PPL Receives PUC Approvals to Support Completion of Strategic Initiative

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PPL Corporation (NYSE: PPL) took a major step toward the completion of its "first of its kind" strategic initiative, announced in April, with two important approvals by the Pennsylvania Public Utility Commission (PUC) on Friday (7/13).

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

The PUC approved a securities certificate authorizing PPL Electric Utilities to issue up to $900 million of debt securities. The PUC also approved a long-term energy supply contract under which PPL Electric Utilities will purchase electricity for its customers in Pennsylvania who do not select an alternate energy supplier. In June, PPL announced the results of a competitive bidding process in which PPL EnergyPlus, the corporation's energy marketing and trading subsidiary, was selected to fill the energy supply requirements of PPL Electric Utilities from 2002 through 2009.

"These approvals take us considerably closer to the achievement of our strategic objectives," said John R. Biggar, PPL Corporation's executive vice president and chief financial officer. "The long-term electricity supply contract -- coupled with structural changes that we plan to make as part of our strategic initiative -- will substantially reduce the business risk of PPL Electric Utilities," Biggar said. "This will allow PPL Electric Utilities to reduce its cost of capital through a recapitalization by issuing debt that, among other applications, can be used to replace higher-cost common equity within its capital structure."

PPL Electric Utilities and its customers will be protected against the kind of electricity supply price increases that have been seen in other parts of the country, according to Biggar.

Earlier this week, PPL Electric Utilities filed a shelf registration statement with the Securities and Exchange Commission (SEC) to issue up to $900 million in debt. In addition to the SEC authorization, the only other approval required for PPL to complete its strategic initiative is from the Federal Energy Regulatory Commission (FERC), which must approve the long-term energy supply contract. PPL currently anticipates receiving these approvals by mid-August.

The first debt issuance under the SEC filing is expected to range between $700 and $800 million, with approximately $90 million of the proceeds to be used to make an up-front payment under the terms of the long-term energy supply contract. The remaining proceeds will be used by PPL Electric Utilities for general corporate purposes including the repurchase of a portion of its common stock from its parent company, PPL Corporation.

PPL is undertaking what it calls a "securitization" of PPL Electric Utilities, its electricity delivery subsidiary. The process includes a series of steps to confirm the structural separation of PPL Electric Utilities from PPL's unregulated affiliates and to significantly reduce the delivery company's business risk.

"The debt issuance by PPL Electric Utilities makes additional capital available for PPL Corporation's growing, higher-return, unregulated generation business," said Biggar. "And the long-term supply contract helps lock in attractive margins for the next eight years on a substantial portion of PPL EnergyPlus' available generation." Biggar noted that about 90 percent of PPL Corporation's earnings per share going forward are expected to come from unregulated businesses.

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 later this summer.

PPL Corporation, headquartered in Allentown, Pa., generates electricity at power plants in Pennsylvania, Maine and Montana; 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.

Certain statements contained in this news release, including statements with respect to future earnings, energy prices, supply, sales, margins and deliveries, costs, strategic initiatives, regulatory approvals, subsidiary performance, business risks, growth, project development and generating capacity, 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 (SEC). This news release does not constitute an offer to sell or the solicitation of any offer to buy any security. Any offer to sell any security would be made only pursuant to an appropriate registration statement filed with the SEC.

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