CORPORATION

Docket No. R-00049255

Surrebuttal Testimony

of

Charles T. Weakley, III

Office of Trial Staff

DOCKETED
AUG 18 2004

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2004 AUG 12 AM 9:50
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SECRETARY'S BUREAU

Concerning:

Operating and Maintenance Expenses

1 **Q. STATE YOUR FULL NAME, EMPLOYER AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Charles T. Weakley, III. I am employed by the Pennsylvania
4 Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265.

5
6 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN**
7 **THIS PROCEEDING?**

8 A. Yes, I have submitted OTS Statement No. 2 and OTS Exhibit No. 2.

9
10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of this testimony is to respond to the rebuttal testimony of
12 PPL's witnesses Joseph R. Schadt, Douglas A. Krall, Joseph M. Kleha, and
13 Timothy R. Dahl.

14
15 **Rebuttal Testimony of Joseph R. Schadt – PPL Statement No. 2-R**

16 **OTHER POST EMPLOYMENT BENEFITS (OPEB's)**

17 **Q. HAS THE COMPANY UPDATED ITS SFAS 106 CLAIM SINCE**
18 **YOU FILED YOUR DIRECT TESTIMONY?**

19 A. Yes. On July 15, 2004, PPL filed supplemental interrogatory responses
20 updating the actuarial report dated March 2004. This report was the basis
21 of my adjustment presented in OTS Statement No. 2, Pages 3-7. In June
22 2004, PPL learned that the cost sharing assumption was incorrect. As a

1 result, in July 2004 the actuary prepared a corrected calculation for 2004.

2 Based on this update, OTS will withdraw the \$4 million OPEBs
3 adjustment.

4
5 **PENSION EXPENSE**

6 **Q. THE COMPANY DISAGREES WITH YOUR RECOMMENDATION**
7 **TO RECOGNIZE THE ACTUAL CONTRIBUTION TO ITS**
8 **PENSION TRUST FOR RATEMAKING PURPOSES. HOW DO**
9 **YOU RESPOND?**

10 A. The actual contributions represent the pension costs to the Company. In
11 PPL's case, it cannot make a tax deductible contribution because the
12 pension fund is over-funded and the IRS maximum is zero. SFAS 87 does
13 not address funding requirements of the pension trust nor the ratemaking
14 treatment of the expense and should not be used for any purpose other than
15 financial reporting requirements. In recent Orders, the Commission has
16 approved pension costs equal to the utility's actual contribution to its
17 pension fund. These orders include Pennsylvania American Water
18 Company at Docket No. R-00038304 and Aqua Pennsylvania, Inc. at
19 Docket No. R-00038805.

1 **Q. DO YOU AGREE THAT SFAS NO. 87 PROVIDES FOR A**
2 **REASONABLY STABLE PENSION EXPENSE FROM YEAR TO**
3 **YEAR?**

4 A. No, it is just the opposite. For example, PPL Corporation's SFAS 87
5 pension cost (income) recorded for book purposes was a negative (\$46.3
6 million) in 2002, a negative (\$12.6 million) in 2003 and \$3.9 million in
7 2004. During this time, the Company was collecting \$10 million annually
8 in rates based on the SFAS 87 expense claimed in its 1994 base rate case
9 while it has not contributed anything to its pension trust since 1988. If
10 PPL's test year was 2003, the Company's pension expense claim would
11 have been a negative (\$12.6 million) based on SFAS 87 pension cost.
12 However, for ratemaking purposes, using SFAS 87 as the pension expense
13 claim would be unrealistic since the negative expense (income) would
14 offset other costs that were actually incurred. SFAS 87 was promulgated
15 for financial reporting and is not used in ratemaking.

16
17 **Q. DO YOU AGREE THAT SFAS 87 RESULTS IN MORE STABLE**
18 **RATES FOR THE COMPANY'S CUSTOMERS?**

19 A. No, SFAS 87 has nothing to do with rate stability. It is not used in
20 ratemaking at all. SFAS deals with the reporting and disclosures
21 requirements in PPL's financial statements.

1 **Q. IS USING THE CONTRIBUTION TO THE PENSION FUND FOR**
2 **RATEMAKING CONSISTENT WITH GENERALLY ACCEPTED**
3 **ACCOUNTING PRINCIPALS (GAAP)?**

4 **A. Yes. The difference between the cash contribution and the book expense**
5 **(SFAS 87) will be recorded as a liability since the payment (zero) is less**
6 **than the SFAS 87 expense.**

7

8 **AMR DISPLACEMENT COSTS**

9 **Q. ON PAGE 7 OF PPL STATEMENT NO. 2-R, THE COMPANY**
10 **STATES: “MR. WEAKLEY’S STATEMENT THAT THE CLAIM**
11 **WILL BE PAID BY THE PENSION TRUST AND RATEPAYERS**
12 **ALREADY HAVE PAID THESE COSTS THROUGH PAST**
13 **PENSION EXPENSE IS SIMPLY NOT TRUE.” HOW DO YOU**
14 **RESPOND?**

15 **A. First, on Page 5, beginning on Line 16 of PPL’s Statement 2-R, the**
16 **Company states: “The cost of displacing employees as a result of the AMR**
17 **Program was recorded as a special termination benefit charge for the**
18 **benefits to be paid to separated employees, including enhanced early**
19 **retirement benefits and one time special separation allowances that will be**
20 **paid from the PPL Retirement Plan pension trust” (emphasis added).**

21 **Second, the assets in the trust are made up of Company contributions from**
22 **ratepayer supplied funds and earnings on the trust assets. Therefore, this**

1 statement is correct and PPL's claimed displacement costs of \$1,764,000
2 should be rejected.

