PPL Scales Back New Generation Capital Expenditures, Revises Earnings Forecasts for 2001, 2002

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Responding to what it believes to be significantly lower long-term wholesale energy prices in the regions in which it operates, PPL Corporation (NYSE: PPL) said Friday (1/4) that it is scaling back its capital expenditures for new generation.

(Photo: http://www.newscom.com/cgi-bin/prnh/19981015/PHTH025)

William F. Hecht, PPL chairman, president, and chief executive officer, said the company's ongoing assessment of its generation expansion has led to a decision to cancel about 2,100 megawatts of planned development.

"Given the current market conditions, it is our plan to maintain our strong liquidity and grow the business through the implementation of the company's integrated energy supply and delivery strategy," said Hecht. "The company's strong cash position provides us with the flexibility to respond to future growth opportunities."

The cancelled projects would have cost an estimated $1.3 billion. The company now expects its generation capital expenditures over the next two years to be about $1.5 billion, for which it already has obtained funding.

"While we remain convinced that there is a need for new generating capacity in specific regions of the Untied States, the current market prices and regulatory conditions do not justify our continued pursuit of six projects that were in the early stages of development - five in Pennsylvania and one in Washington state," said Hecht.

With the commercial operation of plants in Arizona and Connecticut, PPL will control about 10,300 megawatts of generating capacity in the Eastern and Western United States. With today's announcement, it now has about 2,100 megawatts under active development in Arizona, Illinois, Pennsylvania and New York.

Hecht also announced new PPL earnings forecasts for 2001 and 2002.

2001 earnings forecast

PPL now forecasts 2001 earnings of $3.35 to $3.45 per share, exclusive of the potential impact of certain issues related to the company's investment in its U.K. affiliate, Western Power Distribution.

Here are the details of that revised 2001 forecast:

	Earnings Per Share
Earnings from core operations	$4.15 to $4.25
Charge from Enron-related write-off of WPD's investment in Teesside Power Station	($0.14)
Other charges associated with Enron bankruptcy	($0.06)
Charge for cancellation of generation projects	($0.60)
2001 earnings forecast	$3.35 to $3.45

In connection with the Enron bankruptcy and the resulting loss of Teesside cash flows, PPL is evaluating the carrying value of its investment in WPD. At this time, the company is unable to determine the amount of an impairment, if any, but the impact could be material. Any required write-down would be recorded in 2001.

The company's 2001 earnings from core operations result primarily from:

* Strong margins, early in the year, from energy sales in markets in both the Eastern and Western United States.
* Improved earnings contributions from energy-related businesses including the company's mechanical contracting subsidiaries and the company's synfuel operations.
* Success in continuing to control operating costs.

2002 earnings forecast

Hecht said PPL is lowering its 2002 earnings projection to $3.35 to $3.45 per share. Previously, the company had projected earnings in excess of $4.00 per share for 2002.

"The primary reason for the lower 2002 earnings forecast is continued declines in the wholesale energy markets," said Hecht. "Our new projection is based on current forward wholesale energy prices -- which are at their lowest level in four years -- for the unhedged portion of our generating output. While we cannot predict where prices will go in the coming months, any increase in prices should result in potential earnings improvement for PPL."

He said that PPL's 2002 earnings also will be negatively affected by the loss of expected earnings because of the bankruptcy of Enron and lower-than-expected earnings from the company's Latin American operations as the result of the drought and general economic conditions in Brazil. In addition, a change in the accounting rules for goodwill could result in a substantial negative impact for 2002, but that amount, if any, has not been quantified at this time, Hecht said.

Company well-positioned

Despite the impact of the dramatic downturn in wholesale energy markets, Hecht said, PPL is well-positioned to continue building value for its shareowners.

"We have a strong stream of revenues from our electric and gas delivery businesses," said Hecht. "And, our energy supply business provides stable earnings as well, with more than 85 percent of our projected 2002 margins to be derived from long-term contracts."

In addition, the 2001 "securitization" of PPL's Pennsylvania transmission and distribution business helped put the company in a strong cash position, which gives PPL considerable flexibility to respond to future opportunities. At the end of 2001, Hecht said, the company had about $1 billion of cash on hand. The company is evaluating options for the most effective use of this cash to create long-term shareowner value.

Hecht said the company's integrated strategy of asset-backed energy marketing and high-performing electricity delivery businesses is expected to result in mid-single-digit earnings-per-share growth rates for the years beyond 2002.

An important element of that growth rate is the company's continuing effort to secure long-term energy sales contracts. PPL EnergyPlus, the company's marketing arm, has signed a 6,000-megawatt, eight-year contract with PPL's Pennsylvania electric utility affiliate as well as a five-year, 450-megawatt contract with Montana Power Co. In addition, PPL EnergyPlus is finalizing multi-year tolling agreements with the Long Island Power Authority for about 160 megawatts of generation that the company is building at two Long Island sites.

As part of its plans to expand its retail operations, PPL EnergyPlus is providing up to 135 megawatts of supply, for various terms, to large industrial customers in Montana. PPL EnergyPlus is continuing to grow this business and is exploring retail offerings to business customers in other areas as well.

Hecht also said that as a result of the company's strong liquidity position and changing market conditions, PPL is evaluating the level of its common stock dividend with a view toward increasing it in the near-term.

PPL invites interested parties to listen to the live Internet Webcast of management's teleconference on this topic with financial analysts at 8:30 a.m. on Friday, Jan. 4. The teleconference is available online live, in audio format, on PPL's Internet Web site: http://www.pplweb.com/ . The Webcast will be available for replay on the PPL Web site for 30 days. Interested individuals also can access the live conference call via telephone at 913-981-5508.

Certain statements contained in this news release, including statements with respect to future earnings, energy marketing, prices and margins, corporate strategy, subsidiary performance, growth, dividends, project development, liquidity, accounting impacts, revenues, capital expenditures, operating expenses, and generating capacity, are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corp. 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 Corp. 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 Corp. 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 Corp. and its subsidiaries. Any such forward-looking statements should be considered in light of such factors and in conjunction with PPL Corp.'s Form 10-K and other reports on file with the Securities and Exchange Commission.

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