


PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

1. REPORT DATE: March 1, 2004	2. BUREAU AGENDA NO. MAR-2004-FUS-1307*
3. BUREAU: Fixed Utility Services	
4. SECTION(S): Finance/Tariff	5. PUBLIC MEETING DATE:
6. APPROVED BY: Director: R. A. Rosenthal (3-5242) <i>RA</i> Mgr/Spvr: R. F. Wilson (3-6162) Legal Review: <i>ifj BW</i>	March 18, 2004 <div style="text-align: center;">  <p>DOCKETED MAR 24 2004</p> </div>
7. PERSONS IN CHARGE: Glunz (5-4364)/ Staver (7-7703)	
8. DOCKET NO.: A-110500 F0337; A-110500 F0338; S-00030972	

9. (a) CAPTION (abbreviate if more than 4 lines)
 (b) Short summary of history & facts, documents & briefs
 (c) Recommendation

- (a) PPL Electric Utilities Corporation filed an application for approval for the transfer by sale of its existing and future accounts receivable to a newly created special purpose entity, and for registration of a Securities Certificate for the potential assumption of debt in support of the transfer of accounts receivables, in a principal amount not to exceed \$150 million.
- (b) The sale of receivables is intended to be a true sale. The purpose of the sale is to provide PPL Electric with a reliable source of short-term debt through the asset-backed commercial paper market. The proposed sale will have no effect on the service provided to jurisdictional customers.
- (c) The Bureau of Fixed Utility Services recommends that the Commission adopt the proposed Order approving the application and registering the securities certificates

DOCUMENT
FOLDER

10. MOTION BY: Commissioner Chm. Fitzpatrick Commissioner Thomas - Yes
 SECONDED: Commissioner Bloom Commissioner Pizzingrilli - Yes
 Commissioner Holland - Yes

CONTENT OF MOTION: Staff recommendation adopted.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

MARCH 18, 2004

A-110500 F0337
A-110500.F0338
S-00030972

MICHAEL W GANG ESQUIRE
JOHN H ISOM ESQUIRE
MORGAN LEWIS & BOCKIUS
417 WALNUT STREET
HARRISBURG PA 17101

DOCUMENT
FOLDER

Application of PPL Electric Utilities Corporation for approval for the transfer by sale of its existing and future accounts receivable and the acquisition of a special purpose entity.

Securities Certificate of PPL Electric Utilities Corporation for the Potential assumption of debt in support of the transfer of accounts receivables, in a principal amount not to exceed \$150 million.

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on March 18, 2004 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

DOCKETED
DOCKETED
MAY 03 2004

James J. McNulty
Secretary

fg
encls
cert. mail

DAVID B MACGREGOR ESQUIRE
MORGAN LEWIS & BOCKIUS
1701 MARKET STREET
PHILADELPHIA PA 19101-2921

PAUL E RUSSELL ESQUIRE
PPL SERVICES CORPORATION
TWO NORTH NINTH STREET
ALLENTOWN PA 18101-1179

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held March 18, 2004

Commissioners Present:

Terrance J. Fitzpatrick, Chairman
Robert K. Bloom, Vice Chairman
Glen R. Thomas
Kim Pizzingrilli
Wendell F. Holland

DOCUMENT
FOLDER

Application of PPL Electric Utilities Corporation
for approval for the transfer by sale of its existing
and future accounts receivable and the acquisition
of a special purpose entity

Docket Numbers:
A-110500 F0337
A-110500 F0338

Securities Certificate of PPL Electric Utilities
Corporation for the potential assumption of debt
in support of the transfer of accounts receivables,
in a principal amount not to exceed \$150 million

S-00030972

DOCKETED
MAY 03 2004

ORDER

BY THE COMMISSION:

On December 23, 2003, PPL Electric Utilities Corporation (PPL Electric) filed pursuant to Chapter 11 and Chapter 21 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§1101, *et seq.* and 66 Pa. C.S. §§2101, *et seq.*, respectively, an application for approval for the transfer by sale of its existing and future accounts receivable (Receivables) to a newly formed wholly owned special purpose entity (SPE) and for the formation of the SPE by PPL Electric.

Pursuant to Chapter 19 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§1901, *et seq.*, PPL Electric seeks registration of a securities certificate for the potential assumption of debt in support of the transfer of Receivables, in a principal amount not to

exceed \$150 million. PPL voluntarily extended the statutory consideration period to March 19, 2004.

Pursuant to Chapter 21 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 2101 *et seq.*, PPL Electric seeks to the extent necessary, approval of the agreement governing the sale of Receivables between affiliates.

PPL Electric provided proof of compliance with our regulations at 52 Pa. Code §5.14, relating to applications requiring notice. Notice was published in the Pennsylvania Bulletin and a protest period ending February 2, 2004, was established. No protests or comments have been received.