3
4 **Q. WHAT IS SFAS 88?**

5 A. SFAS 88 is titled as "Employers' Accounting for Settlements and
6 Curtailments of Defined Benefit Pension Plans and for Termination
7 Benefits" which was issued in December 1985. This Statement establishes
8 standards for an employer's accounting and is closely related to SFAS No.
9 87, *Employer's Accounting for Pensions*, and should be considered in that
10 context.

11
12 **Q. THE COMPANY ALSO STATES THAT: "THESE COSTS WERE**
13 **ACTUARIALLY DETERMINED UNDER THE PROVISIONS OF**
14 **SFAS NO. 88, AND MUST BE RECOVERED INDEPENDENTLY OF**
15 **NORMAL SFAS 87 PENSION COSTS." DO YOU AGREE?**

16 A. No. The fact that the Financial Accounting Standards Board issued a
17 separate Statement does not mean separate recovery is required. SFAS 88
18 addresses additional pension issues that supplements SFAS 87. First, there
19 is no requirement in SFAS 88 that requires separate recovery in rates of
20 these displacement costs. Second, these costs will be paid from the pension
21 trust and not by the Company. Therefore, the Company's claim of
22 \$1,764,000 for these displacement costs should be rejected. PPL's pension

1 trust is over-funded, which means that there is sufficient assets (cash) in the
2 trust to pay these costs and recording the liability associated with SFAS 88
3 will not result in a Company contribution to the pension trust.
4

5 **UNCOLLECTIBLE ACCOUNTS EXPENSE**

6 **Q. HAS THE COMPANY MISLABELED THIS ISSUE IN ITS**
7 **REBUTTAL TESTIMONY?**

8 A. Yes. On Page 10, Item VII of PPL's Statement No. 2-R, the Company
9 mislabeled this adjustment to uncollectibles as "ON-TRACK
10 ARREARAGE FORGIVENESS". My On-Track Program adjustment is
11 addressed by PPL Statement No. 7-R and will be responded to later in my
12 Surrebuttal of PPL's Witness Timothy R. Dahl.
13

14 **Q. HAVE YOU REVIEWED PPL'S REBUTTAL STATEMENT NO. 2-R**
15 **REGARDING THE DOUBLE-COUNT OF UNCOLLECTIBLES?**

16 A. Yes, I have. After reviewing the Company's explanation of the tracking of
17 the \$3.7 million, OTS is satisfied that there is not a double count and will
18 withdraw this adjustment.

1 **NORMALIZATION OF FERC ACCOUNTS 588 AND 593**

2 **Q. HAVE YOU REVIEWED PPL's REBUTTAL STATEMENT NO. 2-R**
3 **REGARDING THE NORMALIZATION OF THESE TWO**
4 **ACCOUNTS?**

5 A. Yes. After further reviewing the contents of these accounts, OTS agrees
6 that a 5-year normalization would be more appropriate and revises its
7 adjustment from \$4 million to \$1,725,000.

8
9 **ENVIRONMENTAL REMEDIATION COSTS**

10 **Q. HAVE YOU REVIEWED THE COMPANY'S REBUTTAL**
11 **TESTIMONY REGARDING ENVIRONMENTAL REMEDIATION**
12 **COSTS?**

13 A. Yes. The average expenditures for 2001 – 2003 for environmental
14 remediation recommended by OCA witness Morgan are \$1,073,000. PPL
15 agrees to reduce its claim by \$2,483,000 for environmental remediation
16 expense to \$1,073,000 (PPL Statement No. 2-R, Page 15). After review of
17 Mr. Morgan position, OTS can also accept this recommendation.

1 **Rebuttal Testimony of Douglas A. Krall – PPL Statement No. 4-R**

2 **HURRICANE ISABEL EXPENSES AND AMORTIZATION PERIOD**

3 **Q. WHAT TYPES OF EXTRAORDINARY LOSSES DID PPL**
4 **PROPOSED TO DEFER IN ITS PETITION FOR DEFERRED**
5 **ACCOUNTING AT DOCKET NO. P-00032069?**

6 **A.** The losses which PPL sought to defer were increases in operation and
7 maintenance, customer, and general administrative expenses incurred by
8 the Company in preparing to respond to the damage from Hurricane Isabel,
9 restoring service to customers, assisting customers during service
10 interruptions, and repairing facilities damaged by the storm.

11
12 **Q. WHAT IS THE COMPANY'S ARGUMENT REGARDING YOUR**
13 **PROPOSAL TO ELIMINATE REGULAR WAGES AND BENEFITS**
14 **FROM THE REGULATORY ASSET?**

15 **A.** The Company argues during a major storm all resources are devoted to
16 restoration and repair and none of the planned work can be done. The
17 Company cannot identify each individual planned project that resulted in
18 contracting and overtime costs as a result of regular time and salaries being
19 devoted to storm-related efforts. The regular salaries provide an estimate of
20 that impact.

1 **Q. HOW DO YOU RESPOND?**

2 A. The Company's argument to include wages and benefits – regular time in
3 the regulatory asset as a proxy for the cost of unspecified delays in planned
4 work reaches far beyond extraordinary expenses incurred as a result of the
5 storm. First the Company cannot quantify these costs. Second, any routine
6 job experiences occasional delays which are included in normal activities
7 schedules.

8

9 **Q. ARE WAGES AND BENEFITS – REGULAR TIME CONSIDERED**
10 **AN EXTRAORDINARY EXPENSE TO BE INCLUDED IN THE**
11 **REGULATORY ASSET?**

12 A. No. Regular wages and benefits should be reversed out of the 2003
13 regulatory asset since these costs are normal expenses and would have been
14 incurred regardless of Hurricane Isabel.

