



Control Number: 14406



Item Number: 346

Addendum StartPage: 0

**PUBLIC UTILITY COMMISSION OF TEXAS
APPLICATION FOR REGISTRATION AS A POWER MARKETER
Pursuant to PUC Substantive Rule 25.105**

**APPLICATION FOR REGISTRATION AS A POWER MARKETER
DOCKET No. 14406**

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TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

COMES NOW **Citigroup Energy Inc.**, and hereby registers with the Commission as a Power Marketer pursuant to Section 35.032 of the Texas Utilities Code and PUC Substantive Rule 25.105

In support of this registration Citigroup Energy Inc. shows the following:

1. The Name/Address of applicant:

Citigroup Energy Inc.
1301 Fannin, Suite 2300
Houston, Texas 77002

2. Name, Title, Telephone Number, Facsimile Transmission number, and email address of the person to whom communications relating to power marketing should be addressed:

Dylan P. Seff
Director
Citigroup Energy Inc.
1301 Fannin, Suite 2300
Houston, Texas 77002
Office: 713-752-5283
Facsimile: 713-752-5237
Electronic Mail: dylan.p.seff@citigroup.com

3. Names of the Owners with - percentages of ownership:

Citigroup Energy Inc. is a corporation incorporated under the laws of the State of Delaware and is a wholly-owned subsidiary of Citigroup Financial Products Inc. (CFPI). CFPI is also a Delaware corporation, which acts as an intermediate holding company and engages in certain financial derivative transactions, OTC instruments and lending activities.¹

¹ CFPI is a wholly-owned subsidiary of Citigroup Global Markets Holdings Inc. (CGMHI), which is a wholly-owned subsidiary of Citigroup Inc. (Citigroup). Citigroup is a diversified global financial services holding company whose business provides a broad range of financial services, including investment banking, commercial banking, institutional brokerage, advisory services, foreign exchange, structured products, commodities trading, derivatives, lending, cash management and trade finance to consumer and corporate customers in over 100 countries and territories.

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4. Identify each affiliate that buys or sells electricity at wholesale in Texas: sells electricity at retail in Texas: or is an electric or municipality owned utility in Texas:

Citigroup Energy Inc. currently has no affiliates that either buy or sell electricity at either the wholesale or retail level in Texas.² Citigroup Energy Inc. has no affiliates that are an electric or municipality owned utility in Texas.

5. Describe the location of any facility in Texas used to provide service:

Citigroup Energy Inc. currently does not own any facilities in Texas that will be used to provide service.

6. Provide a description of the type of service provided:

Citigroup Energy Inc. will buy and sell electricity and capacity in wholesale markets and, as applicable and duly authorized, independently market or act as a broker in providing ancillary services in related areas such as transmission.

7. Submit copies of all of its FERC registration information.

See Attachment B

8. Submit an affidavit by an authorized person that the registrant is a Power Marketer.

See Attachment A

² As noted in Footnote 1, CFPI is a wholly-owned subsidiary of CGMHI. Another wholly-owned subsidiary of CGMHI, Phibro Inc. (Phibro), is a power marketer authorized to sell power at market-based rates and is registered as a Power Marketer with the PUCT. Phibro is currently inactive in the wholesale power markets and is neither buying nor selling electricity at wholesale in Texas.

PUBLIC UTILITY COMMISSION OF TEXAS
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ATTACHMENT A

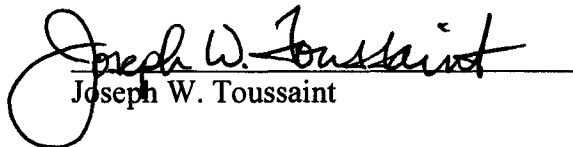
State of Texas)
) ss.
County of Harris)

AFFIDAVIT

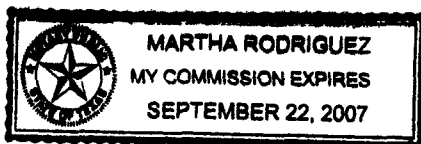
BEFORE ME, the undersigned authority, on this day personally appeared the undersigned, who, after duly sworn, stated on his oath that he is entitled to make this Affidavit, and that the statements contained below and in the foregoing are true and correct.

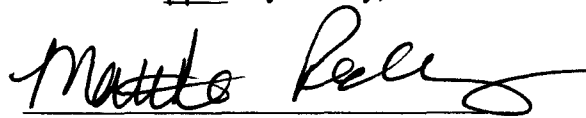
I am the Vice President of the registering party, Citigroup Energy Inc., which is registering as a Power Marketer with the Public Utility Commission of Texas (PUCT) and qualifies as a Power Marketer, as that term is defined in Section 31.002(11) of the Texas Utilities Code.

I swear or affirm that I have personal knowledge of the facts stated in the Application for Registration as a Power Marketer (Registration Form) to which this Affidavit is attached, that I am competent to testify to them, and that I have the authority to submit the Registration Form on behalf of the registering party. I further swear or affirm that all statements made in the Registration Form are true, correct, and complete and that any substantial changes in such information will be provided to the PUCT in a timely manner. I swear or affirm that the registering party understands and will comply with all requirements of the applicable law and rules, including any required submission of additional information by sworn affidavit as may be required by the PUCT.


Joseph W. Toussaint

SUBSCRIBED AND SWORN to before me on this the 11th day of July, 2005.




Notary Public in and for the State
of Texas

PUBLIC UTILITY COMMISSION OF TEXAS
APPLICATION FOR REGISTRATION AS A POWER MARKETER
Pursuant to PUC Substantive Rule **25.105**

ATTACHMENT B

**See Attached Copies of Filings
With the Federal Energy Regulatory Commission**

FEDERAL ENERGY REGULATORY COMMISSION
Washington, D.C. 20426

In Reply Refer To:
Citigroup Energy Inc.
Docket Nos. ER04-208-000 and
ER04-208-001
January 7, 2004

Margaret A. Moore
Van Ness Feldman, P.C.
1050 Thomas Jefferson St. N.W.
Seventh Floor
Washington, D.C. 20007

Reference: Market-Based Rate Application and Amendment

Ladies and Gentlemen:

Pursuant to the authority delegated to the Director, Division of Tariffs and Market Development - South, under 18 C.F.R. § 375.307, the market-based rate application filed in the referenced dockets along with the proposed designation is accepted for filing subject to the compliance filing discussed below, effective December 19, 2003, as requested.¹

On November 19, 2003, as amended on December 1, 2003, you filed on behalf of Citigroup Energy Inc. ("CEI"), an application for market-based rate authority, with an accompanying tariff. The proposed market-based rate tariff provides for the sale of capacity, energy, and ancillary services at market-based rates, the reassignment of transmission capacity, and the resale of firm transmission rights.

CEI is a power marketer subsidiary of the bank holding company Citigroup Inc. Through the Citigroup Inc. corporate structure, CEI is affiliated with three generation facilities as well as certain entities that own securities in companies that may hold franchised service territories.

In its order announcing the Supply Margin Assessment (SMA) screen in AEP Power Marketing, Inc., et al., 97 FERC & 61,219 (2001), the Commission found that all

¹ Rate Schedule FERC No. 1, Original Sheet Nos. 1 – 3.

