

R-00973954

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held April 13, 2000

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
Nora Mead Brownell
Aaron Wilson, Jr.
Terrance J. Fitzpatrick

Joint Application of PP&L, Inc. (PPL), now known as PPL Electric Utilities Corporation, d/b/a PPL Utilities, and PPL Generation, LLC for approval of the transfer by PPL of all of the outstanding stock of Interstate Energy Company, now known as PPL Interstate Energy Company, to PPL Generation, LLC

Docket Number

A-110500 F0295
A-140200 F5000

DOCUMENT
FOLDER

ORDER

BY THE COMMISSION:

On December 2, 1999, PP&L, Inc. (PPL), now known as PPL Electric Utilities Corporation, d/b/a PPL Utilities, and PPL Generation, LLC (PPL Generation) filed the above-docketed application pursuant to Chapter 11 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§1101, et seq., for the approval of the transfer by PPL of all of the outstanding stock of Interstate Energy Company (IEC), now known as PPL Interstate Energy Company, to PPL Generation. The applicants provided proof of compliance with our regulations at 52 Pa. Code §1.54 (relating to service by a participant). The protest period ended February 7, 2000.

On February 4, 2000 the Office of Consumer Advocate filed a Petition to Intervene, and on February 7, 2000, PP&L Industrial Customer Alliance, Industrial

Energy Consumers of Pennsylvania, and Eric Epstein filed Petitions to Intervene. Mr. Epstein also filed a protest on February 7, 2000. Elements of some of these interventions were also the subject of PPL's filings at R-00973954, P-00991787, and A-110500 F0294.

On March 17, 2000, PPL filed a response to the intervenors stating that Commission should grant the related filings on an expedited basis without any further regulatory proceedings. On March 30, 2000, the Allegheny Electric Cooperative filed a letter in response to PPL's March 17, 2000 letter and stated that the issues should not be addressed on an informal basis. We have determined that the issues raised by the intervenors and the protest do not specifically oppose the transfer of ownership which is the subject of the instant application.

PPL is a wholly-owned subsidiary of PP&L Resources, Inc. (PPL Corp.), now known as PPL Corporation. IEC, a wholly-owned subsidiary of PPL, holds certificates of public convenience authorizing it to provide petroleum pipeline service and public utility natural gas pipeline service. IEC's principal asset is an 18 inch dual-use petroleum and natural gas pipeline that originates at a marine terminal at Marcus Hook, in Delaware County, Pennsylvania, and extends north eighty miles to PPL's Martins Creek generating plant.

PPL Generation, a newly formed limited liability company, is a wholly-owned indirect subsidiary of PPL Corp. Eventually, PPL Generation, through one or more newly-formed subsidiaries, will own all of the domestic generation and related assets of PPL Corp. As described below, PPL Generation will become a direct wholly-owned subsidiary of CEP Group, Inc. (Energy Funding), now known as PPL Energy Funding Corporation. Energy Funding is currently a direct subsidiary of PPL,

and after the proposed realignment will become a wholly-owned direct subsidiary of PPL Corp.

Through the instant application, and related filings at R-00973954, P-00991787, and A-110500 F0294, PPL has requested specific actions and determinations in connection with a corporate realignment of PPL Corp. In the instant application, PPL proposes to transfer, through a series of transactions, the stock of IEC to PPL Generation. PPL proposes to contribute all of the common stock of IEC to Energy Funding, making IEC a wholly-owned subsidiary of Energy Funding. Energy Funding will contribute all of the common stock of IEC to PPL Generation, making IEC, a wholly-owned subsidiary of PPL Generation. PPL will then distribute the stock of Energy Funding to PPL Corp., making Energy Funding, a wholly-owned subsidiary of PPL Corp.

Energy Funding will be an intermediate holding company for all of PPL Corp. systems' competitive electric power businesses, including generation assets and marketing. As a result of the proposed transactions, PPL Generation will be a direct subsidiary of Energy Funding Corporation and an indirect subsidiary of PPL Corp. The ultimate ownership of IEC will not change as a result of the transfer. IEC will continue to be owned indirectly by PPL Corp and IEC will continue to be affiliated with PPL.

PPL avers that the proposed stock transfer will facilitate the efficient management of PPL Corp. in that IEC and Martins Creek, the generating plant which IEC serves, will be corporately aligned. Both companies will be wholly-owned by the same parent, PPL Generation. These advantages ensure that the proposed transfer satisfies the standard set by *City of York v. Pa. P.U.C.*, 295 A.2d 825 (Pa. Cmwlth. 1972), by providing an affirmative public benefit.

Our review of the subject application leads us to conclude that the proposed stock transfer is necessary or proper for the service accommodation, convenience, or safety of the public, and that the application should be approved; **THEREFORE,**

IT IS ORDERED:

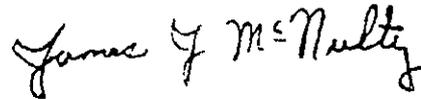
1. That the joint application of PP&L, Inc. (PPL), now known as PPL Electric Utilities Corporation, d/b/a PPL Utilities, and PPL Generation, LLC for approval of the transfer by PPL of all of the outstanding stock of Interstate Energy Company, now known as PPL Interstate Energy Company, to PPL Generation, LLC is hereby approved, and that a certificate of public convenience be issued evidencing such approval.

2. That within 30 days after the reorganization described in Ordering Paragraph No. 1, above, PPL Electric Utilities Corporation shall notify this Commission of the completion of the reorganization.

3. That within six months of the reorganization, PPL Electric Utilities Corporation file with this Commission such new and/or revised affiliated interest agreements as may be appropriate to govern transactions between those utilities and their affiliates, as provided for by Chapter 21 of the Public Utility Code, 66 Pa. C.S. §§2101-2107.

4. That a copy of this Order be filed at Docket Nos. R-00973954, P-00991787, and A-110500F0294.

BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: April 13, 2000

ORDER ENTERED: **APR 21 2000**