15

16 **Rebuttal Testimony of Joseph M. Kleha – PPL Statement No. 5-R**

17 **PENNSYLVANIA CAPITAL STOCK TAX**

18 **Q. HAVE YOU REVIEWED PPL THE COMPANY'S REBUTTAL**
19 **TESTIMONY REGARDING CAPITAL STOCK TAX (CST)?**

20 A. Yes. The Company takes exception to my proposed adjustments to Capital
21 Stock Tax.

1 **Q. YOUR FIRST ADJUSTMENT DEALS WITH THE**
2 **RECALCULATION OF THE CAPITAL STOCK TAX TO**
3 **ELIMINATE AN ANOMALOUS SITUATION CAUSED BY THE**
4 **INCLUSION OF GENERATION REVENUES IN THE CAPITAL**
5 **STOCK TAX FORMULA. WHAT ARE THE COMPANY'S**
6 **COUNTER ARGUMENTS TO YOUR PROPOSAL?**

7 **A.** The Company's counter arguments are as follows:

- 8 1. The OTS calculation is inconsistent with the Department of
9 Revenue's calculation of the actual taxes required to be paid for the
10 2004 year (Statement No. 5-R, Pages 15-16).
- 11 2. The use of 2005 data causes an error in the calculation of the
12 Capital Stock Tax liability at present rates.
- 13 3. The rate increase granted is erroneously included in the book
14 income for 2004 but will not be effective until January 1, 2005
15 (Statement No. 5-R, Page 17).

16
17 **Q. MR. WEAKLEY, WOULD YOU COMMENT ON THE COMPANY'S**
18 **FIRST ARGUMENT REGARDING HOW THE DEPARTMENT OF**
19 **REVENUE CALCULATES THE 2004 TAX LIABILITY?**

20 **A.** Yes.

1 **Q. WHY IS THE DEPARTMENT OF REVENUE'S CALCULATION**
2 **OF THE 2004 CAPITAL STOCK TAX IRRELEVANT TO THIS**
3 **PROCEEDING?**

4 A. The Department of Revenue is not charged with the setting of just and
5 reasonable utility rates. As the Company correctly points out, the Capital
6 Stock "calculation is made without regard to whether or not a taxpayer's
7 operations changed in any manner at any time within the 5-year period."
8 (Statement No. 5-R, Page 16, Line 3). The Department of Revenue is not
9 concerned about the deregulation of generation rates and whether or not a
10 proposed inflated Capital Stock claim will be embedded in distribution
11 rates.

12
13 **Q. WILL YOUR PROPOSAL IN ANY WAY INHIBIT THE**
14 **COMPANY'S ABILITY TO RECOVER ITS 2004 CST LIABILITY?**

15 A. No. The rates established in this proceeding will not be effective until
16 January 1, 2005. The 2004 liability is being recovered in current base rates.

17
18 **Q. MR. WEAKLEY, WOULD YOU EXPLAIN HOW THE COMPANY**
19 **MISINTERPRETED THE OTS POSITION?**

20 A. Yes. The Company's confusion is best illustrated in its question on Page
21 16 of Statement No. 5-R, wherein it states, "Is it appropriate to include net
22 income data for the 2005 tax year in the calculation of the Company's 2004

1 Capital Stock Tax liability?” OTS has not altered the calculation of the
2 2004 Capital Stock Tax to include income data for 2005. As explained in
3 my direct testimony, the 2004 tax calculation presented by the Company is
4 inflated because it includes generation income for 2000. If left unchanged,
5 the distribution rates established in this proceeding would include an
6 inflated Capital Stock claim that would remain in rates until the conclusion
7 of the Company’s next base rate proceeding. To correct this anomalous
8 situation, OTS has calculated the 2005 estimated liability and
9 recommended that this amount be used to establish rates in this proceeding.

10
11 **Q. DID THE COMPANY ADDRESS THE ANOMALOUS IMPACT**
12 **THAT GENERATION REVENUES HAVE ON THE CAPITAL**
13 **STOCK TAX CALCULATION?**

14 A. No. PPL has ignored the inflated impact of including generation income in
15 calculating its Capital Stock Valuation.

16
17 **Q. IS IT INAPPROPRIATE TO INCLUDE THE 2005 LIABILITY IN**
18 **DEVELOPING THE RATEMAKING CLAIM AT PRESENT**
19 **RATES?**

20 A. No. A future test year must be representative of the level of expenditures
21 expected to be incurred on the date rates go into effect. The Commission
22 has never defined a future test year as a rigid, strictly defined twelve month

1 period in time. The future test year is always subject to adjustments to
2 normalize costs, eliminate anomalies, and reflect known changes. The only
3 way to eliminate the effects of the generation income on the Capital Stock
4 Tax liability is to look forward, as any review of prior years would only
5 bring combined earnings into the Capital Stock Tax equation. The
6 estimated 2005 liability reflects the tax levels that will occur during the first
7 year that rates are in effect.

8 The fact that the 2005 expense level will not occur until after rates
9 go into effect does not invalidate the appropriateness of using that expense
10 level to set rates. As an example, Companies will routinely adjust their
11 future test year payroll claims for union raises that are effective shortly
12 after the end of the test year. These higher payroll levels will not be
13 incurred until after rates are set in those proceedings, but are accepted by
14 the Commission in determining just and reasonable rates and in establishing
15 present rate claims.

