PPL Corporation Moves Forward with Strategic Initiative; PPL Electric Utilities Awards Supply Contract

PRNewswire
ALLENTOWN, Pa.

Moving forward with a first-of-a-kind strategic initiative announced in April, PPL Corporation (NYSE: PPL) announced Wednesday (6/20) that its Pennsylvania electricity delivery subsidiary has entered into a contract that protects its customers from the risk of higher energy costs for the remainder of this decade.

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"In a very competitive bidding process, PPL EnergyPlus was the low bidder and has been selected as the company to provide for the energy supply requirements of PPL Electric Utilities from 2002 through 2009," said John Biggar, PPL's executive vice president and chief financial officer. PPL EnergyPlus is the energy marketing subsidiary of PPL Corporation.

Biggar said the contract will be filed with the Pennsylvania Public Utility Commission and the Federal Energy Regulatory Commission. The company has requested approvals by the middle of July.

"This long-term electricity supply contract -- coupled with structural changes that we plan to make as part of the strategic initiative -- will permit PPL Electric Utilities to substantially reduce its cost of capital while protecting its customers against the kind of electricity supply price increases that we have seen in other parts of the country," said Biggar.

PPL is undertaking what it calls a "securitization" of its electricity delivery business, which includes a series of steps to confirm the structural separation of PPL Electric Utilities from PPL's unregulated affiliates. This, in turn, permits PPL Electric Utilities to recapitalize its balance sheet by issuing debt to replace higher cost equity.

"These steps will significantly decrease risk in the electricity delivery business. As a result, the debt at PPL Electric Utilities can be increased, without adversely impacting credit ratings, thus reducing financing costs at the utility," Biggar said. He said PPL Electric Utilities has requested PUC approval to issue up to $900 million in bonds in the third quarter.

"This recapitalization also will make additional capital available for PPL Corporation's growing, higher return, unregulated generation business," said Biggar.

The supply contract provides PPL Electric Utilities with all the electricity it needs from 2002 through 2009 to provide supply for its delivery customers who do not shop for a new supplier. The PPL EnergyPlus bid was selected after PPL Electric Utilities examined bids from six suppliers. "This process resulted in bids that totaled nearly 300 percent of the utility company's supply requirements," said Biggar.

Under the new supply contract, PPL EnergyPlus will provide electricity at pre-established capped prices and receive a $90 million payment by Jan. 1, 2002, to offset differences between the revenues expected under the capped prices and projected market prices through the life of the supply agreement.

"PPL EnergyPlus is very pleased with this contract because it will help the company to establish an appropriate balance between long-term wholesale contracts and sales in short-term wholesale markets," said Biggar. "This sort of balance will enable PPL to increase the value of its growing generation portfolio."

As a result of the transaction, PPL EnergyPlus now has an eight-year energy supply contract at market prices, Biggar said. Under its existing contract with PPL Electric Utilities, which expires at the end of this year, PPL EnergyPlus provides all the delivery company's supply needs at the price cap level, regardless of the prevailing market price.

PPL EnergyPlus markets the generating output of all PPL's power plants, both in the eastern United States and in the West. The company has about 10,000 megawatts of generating capacity today and is developing another 4,600 megawatts. Two new plants -- one in Arizona and another in Connecticut -- are expected to go into service within the next month.

Biggar pointed out that about 90 percent of PPL Corporation's earnings per share going forward are expected to come from nonregulated businesses.

Company confirms 2001, 2002 earnings forecasts

Biggar confirmed that the company expects to achieve 2001 earnings per share of at least $4.00, the forecast level it announced in April. He also confirmed that the company forecasts 2002 earnings of $4.55 to $4.65 per share.

"We are experiencing solid results in the second quarter and will announce our earnings for this period on July 25," said Biggar.

"We need to clarify, however, that our business is seasonal and the second-quarter results historically have been lower than the other quarters in a year. In addition, during the second quarter of 2000, the company booked about 17 cents per share from emission allowance sales, an item that will not be repeated this year. For these reasons, there is a possibility that our second-quarter numbers may be lower than the consensus earnings estimate of 77 cents per share.

"We fully expect that second-quarter earnings will exceed our internal budgets, which put us on target to achieve at least the $4.00 per share for 2001 that we forecast in April," said Biggar.

Earnings per share of $4.00 in 2001 would represent an increase of about 22 percent over 2000's adjusted, diluted earnings of $3.28 per share. Earnings per share of $4.55 to $4.65 in 2002 would represent an increase of about 15 percent over earnings now forecast for 2001.

PPL Corporation, headquartered in Allentown, Pa., generates electricity at power plants in Pennsylvania, Montana and Maine; markets wholesale or retail energy in 42 U.S. states and Canada; and delivers electricity to nearly 6 million customers in Pennsylvania, the United Kingdom and Latin America.

PPL EnergyPlus LLC is an unregulated subsidiary of PPL Corporation. PPL EnergyPlus is not the same company as PPL Electric Utilities or PPL Gas Utilities. The prices of PPL EnergyPlus are not regulated by the Pennsylvania Public Utility Commission. You do not have to buy PPL EnergyPlus electricity, natural gas or other products in order to receive the same quality regulated services from PPL Electric Utilities or PPL Gas Utilities.

Certain statements contained in this news release, including statements with respect to future earnings, dividends, energy prices, supply, sales, margins and deliveries, costs, strategic initiatives, subsidiary performance, growth, project development, and generating capacity and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: market demand and prices for energy, capacity and fuel; weather variations affecting customer energy usage; competition in retail and wholesale power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation and its subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; environmental conditions and requirements; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; political, regulatory or economic conditions in countries where PPL Corporation or its subsidiaries conduct business; receipt of necessary governmental approvals; capital market conditions; stock price performance; foreign exchange rates; and the commitments and liabilities of PPL Corporation and its subsidiaries. Any such forward-looking statements should be considered in light of such factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.

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