Docket Nos. ER04-208-000 and ER04-208-001

sales, including bilateral sales, into an independent system operator (ISO) or regional transmission organization (RTO) market with Commission-approved market monitoring and mitigation will be exempt from the SMA screen and, instead, will be governed by the specific thresholds and mitigation provisions approved for the particular markets. Because the Applicant's affiliates will sell into the ISO-New England market and the CAISO market, and these markets have Commission-approved market monitoring and mitigation in place,² the Applicant is exempt from the SMA for sales into these markets and instead is governed by the specific thresholds and mitigation approved for sales in the ISO-New England and CAISO markets.

Your market-based rate tariff complies with the Commission's requirements for market-based rate authority. Applicant is granted those waivers and authorizations typically granted to other sellers of power at market-based rates, to the extent specified in Appendix A. In addition, Applicant must comply with the reporting requirements specified in Appendix A.

On November 17, 2003, in Docket No. EL01-118-000, et al., the Commission issued a final order which establishes Market Behavior Rules to govern market-based rate sellers conduct in the wholesale market.³ You are required to make a compliance filing to amend your tariff to include the Market Behavior Rules set forth in Appendix A to the November 17 Order, within 30 days from the date of this order.⁴

Your filing was noticed on December 8, 2003, with comments, protests or interventions due on or before December 22, 2003. No protests or adverse comments were filed. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 CFR ¶ 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214.

² See, e.g., New England Power Pool, 85 FERC & 61,379 (1998), reh'g denied, 95 FERC & 61,074 (2001) and California Comprehensive Market Redesign Proposal, 100 FERC & 61,060 (2002) (Market Redesign Proposal), order on reh'g, 101 FERC & 61,061 (2002).

³ Investigation of Terms and Conditions of Public Utility Market-Based Rate Authorizations, 105 FERC ¶ 61,218 (2003) (November 17 Order).

⁴ Order Clarifying Prior Notice, 105 FERC ¶ 61,277 (2003).

Docket Nos. ER04-208-000 and ER04-208-001

This action does not constitute approval of any service, rate, charge, classification, or any rule, regulation, contract, or practice affecting such rate or service provided for in the filed documents; nor shall such action be deemed as recognition of any claimed contractual right or obligation affecting or relating to such service or rate; and such action is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against Applicant.

This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 CFR § 385.713.

Sincerely,

Steve P. Rodgers, Director
Division of Tariffs and Market
Development – South

Appendix A

Waivers and Authorizations⁵

Any waivers or authorizations requested by the applicant are granted to the extent specified herein. Waiver of the prior or advance notice requirements, if requested, is granted. The applicant must comply with the reporting requirements specified herein.

If requested, the following waivers of the Commission's Regulations are granted:⁶

- 1) Part 41, regarding accounts, records, and memoranda;
- 2) Part 101, regarding the uniform system of accounts; and
- 3) Part 141, regarding statements and reports, with the exception of 18 C.F.R. §§ 141.14, .15 (2002). Licensees remain obligated to file the Form No. 80 and the Annual Conveyance Report.

See Citizens Energy Corporation (Citizens Energy), 35 FERC ¶ 61,198 (1986), Citizens Power and Light Corporation (Citizens P&L), 48 FERC ¶61,210 (1989), and Enron Power Marketing, Inc. (Enron), 65 FERC ¶ 61,305 (1993), order on rehearing, 66 FERC ¶ 61,244 (1994).

The requirements of Part 34 of the Commission's Regulations regarding securities and assumptions of liabilities are statutory in nature and cannot be waived. If an applicant requested blanket approval under Part 34, a separate notice will be published in the Federal Register following this letter order, establishing a period during which protests may be filed. Absent a request to be heard in opposition within the period set

⁵ It should be noted that the Commission is examining the issue of continued applicability of the waivers of its accounting and reporting requirements (18 C.F.R. Parts 41, 101 and 141 (2002)), as well as continued applicability of the blanket authorization for the issuance of securities and the assumption of obligations and liabilities, (18 C.F.R. Part 34 (2002)). Accounting and Reporting of Financial Instruments, Comprehensive Income, Derivatives and Hedging Activities, See Order No. 627, Docket No. RM02-3-000 at P 23 and P 24, III FERC Stats. & Regs. ¶ 32,558 (Oct. 10, 2002). The continued applicability of these waivers and blanket authorizations will be reevaluated as a result of Commission activities in that proceeding.

⁶ In Southern Company Services, Inc., et al., 99 FERC ¶ 61,103 (2002), the Commission put all utilities on the same footing with regard to Part 35 filing requirements. Therefore, Tariffs/Rate Schedules must be filed, but conforming service agreements do not. No waiver is necessary.

forth in the notice, if the applicant has requested such approval, the applicant is authorized to issue securities and assume obligations or liabilities as guarantor, endorser, surety, or otherwise in respect of any security of another person; provided that such issue or assumption is for some lawful object within the corporate purposes of the applicant, compatible with the public interest, and reasonably necessary or appropriate for such purposes. See Citizens P&L and Enron.

Requests that the Commission waive the requirements of Part 46 of its Regulations regarding interlocking directors are denied. In Enron, the Commission stated that the requirements of Part 46 regarding interlocking directors are statutory in nature and may not be waived.

If requested, until further order of the Commission, the full requirements of Part 45 of the Commission's Regulations, except as noted below, are hereby waived with respect to any person now holding or who may hold an otherwise proscribed interlocking directorate involving the applicant. Any such person instead shall file a sworn application providing the following information: (1) full name and business address, and (2) all jurisdictional interlocks, identifying the affected companies and the positions held by that person. See Enron.

The Commission reserves the right to require a further showing that neither public nor private interests will be adversely affected by continued Commission approval of issuances of securities or assumptions of liabilities, or by the continued holding of any affected interlocks.

Requests for disclaimer of jurisdiction over brokering activities, in which title to electricity is not taken, must be filed separately as a petition for a declaratory order accompanied by the appropriate filing fee. See Citizens Energy and Heartland Energy Services, Inc., 68 FERC ¶ 61,223 (1994).

Requests that the Commission waive annual charges for power marketers, under Part 382 of the Commission's Regulations, are denied. See Morgan Stanley Capital Group Inc. (Morgan Stanley I), 69 FERC ¶ 61,175 (1994) and Morgan Stanley Capital Group Inc. (Morgan Stanley II), 72 FERC ¶ 61,082 (1995).

Requests for waiver of the provisions of Section 203 regarding the disposition of jurisdictional facilities, the merger or consolidation of such facilities, or the acquisition of the securities of another public utility, are denied. The provisions of Section 203 are statutory in nature and may not be waived. See Resources Recovery (Dade County), Inc., 20 FERC ¶ 61,138 (1982). Requests for clarification that sales of accounts receivable

are not dispositions of jurisdictional facilities and are, therefore, not within the scope of Section 203, are granted. See Enron. Requests for clarification that the assignment of a power sales contract constitutes a disposition of jurisdictional facilities under Section 203 are granted. See Enron. Requests for clarification that funds received from the sale of electricity are not jurisdictional facilities within the meaning of Section 203 are granted. See Citizens Energy. Also, requests for clarification that the requirements of Section 203 do not apply to the facilities of a power marketer that are not involved in the generation, transmission or sale for resale of electric energy, are granted. See Howell Gas Management Co., 40 FERC ¶ 61,336 (1987).