16
17 **Q. WHAT REBUTTAL HAS THE COMPANY PRESENTED**
18 **REGARDING YOUR SECOND PROPOSED ADJUSTMENT TO**
19 **CAPITAL STOCK?**

20 **A.** The second issue addressed by the Company dealt with the iteration of
21 Capital Stock Tax. The Company's only rebuttal is that it is correct and
22 that this is the way it was done in prior proceedings.

1 Q. IS THE COMPANY CORRECT?

2 A. No. As I stated in my direct testimony, Capital Stock Tax does not increase
3 in direct proportion with an increase in revenue. The effect of any granted
4 rate increase will be to increase book income for 2005 in relation to 2004
5 book income. That book income is averaged with four prior year's book
6 income within the Capital Stock formula. At this point, the impact of the
7 increase has been reduced by 80% because of the averaging. However, this
8 number is only ½ of the formula and is further averaged with net worth.
9 The true tax effect of the increase is much less than that presented by the
10 Company. To the best of my knowledge, no other utility iterates Capital
11 Stock Tax in the increase column. To do so will overstate the Capital Stock
12 Tax because of the effects within the Capital Stock Tax formula. The fact
13 that the Company was allowed to do this in prior proceedings does not
14 validate the claim nor does it prohibit it from being challenged in this
15 proceeding.

1 **Rebuttal Testimony of Timothy R. Dahl – PPL Statement No. 7-R**

2 **ON-TRACK AND WRAP PROGRAMS**

3 **Q. PLEASE SUMMARIZE THE COMPANY'S REBUTTAL**
4 **REGARDING ITS PROPOSED ON-TRACK AND WRAP**
5 **PROGRAMS.**

6 **A.** The Company states that:

- 7 1. Ramping-up these programs over a three year period would
8 promote a smoother transition to increase spending and would allow
9 the social service agencies to more easily absorb the additional work.
10 2. The two-year period is too short and should not depend on
11 whether PPL files for another rate increase.
12 3. If the Commission approved Witness Weakley's proposal but
13 PPL did not file for a base rate within two years, fewer eligible
14 customers would receive benefits.

15
16 **Q. HOW DO YOU RESPOND TO THESE STATEMENTS?**

17 **A.** First, the issue is not the ramp-up but the fact that the Company is
18 requesting ratepayers to overpay these costs in years 2005 and 2006.
19 Depending on when PPL does file for its next base rate case is a factor
20 because if it files during the first three year period, customers lose the
21 amounts (\$3 million for On-track and \$0.9 million for WRAP) over-
22 collected by the Company. Second, the Company's claim that a two year

1 period is too short is inconsistent with its claimed two year normalization of
2 rate case expense. However, if the Commission accepts these proposals,
3 then it should lengthen the normalization period for rate case expense to
4 five-years and require PPL to track the revenues received from customers
5 and the expenses associated with these programs. Third, due to the
6 uncertainties associated with 1) when PPL will file its next base rate case,
7 2) increases and decreases in annual enrollment and 3) the overcollection of
8 these expenses from ratepayers, the conclusion that fewer eligible
9 customers would receive benefits is pure speculation.

10

11 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

12 **A. Yes.**

DOCUMENT

OTS Statement No. 5
Witness: Michael J. Gruber
Date: June 29, 2004

8/9/04
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PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PPL ELECTRIC UTILITIES CORPORATION

Docket No. R-00049255

Direct Testimony

of

Michael J. Gruber

Office of Trial Staff

DOCKETED

AUG 18 2004

PA PUC
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2004 AUG 12 AM 9:50

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Concerning:
Sustainable Energy Fund
Distribution System Improvement Charge
Transmission Service Charge
Late Payment Revenue

1 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS
2 ADDRESS?

3 A. My name is Michael J. Gruber. My business address is P.O. Box 3265,
4 Harrisburg, Pennsylvania 17105-3265.

5
6 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

7 A. I am employed by the Pennsylvania Public Utility Commission in the Technical
8 Division of the Office of Trial Staff as a Fixed Utility Valuation Engineer.

9
10 Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL
11 BACKGROUND?

12 A. Attached to my testimony as Appendix A is a statement which describes my
13 educational background and my employment experience.

14
15 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

16 A. The purpose of my testimony in this proceeding is to present the Office of Trial
17 Staff's position on three tariff issues and late payment fees.

18
19 Q. WHAT TARIFF ISSUES ARE YOU ADDRESSING?

20 A. I am addressing the PPL Electric Utilities Corporation's (Company) request for an
21 extension of the cutoff date for the sustainable energy fund, the Company's

1 request to establish a surcharge for a Distribution System Improvement Charge
2 (DSIC) rider in its tariff, and the proposed Transmission Service Charge (TSC).

3
4 **Q. WHAT IS THE SUSTAINABLE ENERGY FUND (SEF)?**

5 A. The Sustainable Energy Fund is a corporation set up exclusively for charitable,
6 educational, and scientific purposes. It is an independent entity which promotes
7 the development and use of renewable and clean energy technologies in
8 Pennsylvania.

9
10 **Q. HOW IS THE SEF MANAGED?**

11 A. The SEF has a seven member board which manages the fund on a day to day basis
12 based on the by-laws approved by the Commission.

13
14 **Q. HOW IS THE SEF FUNDED?**

15 A. The SEF as it applies here is funded by a .01 cent per kWh charge on all power
16 sold for all PPL customers.

17
18 **Q. WHEN WAS THE SEF SET UP?**

19 A. The SEF was set up as part of the settlement of PP&L Inc.'s restructuring plan at
20 Docket No. R-00973954. It was intended that the SEF would become sustainable
21 through efficient management and leveraging of monies received from other
22 funding sources. The term of PPL participation in the funding was to begin

1 January 1, 1999 and end on December 31, 2004, or until the Commission
2 established new distribution charge rates, which ever is longer.