PPL Electric is a direct subsidiary of PPL Corporation; PPL Corporation holds approximately 99 percent of the outstanding voting stock of PPL Electric. PPL Electric requests authorization to form the SPE through the capitalization of a small portion of PPL Electric's Receivables. The SPE will be a bankruptcy-remote, wholly owned subsidiary of PPL Electric.

PPL proposes to sell its Receivables at the current market price to its wholly owned SPE. The sale of Receivables is intended to be a true sale in that it provides the SPE with the full benefits of ownership. PPL Electric and the SPE do not intend these transactions to be, or for any purpose to be characterized as, loans from the SPE to PPL Electric. Furthermore, PPL Electric will not have any obligation to repurchase the Receivables that have been sold to the SPE.

According to PPL Electric, there is a remote possibility that a court in the future could determine that the transfer of Receivables is, in fact, a loan transaction. To protect SPE from this contingency, PPL Electric seeks registration of a securities certificate for the

potential assumption of debt in support of the transfer of accounts receivables, in a principal amount not to exceed \$150 million.

PPL Electric's sale of Receivables will not include Receivables from Intangible Transition Charges that are dedicated to the repayment of principal and interest of previously issued transition bonds and Competitive Transition Charges that are designated for funding the decommissioning of the Susquehanna nuclear plant.

The SPE will fund its purchase of Receivables by issuing a Note, not to exceed \$150 million, to a commercial paper conduit (CP Conduit). The Note will be secured by the SPE's pledge of the Receivables; the SPE will not sell the Receivables to the CP Conduit. The SPE may draw down up to the amount of the borrowing limit based upon PPL Electric's requirements from time to time for such funds.

The CP Conduit will be a subsidiary or an affiliate of an investment or commercial bank or other financial institution (Financial Institution); the CP Conduit will not be affiliated with PPL Electric. The CP Conduit will issue commercial paper that will be backed by a portfolio of accounts and trade receivables, including PPL's Receivables. In addition, the Financial Institution will establish a backup liquidity facility as additional support for the CP Conduit's obligations to the investors in the asset-backed commercial paper.

The proposed sale of Receivables will have no effect on the service provided to PPL Electric's customers. PPL Electric will continue to bill and collect all its utility service accounts receivable in accordance with its current credit and collection policies. SPE will pay a fee to PPL Electric for acting as servicer.

The purpose of the sale of Receivables is to provide PPL Electric with a reliable source of short-term debt through the commercial paper market. The market for asset-back

commercial paper is highly liquid and currently would provide PPL Electric with lower short term debt financing costs than it would get in an unsecured commercial paper market. PPL Electric will use the funds for general corporate purposes.

Our review of the subject application leads us to conclude that the transactions related to the proposed sale of Receivables is necessary or proper for the service, accommodation, convenience, or safety of the public and thus the application should be approved. Further, upon our examination of the instant securities certificate we have determined that the proposed issuance of a note appears to be necessary or proper for the present and probable future capital needs of the utility and, as a result, the securities certificate should be registered; **THEREFORE,**

IT IS ORDERED:

1. That the application of PPL Electric Utilities Corporation at A-110500 F0337 for approval for the transfer by sale of its existing and future accounts receivable is hereby approved, and that a certificate of public convenience be issued evidencing such approval.

2. That the application of PPL Electric Utilities Corporation at A-110500 F0338 for approval for the acquisition of a special purpose entity is hereby approved, and that a certificate of public convenience be issued evidencing such approval.

3. That the securities certificate at PPL Electric Utilities Corporation at S-00030972 for the potential assumption of debt in support of the transfer of accounts receivables, in a principal amount not to exceed \$150 million is hereby registered.

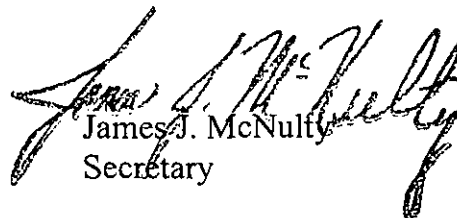
4. That within 30 days of the effective date of the sale of accounts receivable, PPL Electric Utilities Corporation file with this Commission a copy of all agreements governing the sale of accounts receivables in the form in which executed.

5. That, subject to review of the executed documents governing the sale of accounts receivables, the affiliated interest agreement between PPL Electric Utilities Corporation and its wholly owned special purpose entity is approved.

6. That if it is determined that the instant transaction will not occur, PPL Electric Utilities Corporation shall promptly file with this Commission notice of such determination.

7. That the sale of accounts of receivable as authorized in Paragraph No. 1, above, is subject to audit by the Commission's Bureau of Audits.

BY THE COMMISSION,


James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: March 18, 2004

ORDER ENTERED: **MARCH 18 2004**