If requested, waiver of compliance with the requirements of Order Nos. 888 and 889 is granted. Waiver of compliance with the requirements of Order No. 888 is granted until such time as the applicant receives a request for transmission service. See Black Creek Hydro, Inc., et al., 77 FERC ¶ 61,232 at 61,941 (1996). Waiver of compliance with the requirements of Order No. 889 is appropriate because: (1) the applicant owns, operates, or controls only limited and discrete transmission facilities (rather than an integrated transmission grid); or (2) the applicant is a small public utility that owns, operates, or controls an integrated transmission grid. See Midwest Energy, Inc., et al., 77 FERC ¶ 61,208 at 61,854 (1996).

Requests that the Commission waive its requirement that purchasers of electricity under market-based rate schedules certify that the purchase price was equal to or less than its avoided cost, are moot. The Commission eliminated the requirement in Louisville Gas & Electric Company, 62 FERC ¶ 61,016 (1993).

Requests for approval to reassign transmission capacity are found to be consistent with the Commission's requirements. See Southwestern Public Service Company, 80 FERC ¶ 61,245 (1997). Power marketers not requesting approval to reassign transmission capacity are informed that they are authorized to reassign transmission capacity pursuant to the Commission's order in Enron Power Marketing, Inc., 81 FERC ¶ 61,277 (1997).

Requests for approval to buy and sell firm transmission rights are found to be consistent with the Commission's requirements. See California Independent System Operator, Inc., 89 FERC ¶ 61,153 (1999).

Should an applicant or any of its affiliates deny, delay, or require unreasonable terms, conditions, or rates for natural gas fuel or services to a potential electric competitor in bulk power markets, then that electric competitor may file a complaint with the Commission that could result in the applicant's or its affiliate's authority to sell power at

market-based rates being suspended. See, e.g., Louisville Gas & Electric Company, 62 FERC ¶ 61,016 at 61,148 (1993).

Reporting Requirements

Order No. 2001⁷ changed the filing requirements applicable to agreements for public utilities with market-based power sales tariffs and rate schedules. Previous requirements that public utilities file agreements and Quarterly Transaction Reports, in hard copy format, detailing their market-based power sales transactions were rescinded as of July 1, 2002. Effective July 1, 2002, all executed market-based rate agreements will no longer be filed with the Commission in hard copy format. Instead, each public utility (including traditional electric utilities and power marketers with market-based rate authority) must file electronically with the Commission an Electric Quarterly Report⁸ containing: (1) a summary of the contractual terms and conditions in every effective service agreement; and (2) detailed transaction information for effective short-term (less than one year) and long-term (one year or greater) power sales during the most recent calendar quarter.⁹ Electric Quarterly Reports must be filed no later than the last day of the month following each calendar quarter.¹⁰

If the applicant fails to file an Electric Quarterly Report (without an appropriate request for extension), or fails to report an agreement in a report, the applicant may forfeit its market-based rate authority requiring filing of a new application for market-based rate authority if it wishes to resume making sales at market-based rates.

⁷ Revised Public Utility Filing Requirements, 99 FERC ¶ 61,107 (2002); reh'g denied, 100 FERC ¶ 61,074 (2002), reh'g denied, 100 FERC ¶ 61,342 (2002).

⁸ The Electric Quarterly Report must be submitted to the Commission using the EQR Submission System Software, which may be downloaded from the Commission's website at <http://www.ferc.gov/Electric/eqr/eqr.htm>. A company-unique PIN code is required for submission of data to the Commission. To obtain a PIN Code contact ferconline@ferc.gov, or call (866) 208-3676, or in Washington, DC call (202) 502-6652.

⁹ Required data sets for contractual and transaction information are described in Attachments B and C of Order No. 2001.

¹⁰ The exact filing dates for these reports are prescribed in 18 C.F.R. § 35.10b.

Each applicant must file an updated market analysis within three years of the date of this order, and every three years thereafter. The Commission also reserves the right to require such an analysis at any intervening time.

Applicant must inform the Commission promptly of any change in status that would reflect a departure from the characteristics the Commission has relied upon in approving market-based pricing. These include, but are not limited to: (a) ownership of generation or transmission facilities or inputs to electric power production other than fuel supplies; or (b) affiliation with any entity not disclosed in the applicant's filing and that owns generation or transmission facilities or inputs to electric power production, or that has a franchised service area. Applicant may elect to report such changes in conjunction with its updated market analysis or in a separate report filed under the docket number in which it received market-based rate authority.

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Citigroup Energy Inc.

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Docket No. ER04-_____

NOTICE OF FILING

On November 19, 2003, Citigroup Energy Inc. (Seller) petitioned the Commission for an order: (1) accepting Seller's proposed FERC rate schedule for market-based rates; (2) granting waiver of certain requirements under Subparts B and C of Part 35 of the regulations; (3) granting the blanket approvals normally accorded sellers permitted to sell at market-based rates; and (4) granting waiver of the 60-day notice period.

Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.211 and 18 C.F.R. § 385.214). All such motions or protests should be filed on or before _____. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceedings. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

Magalie R. Salas

Secretary

ORIGINAL

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Citigroup Energy Inc.

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Docket No. ER04-208-000

**PETITION OF CITIGROUP ENERGY INC. FOR ORDER
ACCEPTING MARKET-BASED RATE SCHEDULE FOR FILING AND
GRANTING WAIVERS AND BLANKET APPROVALS**

Citigroup Energy Inc. (CEI or Seller), pursuant to section 205 of the Federal Power Act (FPA), 16 U.S.C. § 824d (2000), Rule 205 of the Federal Energy Regulatory Commission (FERC or Commission) Rules of Practice and Procedure, 18 C.F.R. § 385.205 (2003), and Part 35 of the Commission's regulations under the FPA, 18 C.F.R. Part 35 (2003), hereby petitions the Commission for: (1) acceptance of Seller's market-based rate schedule; (2) waiver of certain Commission regulations under the FPA; and (3) the granting of certain blanket approvals. CEI respectfully requests that the Commission issue an order on this petition within 30 days of filing, in order to accommodate Seller's plans for commencement of power marketing operations in the United States as of December 19, 2003.

I. COMMUNICATIONS

All service and correspondence concerning this Petition should be sent to:

Capital Markets Legal
Citigroup Inc.
250 West Street
10th Floor
New York, New York 10013
Attention: Steven J. Keltz
212/816-2211
212/801-4109 (fax)
steven.j.keltz@citigroup.com

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FEDERAL ENERGY
REGULATORY COMMISSION

Margaret A. Moore
Van Ness Feldman, P.C.
1050 Thomas Jefferson St., N.W.
Seventh Floor
Washington, D.C. 20007
202/298-1800
202/338-2416 (fax)
mam@vnf.com

II. DESCRIPTION OF SELLER

CEI is a newly-formed Delaware corporation with its principal place of business in New York, New York. CEI's stock is wholly owned by Citigroup Financial Products, Inc. (CFPI), which is a wholly-owned subsidiary of Citigroup Global Markets Holdings Inc. (CGMHI). CGMHI, in turn, is a wholly-owned subsidiary of Citigroup Inc. (Citigroup).