3

4 **Q. WHEN WOULD PPL'S FUNDING OF THE SEF EXPIRE UNDER THESE**
5 **PARAMETERS?**

6 A. Under the current parameters the funding for the SEF will expire on December 31,
7 2004. This is both the listed expiration date and the date at which the Commission
8 will establish new distribution charge rates.

9

10 **Q. WHAT IS THE COMPANY PROPOSING IN THIS PROCEEDING?**

11 A. The Company is proposing to continue the funding of the SEF through December
12 31, 2009.

13

14 **Q. WHY HAS PPL CHOSEN DECEMBER 31, 2009 FOR THE EXPIRATION**
15 **OF THE SEF FUNDING?**

16 A. PPL has chosen December 31, 2009 for the expiration date of its funding for SEF
17 because it coincides with the expiration and removal of the generation rate caps.

1 **Q. WHY DOES PPL BELIEVE IT SHOULD CONTINUE TO FUND THE**
2 **SEF?**

3 **A.** On Page 24 of Company Statement No. 7, witness Dahl lists five reasons for
4 continuing the funding. They are:

- 5 1. The SEF has effectively managed its funding and has a strong
6 balance sheet.
- 7
- 8 2. The state government plays a key role in supporting environmental
9 initiatives and may provide funding or other incentives to address
10 environmental issues.
- 11
- 12 3. PPL Electric is attempting to balance the needs of supporting
13 important public policy objectives while minimizing the cost impact
14 on all customers.
- 15
- 16 4. Over the years there has been a modest but steady increase in kWh
17 usage by PPL customers and this translates into a modest increase in
18 funding for the SEF.
- 19
- 20 5. The whole arena of renewable energy technologies and sustainable
21 energy enterprises is still an evolving industry and the SEF still need
22 more time to establish its viability.
- 23

24 **Q. WHAT IS THE POSITION OF THE OFFICE OF TRIAL STAFF (OTS) ON**
25 **THE CONTINUED FUNDING OF THE SUSTAINABLE ENERGY FUND**
26 **BY PPL?**

27 **A.** The Office of Trial Staff is opposed to the continued funding of the SEF by PPL
28 through the .01 cent per kWh surcharge.

1 **Q. WHY IS OTS OPPOSED TO THE CONTINUED FUNDING OF THE SEF**
2 **BY THE COMPANY?**

3 **A.** The Commission set up the funding of the SEF with a limited time period for a
4 reason. The limited time period was given two possible end dates through a
5 settlement. The Company was a party to the settlement and it should adhere to the
6 terms of that settlement.

7 It is my opinion that the continuation of the funding for the SEF is nothing
8 less than a hidden tax resulting in the double taxation of PPL customers. The
9 Company references Governor Rendell's budget proposal in that it contains
10 significant components for quality of life and environmental issues. This is where
11 any tax for the continuation of research belongs, and not in Electric rates.

12
13 **Q. WHAT IS YOUR SECOND TARIFF ISSUE?**

14 **A.** My second tariff issue is the Company's request for the establishment of a
15 Distribution System Improvement Charge rider (DSIC).

16
17 **Q. WHAT IS PPL REQUESTING IN THIS PROCEEDING?**

18 **A.** PPL is requesting permission to implement a DSIC that would be paid by some of
19 PPL's distribution customers. A description of the property that would be recovered
20 in the DSIC and the tariff language is shown on Page 19Z.2 - 19Z.4 of the proposed
21 tariff. Currently, no electric or gas utility in Pennsylvania has such a surcharge.

1 **Q. WHICH CUSTOMERS WOULD PAY A DSIC UNDER PPL'S PROPOSAL,**
2 **AND WHICH CUSTOMERS WOULD NOT?**

3 A. The Company is only proposing that customers in the following rate schedules pay
4 the DSIC: Stand-by service less than 12,470 volts; Sustainable Energy Fund Rider
5 customers; RS; RTS; R; GS-1; GS-3; LP-4; IS-P(R); PR-1(R); PR-2(R); BL; SA;
6 SM; SHS; SE; TS(R); SI-1(R); GH-1(R) and GH-2(R). The Company is
7 proposing that customers in the following rate classes should not pay a DSIC:
8 LP-5; LP-6; LPEP; IS-I(R); IS-T(R).

9

10 **Q. HOW WOULD THE DSIC WORK?**

11 A. According to PPL, the DSIC would be similar to the presently authorized
12 Distribution System Improvement Charge (DSIC) charged by some water
13 companies in Pennsylvania. The proposed surcharge would be applied to an
14 electric customer's distribution bill on a percentage basis and is claimed to be
15 designed to recover the fixed cost, depreciation expense and return dollars of
16 certain revenue neutral electric distribution plant upgrades and/or additions. The
17 DSIC would be limited to 5 percent of a customer's distribution bill (PPL
18 Statement No. 4, Pages 35-38 and Statement No. 5, Pages 19-20).

1 **Q. WHAT REASONS DOES PPL GIVE FOR REQUESTING TO**
2 **IMPLEMENT A DSIC?**

3 A. According to PPL, establishing the surcharge will enable it to begin recovering the
4 cost of system upgrades and improvements without filing a base rate case (PPL
5 Statement No. 4, Page 35).

6
7 **Q. DOES PPL CLAIM THAT THERE IS PRECEDENT FOR A DSIC?**

8 A. Yes. In the filing, PPL contends the proposed DSIC should be approved since the
9 Commission approved a DSIC using Section 1307(a) of the Public Utility Code,
10 66 Pa. C. S. A. §1307(a). This provision, which provided the requisite authority
11 for the Commission to grant the request to implement a water surcharge to water
12 utilities, should also apply to electric Companies.

13
14 **Q. WHAT DO YOU RECOMMEND REGARDING PPL'S REQUEST TO**
15 **IMPLEMENT A DSIC?**

16 A. I recommend that the request be denied.

17
18 **Q. WHY DO YOU RECOMMEND THAT THE REQUESTED DSIC NOT BE**
19 **IMPLEMENTED?**

20 A. I am advised by Counsel that there is no statutory authority for the Commission to
21 allow a DSIC for electric distribution companies.

1 Q. WHY DOES YOUR COUNSEL BELIEVE THERE IS NO STATUTORY
2 AUTHORITY TO IMPLEMENT A DSIC?

3 A. Section 1307 is a general provision regarding a sliding scale of rates, or such other
4 method, for the automatic adjustment of the rates of a public utility. Within that
5 same Section 1307 is subsection (g), 66 Pa. C. S. A. § 1307(g), that allows a
6 surcharge for certain system improvement projects undertaken by water utilities.
7 Counsel also advises me that it is, therefore, reasonable to assume that the
8 Legislature did not consider the general Section 1307(a) to authorize a surcharge
9 for utilities' system improvement projects, and considered it necessary to
10 specifically authorize such a surcharge for water utilities. The Pennsylvania Rules
11 of Statutory Construction, at 1 Pa. C.S. §1924, provides the necessary guidance to
12 determine that the Legislature intended to provide water utilities, and only water
13 utilities, with a system improvement project surcharge, where they provide:

14 **§1924. Construction of titles, preambles, provisos,**
15 **exceptions and headings.**

16 The title and preamble of a statute may be considered in the
17 construction thereof. Provisos shall be construed to limit
18 rather than to extend the operation of the clauses to which
19 they refer. **Exceptions expressed in a statute shall be**
20 **construed to exclude all others.** The headings prefixed to
21 titles, parts, articles, chapters, sections and other divisions of
22 a statute shall not be considered to control but may be used to
23 aid in the construction thereof.

24 [Emphasis Added.]

1 Again, counsel advises me that the correct interpretation is, therefore, that the
2 existing Section 1307(g) was intended by the Legislature to provide the necessary
3 statutory authority to implement a system improvement projects surcharge for
4 water companies, because neither Section 1307(a) nor any other statutory
5 provision existed to grant such authority, and that only the specifically identified
6 utility type, i.e., water companies, were to be granted such authority and that other
7 utility types were excluded. Stated another way, had the Pennsylvania Legislature
8 intended to grant authority to electric utilities to implement a system improvement
9 projects surcharge, it would have specifically identified electric utilities in either
10 Section 1307(g) or some other subsection of Section 1307. Since electric utilities
11 are not specifically identified, the appropriate statutory presumption is that the
12 Legislature intended not to grant the same rate hike mechanism to them.

13
14 **Q. DID THE PENNSYLVANIA LEGISLATION FIND IT NECESSARY TO**
15 **CONSIDER EXTENDING THE DSIC TO GAS UTILITIES IN**
16 **PENNSYLVANIA?**

17 **A.** Yes. Consistent with the interpretation described above is the fact that, in the
18 Pennsylvania Legislative Session of 2001-2002, a House of Representatives bill
19 was drafted, but not enacted, to add a subsection 1307(g.1) to Section 1307(g) of
20 the Public Utility Code, 66 Pa. C. S. A. §1307(g), that would have authorized a
21 DSIC-type surcharge for gas utilities (House Bill 2754, Printers No. 4278). The
22 bill never became law. Clearly, if the Pennsylvania House of Representatives

1 deemed it necessary to have a specific statutory subsection added to provide a
2 DSIC-type surcharge for gas utilities, it can be concluded that it would be
3 similarly necessary to have such a specific statutory section enacted as a
4 prerequisite to a DSIC-type surcharge for electric utilities. Again, no such
5 statutory section currently exists for electric utilities and the requested surcharge
6 should be denied.

7
8 **Q. HOW DOES THE DSIC THAT PPL IS PROPOSING DIFFER FROM THE**
9 **DSIC CURRENTLY IN PLACE FOR WATER COMPANIES?**

10 A. The DSIC that PPL is proposing includes the plant associated with substation
11 equipment and security improvements (Supplement No. 38, Electric Pa. P.U.C.
12 No. 201 Original Page No. 19Z.2).

13
14 **Q. IS THERE A TYPE OF WATER PLANT THAT COULD BE**
15 **CONSIDERED SIMILAR TO SUBSTATION EQUIPMENT?**

16 A. Yes. I believe that water pumping stations are the equivalent to electric substation
17 equipment.

18
19 **Q. IF THE COMMISSION APPROVES A DSIC FOR PPL, SHOULD**
20 **ELECTRIC SUBSTATION EQUIPMENT BE RECOVERED IN THE**
21 **DSIC?**

22 A. No.

1 **Q. WHY SHOULD ELECTRIC SUBSTATION EQUIPMENT NOT BE**
2 **RECOVERED IN THE DSIC?**

3 **A.** In a Petition filed by The Columbia Water Company, the Commission determined
4 that “water pumping stations” are not DSIC eligible property (Petition of the
5 Columbia Water Company for Approval to Implement a Tariff through Supplement
6 Establishing a Distribution Improvement Charge, at Docket No. P-00021979).
7 (Order entered April 13, 2003: See OTS Exhibit 5, Schedule 3). The Commission
8 determined that Columbia Water DSIC should not include water pumping stations,
9 as they are more characteristic of storage and treatment facilities rather than
10 distribution (Order Page 11).