Citigroup (together with its subsidiaries, the Company) is a diversified global financial services holding company whose businesses provide a broad range of financial services, including investment banking, commercial banking, institutional brokerage, advisory services, foreign exchange, structured products, commodities trading, derivatives, lending, cash management and trade finance, to consumer and corporate customers with 200 million customer accounts in over 100 countries and territories. Citigroup was incorporated in 1988 under the laws of the State of Delaware.

The Company is a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956 (BHC Act) registered with, and subject to examination by, the Board of Governors of the Federal Reserve System (FRB). Certain of the Company's subsidiaries are subject to supervision and examination by their respective federal and state authorities.

Citigroup's organizational structure is based on three major corporate chains of ownership/organization: (1) investment banking; (2) commercial banking; and (3) insurance. Through Citicorp Inc., a direct wholly-owned subsidiary, Citigroup owns Citibank, N.A. (Citibank), a commercial bank and Citigroup's primary commercial banking entity. CEI is owned and operated under the umbrella of investment banking, the holding company for which is CGMHI. Insurance and consumer finance businesses are conducted through separate corporate chains.

Citibank delivers a wide array of banking, lending, insurance, and investment services, including securities brokerage, credit cards, consumer finance, and retail banking. In connection with certain non-performing loans, Citibank, with other lenders, has become or will become the owner of three operating power plants and three projects under development.

Specifically, Citibank is the administrative agent with respect to a bank group that will take ownership of (1) Lake Road Generating Company, L.P. (Lake Road), the lessee and operator of a 750 MW combined cycle facility located in Connecticut,¹ and (2) La Paloma Generating Company, LLC (La Paloma), the lessee and operator of a 1,040 MW combined cycle facility located in California.² Citibank is also a participant in a lending

¹ On November 12, 2003, Lake Road, Lake Road Trust Ltd. (together, Lake Road Parties), Lake Road Holding Company LLC, and Lake Road GP Company LLC filed an application in Docket No. EC04-19-000, seeking Commission approval pursuant to section 203 of the FPA for the transfer of jurisdictional facilities held by the Lake Road Parties to lenders, interest hedge providers, and investors of the Lake Road Parties. That application is still pending.

² On August 26, 2002, the Commission authorized the assignment of all rights, title, and interests in La Paloma Generating Trust Ltd. to La Paloma. La Paloma Generating Trust Ltd., et al., 100 FERC ¶ 62,141 (2002).

group that has taken control of four projects, which together will total approximately 3,500 MW of combined cycle capacity, located in Arizona, Massachusetts, Michigan, and New York.³ Only the Massachusetts plant, a 360 MW combined cycle facility, is currently operational. Upon FERC approval of the transfer of the facilities to the lending groups, Citibank will own approximately 12.5% of Lake Road, approximately 8% of La Paloma, and approximately 10% of the other facilities.

Citibank is one of (1) 19 lenders involved with Lake Road; (2) 30 lenders involved with La Paloma; and (3) 17 lenders involved with the other facilities. Currently, there are third-party energy managers and asset managers for these projects. Major decisions (e.g., selection of energy managers, selection of asset managers, power sales and fuel supply arrangements outside the scope of the energy manager's discretion (longer than a few months)) require majority or super-majority lender approval. As such, Citibank is not in a position to control or direct any aspect of these facilities either jointly or independently.

Another wholly-owned subsidiary of CGMH, Phibro Inc. (Phibro), is a power marketer authorized to sell power at market-based rates.⁴ Phibro does not own or control any generation or transmission facilities and does not hold a franchised service territory.

In addition to trading activity occurring in connection with its capital markets businesses (equity, debt, foreign exchange, and commodity trading), Citigroup engages,

³ See Athens Generating Co., L.P., et al., 104 FERC ¶ 62,076 (2003) and Athens Generating Co., L.P., et al., 103 FERC ¶ 61,290 (2003).

⁴ Phibro Division of Salomon Inc., Letter Order issued in Docket No. ER95-430-000 (June 9, 1995), as corrected Docket No. ER95-430-000 (June 21, 1995). On August 12, 2003, the Commission accepted for filing Phibro's Updated Market Power Analysis.

through indirect wholly-owned subsidiaries, in proprietary investment activity through investments in (i) hedge funds and real estate; (2) government debt that was refinanced under the 1989 Brady Plan or plans of a similar nature; (iii) ownership of Travelers Property Casualty Corp. shares; and (iv) Citigroup's Alternative Investments (CAI) business. However, aside from the power plants owned or to be owned by Citibank (described above), Citigroup does not now beneficially own for proprietary investment purposes 10% or more of the voting securities of any company that owns electric generation or transmission facilities or that holds an electric franchised service territory.

CEI will operate as a marketer of electric power and ancillary services; CEI may also act as a broker of power and ancillary services and arrange customer services in related areas such as transmission. In acting as a marketer of wholesale power, CEI will take title to power and will be a "public utility" subject to the Commission's jurisdiction.⁵ In acting as a broker, CEI will bring together buyers and sellers but will not actually take title to power or sell power. Thus, CEI's brokering activities will not be subject to the Commission's jurisdiction.⁶

III. REQUEST FOR AUTHORIZATION TO SELL ENERGY, CAPACITY, AND ANCILLARY SERVICES AT MARKET-BASED RATES

A. DESCRIPTION OF SELLER'S RATE SCHEDULE

CEI requests authorization under its proposed FERC rate schedule to sell energy and capacity at negotiated rates to any purchaser that is not a franchised public utility

Phibro, Inc., Letter Order issued in Docket No. ER95-430-024 (August 12, 2003).

⁵ Citizens Power & Light Corp., 48 FERC ¶ 61,210 (1989).

⁶ See, e.g., Enron Power Mktg., Inc., 65 FERC ¶ 61,305 (1993), clarified on reh'g, 66 FERC ¶ 61,244 (1994).

affiliate. Currently, Seller has no such affiliates. Seller's rate schedule also provides for the resale of transmission capacity in accordance with the terms set forth in Enron Power Marketing, Inc., 81 FERC ¶ 61,277 (1997), and for the resale of firm transmission rights (FTRs) in accordance with the conditions set forth by the Commission in California Independent System Operator Corp., 89 FERC ¶ 61,153 (1999).

Seller also seeks authorization to sell certain ancillary services in California, the New England Power Pool (NEPOOL)/Independent System Operator-New England (ISO-New England), within the market administered by the New York Independent System Operator (NY ISO), in the market administered by the PJM Interconnection, LLC (PJM), and in other markets to the extent previously or in the future authorized by the Commission for companies permitted to sell power at market-based rates.

B. SATISFACTION OF CRITERIA FOR MARKET-BASED RATES

The Commission allows sales at market-based rates, provided that: (1) the seller and each of its affiliates does not have (or has adequately mitigated) market power in generation and transmission and cannot erect other barriers to entry; and (2) there is no evidence of affiliate abuse or reciprocal dealing.⁷ As demonstrated below, neither Seller nor any affiliate thereof has market power in generation or transmission, or can erect any other barriers to entry in any market in the United States. Furthermore, there is no opportunity for affiliate abuse or reciprocal dealing.