11
12 **Q. IF THE COMMISSION APPROVES A DSIC FOR PPL, SHOULD**
13 **SECURITY EQUIPMENT ALSO BE REMOVED FROM THE DSIC**
14 **CALCULATION?**

15 **A.** Yes. As described above, the Commission approved a sample DSIC tariff for
16 water companies. Security costs were not included in that sample DSIC tariff
17 approved for water companies. In addition, I believe it is more likely that the
18 Company will focus on improving security at electric substations and transmission
19 lines. These facilities are more likely to security breaches, since they serve more
20 customers than a single pole or single transformer in the distribution system.

1 **Q. WHAT IS YOUR OVERALL RECOMMENDATION?**

2 A. Without having the specific and express statutory authority to allow for the
3 requested DSIC, the Commission must deny the Company's request for a DSIC.
4 Further, the proposed PPL DSIC includes plant similar to plant that the
5 Commission recently determined was not DSIC eligible plant.

6

7 **Q. HOW DOES PPL PROPOSE TO RECOVER ITS TRANSMISSION-
8 RELATED COSTS?**

9 A. PPL proposes to recover its transmission-related costs through a mechanism they
10 have designated as the Transmission Service Charge (TSC). The Company claims
11 that it will estimate the total costs it projects to incur, on a calendar year basis, to
12 provide transmission service, consistent with the PJM Open Access Transmission
13 Tariff (OATT), for all customers who receive Basic Utility Supply Service
14 (BUSS). The proposed computation year will be January 1 through December 31
15 (PPL Statement No. 5, Page 18). The TSC can be found on Original Page Nos.
16 19Z and 19Z.1 of PPL's proposed tariff.

17

18 **Q. DESCRIBE HOW THE TSC IS PROPOSED TO OPERATE.**

19 A. The proposed TSC will include all projected transmission-related costs to be
20 incurred on a calendar year basis by PPL to acquire transmission service,
21 including all applicable ancillary service-related costs. These estimated costs will
22 be recovered from all BUSS customers on a levelized kilowatt-hour basis. In

1 addition, PPL proposes a reconciliation at the end of each 12-month billing period
2 to identify any overcollections or undercollections, which will be subject to
3 Commission review and verification. Finally, PPL proposes that any applicable
4 overcollections or undercollections, including interest, will be included in the
5 calculation of the subsequent computation year's TSC (PPL Statement No. 5,
6 Pages 18-19). According to the proposed TSC tariff, the Company may file with
7 the Commission for an interim revision of the TSC to become effective thirty days
8 from the date of filing, unless otherwise ordered by the Commission. The tariff
9 also states that the Company shall file a report of collections under the TSC within
10 thirty days following the conclusion of each computation-year quarter. It goes on
11 to state that these reports will be in a form prescribed by the Commission.

12
13 **Q. WHAT IS YOUR POSITION ON THE PROPOSED TSC?**

14 **A.** It is the position of the Office of Trial Staff that the proposed TSC should be
15 rejected, and that all transmission-related charges be collected through an
16 unbundled transmission rate that is non-reconcilable. Furthermore, PPL should
17 not be permitted to automatically pass transmission-related costs through to POLR
18 customers. The proposed transmission charge should be adjusted based on the
19 final transmission-related costs and kWh sales figure determined at the end of this
20 proceeding.

1 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

2 A. The main basis for rejecting the Company's proposed TSC is that transmission-
3 related costs are an integral part of the business of supplying electric service to
4 customers. They are no different, from a regulatory point-of-view, than
5 distribution-related costs. As such, they should be treated no differently from
6 normal operating costs. That is, they should be reviewed as part of the entire cost
7 of doing business. The Company should not be permitted to bypass traditional
8 ratemaking rules to recover selected expenses without going through a full base-
9 rate case where every aspect of the utility's operations will be examined. The
10 Company wants complete freedom to automatically increase what amounts to
11 almost seven percent of their revenues on an annual basis (PPL Exhibit OGK 2,
12 Schedule D3, Pages 7 and 8). This should not be permitted.

13
14 **Q. BUT, AREN'T THESE CHARGES THAT ARE APPROVED BY THE
15 FEDERAL ENERGY REGULATORY COMMISSION (FERC)?**

16 A. Yes, These charges are based on costs for transmission service consistent with the
17 PJM Open Access Transmission Tariff (OATT), as accepted or approved by the
18 FERC. According to the Company, PPL Electric is entitled to automatically pass
19 these costs through to POLR customers (OTS Exhibit No. 5, Schedule 4).

1 Q. DO YOU AGREE WITH THE ABOVE ASSESSMENT OF THE STATUS
2 OF TRANSMISSION-RELATED CHARGES TO PPL'S POLR
3 CUSTOMERS?

4 A. No. The Company is basically requesting an ECR type mechanism. Electric
5 utilities gave this mechanism up as part of the restructuring process. The proposed
6 TSC is also very similar to the current 1307(f) mechanism for recovery of natural
7 gas costs. But, PPL fails to recommend a prudence review of the transmission-
8 related costs it proposes to automatically pass through. The gas costs included in
9 the 1307(f) filings are based on FERC approved rates. The Commission, however,
10 retains the authority to review those costs to ensure that they were incurred in a
11 prudent manner consistent with Commission Regulations. If the Commission
12 were to approve the proposed TSC, it should, at a minimum, order a 1307(f) style
13 prudence review in addition to any proposed audits of the costs involved.