⁷ See, Louisville Gas & Elec. Co., 62 FERC ¶ 61,016 (1993), Heartland Energy Servs., Inc., 68 FERC ¶ 61,223 (1994); Southern Co. Servs., Inc., 72 FERC ¶ 61,324 (1995), reh'g granted, 74 FERC ¶ 61,141 (1996); USGen Power Servs., L.P., 73 FERC ¶ 61,302 (1995); Dartmouth Power Assocs. Ltd. P'ship, 74 FERC ¶ 61,037, p. 61,090 n.5 (1996).

C. GENERATION MARKET POWER ANALYSIS

CEI intends to market short-run and long-run firm and non-firm bulk power purchased from franchised utilities, other power marketers, qualifying facilities (QFs) under the Public Utility Regulatory Policies Act of 1978, and eligible facilities owned or operated by exempt wholesale generators (EWGs) under section 32 of the Public Utility Holding Company Act of 1935 throughout the United States.

As a result of its determination in Kansas City Power & Light Company, 67 FERC ¶ 61,183 (1994), that no wholesale seller has market power in generation from new capacity, the Commission no longer requires market rate applicants to submit a market power analysis for the long-run bulk power markets.⁸ As described above, affiliates of CEI own or will own small percentages of individual electric generating units in NEPOOL and California, but in no event will those CEI affiliates be able to unilaterally control major management decisions of those units as owner. Even if the CEI affiliates were deemed to hold management control of such assets, however, the generating units are located within regional transmission organizations for which the Commission requires no SMA screen.⁹ In any case, the total capacity held or to be held by the CEI affiliates is *de minimis* in relation to the generation capacity in NEPOOL or California.¹⁰ Finally,

⁸ See Heartland Energy Servs., Inc., 68 FERC at p. 62,061 n.9 (1994).

⁹ See AEP Power Marketing Inc., et al., 97 FERC ¶ 61,219 at 61,970 (2001), reh'g pending.

¹⁰ The total capacity of facilities in which CEI affiliates have ownership interests in NEPOOL is 1,110 MW. According to the 2003 Summer Assessment of the North American Electric Reliability Council, the estimated available resources in ISO New England range from 31,708 MW to 31,718 MW. The total capacity of facilities in which CEI affiliates have ownership interests in California is 1,040 MW. According to the 2003 Summer Assessment of the North American Electric Reliability Council, the estimated

neither CEI nor any of its affiliates (including Phibro) has any long-term power purchase commitments.

Accordingly, CEI and its affiliates lack generation market power and cannot bar entry to the market by virtue of generation market power. Therefore, CEI has no generation market power.

D. TRANSMISSION

Neither Seller nor any of its affiliates owns, operates, or controls any transmission facilities in the United States, aside from interconnection equipment necessary to connect individual generating facilities to the grid. Therefore, neither Seller nor its affiliates have any market power in transmission.

E. BARRIERS TO ENTRY

Neither CEI nor any of its affiliates owns or controls fuel supplies, unique land sites, or other inputs to electric power generation that could be used to prevent other competitors from entering markets in the United States.

F. AFFILIATE ABUSE

CEI does not have any franchised electric utility affiliates in the United States. Therefore, affiliate abuse is not an issue.

G. ANCILLARY SERVICES

The Commission requires a separate study of the ancillary services markets to support a market-based rate filing for ancillary services. Seller relies, for these purposes, on the studies submitted and accepted by the Commission in the following orders. For

available resources in the California-Mexico area range from 61,702 MW to 63,168 MW.

ancillary services to purchasers in California, Seller relies on the Commission's orders in AES Redondo Beach, L.L.C., 83 FERC ¶ 61,358, order on reh'g, 85 FERC ¶ 61,123 (1998), clarified, 87 FERC ¶ 61,208 (1999). For ancillary services to purchasers in NEPOOL, Seller relies on the Commission's order in New England Power Pool, 85 FERC ¶ 61,379 (1998), and the analysis upon which it is based. For New York, Seller relies on the Commission's orders in Central Hudson Gas & Elec. Corp., 86 FERC ¶ 61,062 (1999), CH Resources, Inc., 86 FERC ¶ 61,140 (1999), and Indeck-Olean Limited Partnership, 87 FERC ¶ 61,305 (1999). For sales of ancillary services into PJM, Seller relies on the order in Atlantic City Electric Co., 86 FERC ¶ 61,248 (1999). Seller's proposed rate schedule also provides for the sale of additional ancillary services in such additional markets as the Commission may authorize by future order.¹¹

H. REPORTING REQUIREMENTS

CEI agrees to make quarterly informational filings concerning its purchases and sales as long as such filings are required and agrees to comply with the other reporting requirements normally imposed on power marketers. CEI also agrees to amend its rate schedule as may be directed by the order issued by the Commission in Docket No. EL01-118-000.

¹¹ Similar provisions were included in rate filings accepted by the Commission by letter orders dated March 24, 2000 in Docket No. ER00-1654-000 (Coral Power, L.L.C.) and April 17, 2001 in Docket No. ER01-1363-000 (Coral Energy Management, LLC). See also Power Receivable Finance, LLC, Letter Order issued in Docket No. ER03-1151-000 (September 5, 2003); Vineland Energy LLC, Letter Order issued in Docket No. ER03-1283-000, et al. (October 29, 2003).

IV. REQUEST FOR PRE-APPROVALS AND WAIVERS

Seller seeks the same pre-approvals and waivers of Commission rules and filing requirements previously granted to other sellers permitted to sell at market-based rates.

This relief consists of:

- waiver of Parts 41, 101, and 141 of the Commission's accounting and periodic reporting regulations;
- waiver of Subparts B and C of Part 35 of the Commission's regulations, except as to sections 35.12(a), 35.13(b), 35.15, and 35.16;
- waiver of Part 45 of the Commission's regulations, provided that Seller files an abbreviated statement with respect to Parts 45 and 46; and
- blanket approval under Part 34 for all future issuances of securities and assumptions of liability, if there are no objections within 30 days of the Commission's order.

V. REQUESTED EFFECTIVE DATE

CEI proposes that its rate schedule become effective on the earlier of either the date that is 60 days following CEI's submission of this filing or the date of the Commission's order accepting the rate schedule for filing. In order to expedite commencement of service under its rate schedule, CEI requests that the Commission issue an order accepting its rate schedule for filing within 30 days of the filing of this petition, so that Seller may commence power marketing operations as of December 19, 2003. Seller requests waiver of the Commission's prior notice requirement to the extent necessary to accommodate this request.

VI. CONCLUSION

WHEREFORE, for the reasons stated above, CEI requests that its proposed rate schedule be accepted for filing and that its requests for waivers and blanket approvals be granted.

Respectfully submitted,



Margaret A. Moore
Van Ness Feldman, P.C.
1050 Thomas Jefferson St., NW
Seventh Floor
Washington, DC 20007
202/298-1800
202/338-2416 (fax)
mam@vnf.com

Counsel for Citigroup Energy Inc.