14 The only references that I can find in the current tariff relating to
15 transmission charges state:

16 The Company will provide and charge for transmission
17 service consistent with the PJM Open Access Transmission
18 Tariff approved or accepted by the Federal Energy
19 Regulatory Commission for customers who receive Basic
20 Utility Supply Service from the Company unless such
21 customers obtain transmission service from another provider
22 (OTS Exhibit No. 5, Schedule 5).
23
24

25 The language in the OTS exhibit is the same for each of the rate schedules in the
26 current PPL tariff. It states nothing about an automatic pass through of these

1 charges. Furthermore, there is nothing in the final settlement document (dated
2 August 12, 1998) of PPL's restructuring case at Docket No. R-00973954 that
3 indicates permission for an automatic pass through of costs for transmission
4 service to POLR customers.

5 It is my opinion that while the Commission acknowledges that the FERC
6 has authority to set transmission rates, it has the final authority to approve these
7 rates in the Company's Pennsylvania jurisdictional tariff. An obvious example is
8 that the current distribution and transmission rates have been capped since the
9 final restructuring order. Finally, the Electric Generation Customer Choice &
10 Competition Act states in Section 2802. (16):

11 It is in the public interest for the transmission and distribution
12 of electricity to continue to be regulated as a natural
13 monopoly subject to the jurisdiction and active supervision of
14 the Commission. Electric distribution companies should
15 continue to be the provider of last resort in order to ensure the
16 availability of universal service in this Commonwealth unless
17 another provider of last resort is approved by the
18 Commission.
19

20 In my opinion, the Commission should not give up its rate-setting authority over
21 transmission-related costs. Furthermore, the Company's proposed TSC tariff
22 creates a lot of administrative and auditing oversight that is unnecessary in a
23 normal rate setting situation.

1 **Q. WHAT ARE LATE PAYMENT FEES?**

2 **A.** Late payment fees refer to the revenue received by the Company for late fees from
3 customers who do not pay their bill by the due date.

4

5 **Q. WHAT HAS THE COMPANY CLAIMED FOR LATE PAYMENT FEE**
6 **REVENUE?**

7 **A.** The Company is claiming revenue for the future test year of \$6 million for late
8 payment fees.

9

10 **Q. HOW DID THE COMPANY DETERMINE THE LEVEL OF LATE**
11 **PAYMENT FEES TO INCLUDE IN REVENUES FOR THE FUTURE**
12 **TEST YEAR?**

13 **A.** In the Company's response to OTS-RE-30 (Attached as OTS Exhibit No. 5,
14 Schedule 1), the Company claims that it based its claim for late payment revenue
15 on an average of the last five years.

16

17 **Q. DOES OTS-RE-30 SHOW THE FIVE YEAR AVERAGE FOR LATE**
18 **PAYMENT FEES TO BE \$6 MILLION?**

19 **A.** No. An examination of this response shows that the Company has understated the
20 five year average of late payment fees by \$336,000.

1 **Q. DO YOU AGREE WITH THE COMPANY'S METHODOLOGY OF USING**
2 **AN AVERAGE OF THE LAST FIVE YEARS FOR PROJECTING THE**
3 **LATE PAYMENT FEES FOR THE FUTURE TEST YEAR?**

4 **A.** No.

5
6 **Q. WHY DO YOU DISAGREE WITH THE COMPANY'S METHODOLOGY**
7 **FOR PROJECTING LATE PAYMENT FEES?**

8 **A.** The Company's use of an average level of late payment fees will understate the
9 late payment revenue. A simple average does not take into account the
10 Company's increase in the overall level of revenue. By using a simple five year
11 average the Company does not take into account that customers who do not pay
12 their bill at the existing rates will, in all likelihood, not pay them at the new higher
13 rates. Therefore, use of a simple average would understate late payment revenue
14 if, for no other reason, the customers who do not pay their bill will have a higher
15 bill they will not be paying.

16
17 **Q. HOW WOULD YOU DETERMINE THE FUTURE TEST YEAR LATE**
18 **PAYMENT REVENUE?**

19 **A.** I would use an historical average of the percentage of overall revenue represented
20 by the late payment revenue. Schedule 2 of OTS Exhibit No. 5 shows the
21 calculation based upon the last three years. This schedule shows that the late

1 payment pro forma revenue at present rates should be \$7,090,000, as per the
2 Company's claim, and \$7,129,000 per the OTS recommended revenue.

3

4 **Q. WOULD YOU EXPLAIN YOUR CALCULATION?**

5 **A.** Yes. I have taken the total operating revenue for the years 2001-2003, as it is
6 shown on Attachment VI-B, Page 1 of 2 from the Company's filing, and the late
7 payment revenue for the same years from the Company's response to OTS-RE-30.
8 I calculated the weighted average percentage that late payment revenue is of
9 overall revenue. I then applied this percentage to the 2004 budgeted revenue to
10 determine the 2004 budgeted late payment revenue.

11

12 **Q. HOW WOULD CHANGES TO THE COMPANY'S FINAL ALLOWED**
13 **LEVEL OF REVENUE AFFECT THIS ADJUSTMENT?**

14 **A.** The final late payment revenue would be determined by applying the percentage
15 of late payment revenue of 0.2818% (OTS Exhibit 5, Schedule 2, Line 7,
16 Column 4), as it is shown in my exhibit, to the total allowable revenue found by
17 the Commission.

18

19 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

20 **A.** Yes, it does.