November 19, 2003

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 1

-
1. **Availability.** Citigroup Energy Inc. (Seller) makes electric energy and capacity available under this FERC rate schedule to any purchaser for resale, except as prohibited by Paragraph 5 below. Seller also makes available, to any purchaser, except as prohibited by Paragraph 5 below, the ancillary services listed in this Paragraph 1 and firm transmission rights as specified in Paragraph 7:
- a. **PJM:** Seller offers energy imbalance service and operating reserve service (spinning reserves, 10-minute reserves, and 30-minute reserves) for sale into the markets administered by the PJM Interconnection, LLC (PJM) and, where the PJM Open Access Transmission Tariff (PJM OATT) permits, the self-supply of these services to any purchaser for a bilateral sale that is used to satisfy the ancillary services requirements of the PJM Office of Interconnection (PJM-OI).
 - b. **New York:** Seller offers operating reserves (spinning, 10-minute non-synchronous, and 30-minute reserves) and regulation and frequency response service (load following) for sale to any purchaser in the market administered by the New York Independent System Operator (NY ISO).
 - c. **New England:** Seller offers 10-minute spinning reserve, automatic generation control, 10-minute non-spinning reserve, and 30-minute operating reserve service to any purchaser within the New England Power Pool/ISO-New England.
 - d. **California:** Seller offers regulation, spinning reserve, and non-spinning reserve service to the Independent System Operator (ISO) and to others that are self-supplying ancillary services to the ISO. Seller also makes replacement reserve service available to the ISO and to others that are self-supplying ancillary services to the ISO.
 - e. **Other:** Seller offers additional ancillary services in the geographic markets identified above, and ancillary services in additional geographic markets, as the Commission may specify and authorize from time to time in orders that extend such authority to all sellers authorized to sell energy and capacity at market-based rates.

Issued by: Joseph W. Toussaint
Managing Director
Issued on: November 19, 2003

Effective:

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 2

-
2. **Applicability:** This tariff is applicable to all sales of energy, capacity, ancillary services, and firm transmission rights by Seller, which are (a) subject to the jurisdiction of the Commission, and (b) not made pursuant to another rate schedule on file with the Commission.
 3. **Rates:** All sales shall be made at rates established by agreement between the purchaser and Seller.
 4. **Other Terms and Conditions:** All other terms and conditions shall be established by agreement between the purchaser and Seller.
 5. **Prohibited Sales:** No sale may be made pursuant to this tariff to any entity that is an affiliate of Seller, as defined in 18 C.F.R. § 161.2, which has captive retail electric customers in the United States.
 6. **Reassignment of Transmission:** Seller may reassign transmission capacity that it has reserved for its own use at a price not to exceed the highest of: (1) the original transmission rate paid by Seller; (2) the applicable transmission provider's maximum stated firm transmission rate on file at the time of the transmission reassignment; or (3) Seller's opportunity costs, capped at the applicable transmission provider's cost of expansion at the time of the sale to the eligible customer. Seller will not recover opportunity costs in connection with reassignments without making a separate filing under section 205 of the Federal Power Act. Except for the price, the terms and conditions under which the reassignment is made shall be the terms and conditions governing the original grant by the transmission provider. Transmission capacity may only be reassigned to a customer eligible to take service under the transmission provider's open access transmission tariff or other transmission rate schedules. Seller will report the name of the assignee in its quarterly reports.

Issued by: Joseph W. Toussaint
Managing Director
Issued on: November 19, 2003

Effective:

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 3

-
7. Resale of Firm Transmission Rights, Transmission Congestion Contracts, and Fixed Transmission Rights: Seller may resell FTRs in California with a term of one year or less at rates established by agreement between the purchaser and Seller. Seller may resell FTRs in California with terms of other lengths, at rates established by agreement between the purchaser and Seller, provided that the price may not exceed the higher of: (1) the original price paid by Seller; (2) the prevailing auction price for the sale of FTRs by the ISO at the time of the resale; or (3) Seller's opportunity costs, capped at the applicable transmission provider's cost of expansion at the time of resale. Except for the price, the terms and conditions under which the resale is made shall be the terms and conditions governing the original sale by the ISO. Seller may resell transmission congestion contracts in New York and fixed transmission rights in PJM at rates established by agreement between the purchaser and Seller
8. Standard of Review: Absent the agreement of all parties to the proposed change, the standard of review for changes to any sale and/or contract entered into pursuant to this FERC rate schedule proposed by a party, a non-party or the Federal Energy Regulatory Commission acting *sua sponte* shall be the "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) (the "Mobile-Sierra" doctrine).
9. Effective Date. This tariff is effective on and after January 18, 2004, or such earlier date set by FERC.

Issued by: Joseph W. Toussaint
Managing Director
Issued on: November 19, 2003

Effective:

ORIGINAL

**VanNess
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Margaret A. Moore
(202) 296-1847
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December 1, 2003

Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

FILED
OFFICE OF THE
SECRETARY
2003 DEC - 1 P 3:37
FEDERAL ENERGY
REGULATORY COMMISSION

Re: Citigroup Energy Inc., Docket No. ER04-208-001

Dear Secretary Salas:

On November 19, 2003, Citigroup Energy Inc. (CEI) submitted a Petition for Order Accepting Market-Based Rate Schedule for Filing and Granting Waivers and Blanket Approvals (Petition). In response to a request from the Commission's Staff, CEI hereby submits a revised rate schedule.

The enclosed rate schedule modifies paragraph 5 of CEI's Rate Schedule FERC No. 1. The enclosed rate schedule also deletes paragraph 8 governing the standard of review, and redesignates the paragraph on the effective date as the new paragraph 8. Both a clean and a blacklined version of the revised rate schedule are enclosed.

As explained in the Petition, CEI seeks to commence power marketing operations on December 19, 2003. Accordingly, CEI respectfully requests that the Commission

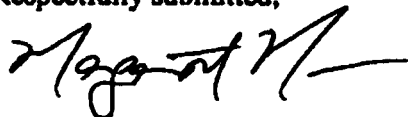
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**VanNess
Feldman**

ATTORNEYS AT LAW

provide for a shortened notice period for this filing, to coincide with the original comment date for the Petition (December 10, 2003). CEI also respectfully requests expedited consideration of its revised rate schedule, to allow CEI to commence operations as of December 19, 2003.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Margaret A. Moore', with a long horizontal stroke extending to the right.

Margaret A. Moore
Counsel for Citigroup Energy Inc.

Enclosures

cc: All Parties

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 1

-
1. **Availability.** Citigroup Energy Inc. (Seller) makes electric energy and capacity available under this FERC rate schedule to any purchaser for resale, except as prohibited by Paragraph 5 below. Seller also makes available, to any purchaser, except as prohibited by Paragraph 5 below, the ancillary services listed in this Paragraph 1 and firm transmission rights as specified in Paragraph 7:
- a. **PJM:** Seller offers energy imbalance service and operating reserve service (spinning reserves, 10-minute reserves, and 30-minute reserves) for sale into the markets administered by the PJM Interconnection, LLC (PJM) and, where the PJM Open Access Transmission Tariff (PJM OATT) permits, the self-supply of these services to any purchaser for a bilateral sale that is used to satisfy the ancillary services requirements of the PJM Office of Interconnection (PJM-OI).
 - b. **New York:** Seller offers operating reserves (spinning, 10-minute non-synchronous, and 30-minute reserves) and regulation and frequency response service (load following) for sale to any purchaser in the market administered by the New York Independent System Operator (NY ISO).
 - c. **New England:** Seller offers 10-minute spinning reserve, automatic generation control, 10-minute non-spinning reserve, and 30-minute operating reserve service to any purchaser within the New England Power Pool/ISO-New England.
 - d. **California:** Seller offers regulation, spinning reserve, and non-spinning reserve service to the Independent System Operator (ISO) and to others that are self-supplying ancillary services to the ISO. Seller also makes replacement reserve service available to the ISO and to others that are self-supplying ancillary services to the ISO.
 - e. **Other:** Seller offers additional ancillary services in the geographic markets identified above, and ancillary services in additional geographic markets, as the Commission may specify and authorize from time to time in orders that extend such authority to all sellers authorized to sell energy and capacity at market-based rates.

Issued by: Joseph W. Toussaint
Managing Director
Issued on: December 1, 2003

Effective:

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 2

-
2. **Applicability:** This tariff is applicable to all sales of energy, capacity, ancillary services, and firm transmission rights by Seller, which are (a) subject to the jurisdiction of the Commission, and (b) not made pursuant to another rate schedule on file with the Commission.
 3. **Rates:** All sales shall be made at rates established by agreement between the purchaser and Seller.
 4. **Other Terms and Conditions:** All other terms and conditions shall be established by agreement between the purchaser and Seller.
 5. **Prohibited Sales:** No sale may be made pursuant to this tariff to any entity that is an affiliate of Seller, as defined in 18 C.F.R. § 161.2, which is a public utility with a franchised service territory in the United States.
 6. **Reassignment of Transmission:** Seller may reassign transmission capacity that it has reserved for its own use at a price not to exceed the highest of: (1) the original transmission rate paid by Seller; (2) the applicable transmission provider's maximum stated firm transmission rate on file at the time of the transmission reassignment; or (3) Seller's opportunity costs, capped at the applicable transmission provider's cost of expansion at the time of the sale to the eligible customer. Seller will not recover opportunity costs in connection with reassignments without making a separate filing under section 205 of the Federal Power Act. Except for the price, the terms and conditions under which the reassignment is made shall be the terms and conditions governing the original grant by the transmission provider. Transmission capacity may only be reassigned to a customer eligible to take service under the transmission provider's open access transmission tariff or other transmission rate schedules. Seller will report the name of the assignee in its quarterly reports.

Issued by: Joseph W. Toussaint
Managing Director
Issued on: December 1, 2003

Effective:

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 3

-
7. Resale of Firm Transmission Rights, Transmission Congestion Contracts, and Fixed Transmission Rights: Seller may resell FTRs in California with a term of one year or less at rates established by agreement between the purchaser and Seller. Seller may resell FTRs in California with terms of other lengths, at rates established by agreement between the purchaser and Seller, provided that the price may not exceed the higher of: (1) the original price paid by Seller; (2) the prevailing auction price for the sale of FTRs by the ISO at the time of the resale; or (3) Seller's opportunity costs, capped at the applicable transmission provider's cost of expansion at the time of resale. Except for the price, the terms and conditions under which the resale is made shall be the terms and conditions governing the original sale by the ISO. Seller may resell transmission congestion contracts in New York and fixed transmission rights in PJM at rates established by agreement between the purchaser and Seller
8. Effective Date. This tariff is effective on and after January 18, 2004, or such earlier date set by FERC.

Issued by: Joseph W. Toussaint
Managing Director
Issued on: December 1, 2003

Effective:

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 1

-
1. **Availability.** Citigroup Energy Inc. (Seller) makes electric energy and capacity available under this FERC rate schedule to any purchaser for resale, except as prohibited by Paragraph 5 below. Seller also makes available, to any purchaser, except as prohibited by Paragraph 5 below, the ancillary services listed in this Paragraph 1 and firm transmission rights as specified in Paragraph 7:
- e. **PJM:** Seller offers energy imbalance service and operating reserve service (spinning reserves, 10-minute reserves, and 30-minute reserves) for sale into the markets administered by the PJM Interconnection, LLC (PJM) and, where the PJM Open Access Transmission Tariff (PJM OATT) permits, the self-supply of these services to any purchaser for a bilateral sale that is used to satisfy the ancillary services requirements of the PJM Office of Interconnection (PJM-OI).
 - f. **New York:** Seller offers operating reserves (spinning, 10-minute non-synchronous, and 30-minute reserves) and regulation and frequency response service (load following) for sale to any purchaser in the market administered by the New York Independent System Operator (NY ISO).
 - g. **New England:** Seller offers 10-minute spinning reserve, automatic generation control, 10-minute non-spinning reserve, and 30-minute operating reserve service to any purchaser within the New England Power Pool/ISO-New England.
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 - e. **Other:** Seller offers additional ancillary services in the geographic markets identified above, and ancillary services in additional geographic markets, as the Commission may specify and authorize from time to time in orders that extend such authority to all sellers authorized to sell energy and capacity at market-based rates.

Issued by: Joseph W. Toussaint
Managing Director

Effective:

Issued on: ~~November 19, 2003~~ December 1, 2003

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 2

-
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 3. **Rates:** All sales shall be made at rates established by agreement between the purchaser and Seller.
 4. **Other Terms and Conditions:** All other terms and conditions shall be established by agreement between the purchaser and Seller.
 5. **Prohibited Sales:** No sale may be made pursuant to this tariff to any entity that is an affiliate of Seller, as defined in 18 C.F.R. § 161.2, which ~~has captive retail electric customers~~ is a public utility with a franchised service territory in the United States.
 6. **Reassignment of Transmission:** Seller may reassign transmission capacity that it has reserved for its own use at a price not to exceed the highest of: (1) the original transmission rate paid by Seller; (2) the applicable transmission provider's maximum stated firm transmission rate on file at the time of the transmission reassignment; or (3) Seller's opportunity costs, capped at the applicable transmission provider's cost of expansion at the time of the sale to the eligible customer. Seller will not recover opportunity costs in connection with reassignments without making a separate filing under section 205 of the Federal Power Act. Except for the price, the terms and conditions under which the reassignment is made shall be the terms and conditions governing the original grant by the transmission provider. Transmission capacity may only be reassigned to a customer eligible to take service under the transmission provider's open access transmission tariff or other transmission rate schedules. Seller will report the name of the assignee in its quarterly reports.

Issued by: Joseph W. Toussaint
Managing Director

Effective:

Issued on: ~~November 19, 2003~~ December 1, 2003

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 3

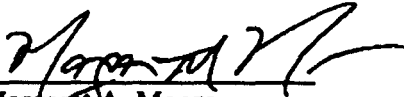
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8. ~~Standard of Review: Absent the agreement of all parties to the proposed change, the standard of review for changes to any sale and/or contract entered into pursuant to this FERC rate schedule proposed by a party, a non-party or the Federal Energy Regulatory Commission acting sua sponte shall be the "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) (the "Mobile-Sierra" doctrine).~~
98. Effective Date. This tariff is effective on and after January 18, 2004, or such earlier date set by FERC.

Issued by:	Joseph W. Toussaint	Effective:
	Managing Director	
Issued on:	November 19, 2003	December 1, 2003

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon each party to this proceeding as reflected on the official service list compiled by the Secretary of the Commission.

Dated at Washington, D.C., this 1st day of December, 2003.


Margaret A. Moore
Van Ness Feldman
A Professional Corporation
1050 Thomas Jefferson St., N.W.
Seventh Floor
Washington, D.C. 20007
(202) 298-1800

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Citigroup Energy Inc.

)

Docket No. ER04-208-000

NOTICE OF FILING

Take notice that on December 1, 2003, Citigroup Energy Inc. (CEI) submitted for filing a revised rate schedule, modifying the rate schedule submitted by CEI on November 19, 2003.

Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.211 and 18 C.F.R. § 385.214). All such motions or protests should be filed on or before _____. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceedings. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

**Magalie R. Salas
Secretary**

ORIGINAL

**VanNess
Feldman**
ATTORNEYS AT LAW

FILED
OFFICE OF THE
SECRETARY

777 FEB -2 2 11:45
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FEDERAL ENERGY
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Margaret A. Moore
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February 2, 2004

ORIGINAL

Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Citigroup Energy Inc.
Docket Nos. ER04-208-000 and ER04-208-001-~~002~~

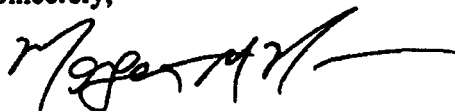
Dear Secretary Salas:

Pursuant to the Letter Order Authorizing Market-Based Rates issued on January 7, 2004, Citigroup Energy Inc. (CEI) hereby submits for filing as an amendment to its market-based rate schedule the Market Behavior Rules adopted by the Commission in the Order Amending Market-Based Rate Tariffs and Authorizations, Investigation of Terms and Conditions of Public Utility Market-Based Rate Authorizations, 105 FERC ¶ 61,218 (Nov. 17, 2003), in Docket No. EL01-118-000 (Market Behavior Rules Order). In addition, pursuant to the requirements of Market Rule 4, CEI informs the Commission that CEI does not report transactions to publishers of electricity price indices.

CEI requests an effective date as provided in the Market Behavior Rules Order.

If you have any questions, please contact the undersigned.

Sincerely,



Margaret A. Moore
Counsel for Citigroup Energy Inc.

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 4

Market Behavior Rules

As a condition of market-based rate authority, Citigroup Energy Inc. (hereafter, Seller) will comply with the following Market Behavior Rules:

1. **Unit Operation:** Seller will operate and schedule generating facilities, undertake maintenance, declare outages, and commit or otherwise bid supply in a manner that complies with the Commission-approved rules and regulations of the applicable power market. Compliance with this Market Behavior Rule 1 does not require Seller to bid or supply electric energy or other electricity products unless such requirement is a part of a separate Commission-approved tariff or requirement applicable to Seller.
2. **Market Manipulation:** Actions or transactions that are without a legitimate business purpose and that are intended to or foreseeably could manipulate market prices, market conditions, or market rules for electric energy or electricity products are prohibited. Actions or transactions undertaken by Seller that are explicitly contemplated in Commission-approved rules and regulations of an applicable power market (such as virtual supply or load bidding) or taken at the direction of an ISO or RTO are not in violation of this Market Behavior Rule. Prohibited actions and transactions include, but are not limited to:
 - a. pre-arranged offsetting trades of the same product among the same parties, which involve no economic risk and no net change in beneficial ownership (sometimes called "wash trades");
 - b. transactions predicated on submitting false information to transmission providers or other entities responsible for operation of the transmission grid (such as inaccurate load or generation data; or scheduling non-firm service or products sold as firm), unless Seller exercised due diligence to prevent such occurrences;
 - c. transactions in which an entity first creates artificial congestion and then purports to relieve such artificial congestion (unless Seller exercised due diligence to prevent such an occurrence; and
 - d. collusion with another party for the purpose of manipulating market prices, market conditions, or market rules for electric energy or electricity products.

Issued by: Joseph W. Toussaint
Managing Director
Issued on: February 2, 2004

Effective:

Citigroup Energy Inc.
Rate Schedule FERC No. 1

Original Sheet No. 5

3. **Communications:** Seller will provide accurate and factual information and not submit false or misleading information, or omit material information, in any communication with the Commission, Commission-approved market monitors, Commission-approved regional transmission organizations, or Commission-approved independent system operators, or jurisdictional transmission providers, unless Seller exercised due diligence to prevent such occurrences.
4. **Reporting:** To the extent Seller engages in reporting of transactions to publishers of electricity or natural gas price indices, Seller shall provide accurate and factual information, and not knowingly submit false or misleading information or omit material information to any such publisher, by reporting its transactions in a manner consistent with the procedures set forth in the Policy Statement issued by the Commission in Docket No. PL03-3 and any clarifications thereto. Seller shall notify the Commission within 15 days of the effective date of this tariff provision of whether it engages in such reporting of its transactions and update the Commission within 15 days of any subsequent change to its transaction reporting status. In addition, Seller shall adhere to such other standards and requirements for price reporting as the Commission may order.
5. **Record Retention:** Seller shall retain, for a period of three years, all data and information upon which it billed the prices it charged for the electric energy or electric energy products it sold pursuant to this tariff or the prices it reported for use in price indices.
6. **Related Tariffs:** Seller shall not violate or collude with another party in actions that violate Seller's market-based rate code of conduct or Order No. 889 standards of conduct, as they may be revised from time to time.

Any violation of these Market Behavior Rules will constitute a tariff violation. Seller will be subject to disgorgement of unjust profits associated with the tariff violation, from the date on which the tariff violation occurred. Seller may also be subject to suspension or revocation of its authority to sell at market-based rates or other appropriate non-monetary remedies.

Issued by: Joseph W. Toussaint
Managing Director
Issued on: February 2, 2004

Effective:

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Citigroup Energy Inc.

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**Docket Nos. ER04-208-000
ER04-208-001**

NOTICE OF FILING

Take notice that on February 2, 2004, Citigroup Energy Inc. submitted for filing an amendment to its market-based rate schedule reflecting the Market Behavior Rules adopted by the Commission in the Order Amending Market-Based Rate Tariffs and Authorizations, Investigation of Terms and Conditions of Public Utility Market-Based Rate Authorizations, 105 FERC ¶ 61,218 (Nov. 17, 2003), in Docket No. EL01-118-000.

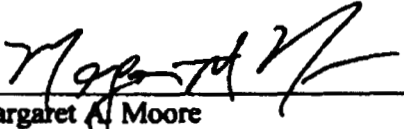
Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.211 and 385.214 (2003). All such motions or protests must be filed on or before _____, in accordance with § 35.8 of the Commission's regulations. Protests will be considered by the Commission to determine the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection in the Public Reference Room. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

**Magalie Roman Salas
Secretary**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2001).

Dated at Washington, D.C. this 2nd day of February, 2004.



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