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ATTACHMENT 6

PP&L Pennsylvania Power & Light Company

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Robert G. Byram
Senior Vice President—Nuclear
610/774-7502
Fax: 610/774-5019

September 6, 1995

Dr. Shirley A. Jackson
Chairman
Nuclear Regulatory Commission

Dear Dr. Jackson:

The attached is for your information. If you have any questions, please feel free to call.

Sincerely,

Robert G. Byram

Robert G. Byram

Attachment

9/8...To OGC for Appropriate Action...Copies to: Chrm, Comr, EDO, D&SB, RF...95-0789.

PP&L

NEWS

PP&L News Release
This is a news release from Pennsylvania Power & Light Co. If there are any problems with the transmission of the news release, call (610) 774-5071.

Attention Editors and Station Managers: William F. Hecht, PP&L chairman, president and chief executive officer, will hold a news conference on the subject of this news release beginning at 11 a.m. today (9/6) in PP&L's General Office Building, Ninth & Hamilton streets, Allentown.

There also is an actuality available for radio stations. It can be accessed by dialing 1-800-322-9272.

September 6, 1995

Contact: Robert J. Grey
PP&L Resources Inc.
(610) 774-5587

PP&L RESOURCES BOARD REJECTS PECO'S UNSOLICITED ACQUISITION PROPOSAL

ALLENTOWN, Pa.—PP&L Resources Inc. (NYSE: PPL), parent company of Pennsylvania Power & Light Co., said today that its board of directors has unanimously voted to reject the Aug. 14 unsolicited acquisition proposal by PECO Energy Co. PP&L Resources said the board reached its decision after carefully considering the PECO proposal and determining that it was not in the best interests of PP&L Resources, its shareowners, customers, employees or the communities it serves.

This morning, William F. Hecht, chairman, president and chief executive officer of PP&L Resources, sent this letter to PECO Chairman Joseph F. Paquette Jr. and to the members of the PECO board of directors:

The Board of Directors of PP&L Resources Inc. has carefully considered your letter of Aug. 14, as well as the background material you provided on Sept. 5, and has unanimously decided to reject PECO Energy Co.'s unsolicited proposal to acquire PP&L Resources. We have concluded that the PECO proposal is not in the best interests of PP&L Resources, its shareowners, customers, employees or the communities it serves.

The Board considered a number of factors in reaching this conclusion, including:

1. Shareowners. The PECO proposal represents an implied 16 percent dividend reduction for PP&L Resources shareowners. In addition, we are concerned that an acquisition of PP&L Resources by PECO would significantly increase the exposure of PP&L Resources' shareowners to costs that might not be recoverable in a deregulated environment. In this regard, analysis shows that PECO's unrecoverable costs may be as much as twice those of PP&L. In a deregulated environment, much of these costs would have to be absorbed by shareowners. We do not believe that our shareowners should be burdened with the financial risks associated with PECO's high costs. As PECO itself has recognized in a filing with the Pennsylvania Public Utility Commission, immediate

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deregulation of its retail electric sales, without appropriate recovery of stranded investment, would "severely threaten" PECO's financial integrity.

We need only look back to PECO's own history to see the impact on shareowners of excessive costs that are not recoverable through rates. Specifically, following completion of Limerick construction, PECO cut its common stock dividend by 45 percent. Today, six years later, PECO's common stock dividend is 26 percent lower than it was before the dividend cut following the completion of Limerick. In this connection, we note your company's attempts to pressure our Board through widely published communications which, among other things, show dividend growth history for PECO that started after this dramatic dividend cut.

In determining to reject PECO's proposal, the Board also took into account the opinion of its financial advisor, Morgan Stanley & Co. *Incorporated*, that the proposal is inadequate from a financial point of view.

We also considered the effect on shareowners of the consequences of the PECO proposal to PP&L Resources' other constituencies, as further outlined below.

2. Customers. PECO's rate structure currently is the highest in Pennsylvania and its residential rates are the ninth highest in the country, according to a June 1995 rate comparison completed by the National Association of Regulatory Utility Commissioners. We are convinced that, over time, an acquisition of PP&L Resources by PECO would lead inevitably to rates for PP&L customers higher than they would otherwise be. We are, of course, aware that you are proposing a five-year base rate freeze. However, our Board is concerned about your company's history on such promises given the actions you took at the end of the rate freeze for your former Maryland subsidiary, Conowingo Power.

The PECO proposal also includes a promised $40 million base rate decrease for PP&L customers. I should point out that the rate proceeding we have pending with the PUC already includes a built-in $90 million decrease in base rates, beginning in 1999.

Of course, what really matters is what customers actually pay for their electricity -- base rates plus the energy-related costs that are passed on through a separate charge on customer bills. Our calculations show that the current extended outage of the Salem nuclear plant will create a significant increase in your energy costs -- costs that the PUC will undoubtedly evaluate to determine how much will be charged to customers and how much will be borne by shareowners. So, while PECO's base rates would remain the same, the prices paid by customers actually could increase. By contrast, PP&L projects *no* increase in customer bills as the result of its energy costs.

The PECO proposal also includes a promise that PP&L's and PECO's rates would continue to be determined separately. We believe this is a highly unrealistic and flawed promise. It is inevitable that, over time, significantly different customer rates within the same electric utility would produce intense pressure for a single company-wide rate structure.

On a related matter, PP&L is concerned about the quality of service that our customers would receive if PP&L Resources were acquired by PECO. According to an independent 1994 national study conducted by TQS Research, PP&L has the fourth best overall customer satisfaction rating among the 59 electric utilities examined. According to that survey, 77 percent of PP&L's customers are "very satisfied" with our service. TQS prohibits us from mentioning any other utility by name in connection with this study. In addition, the PUC's Bureau of Consumer Services has indicated that your complaint rate is more than twice PP&L's rate and your complaint response time is nearly double ours.

3. Employees. PECO's projected elimination of 1,100 positions would almost certainly fall most heavily on PP&L employees, particularly those based in Allentown. As previously announced, we are continuing to reduce the number of our employees through a coordinated, orderly effort. Any additional, major reductions associated with a PECO acquisition of PP&L Resources could severely damage our ability to provide the high quality of service our customers have come to expect. In

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addition, we note our union's strong opposition to a PECO acquisition of PP&L Resources.

4. Communities We Serve. We also believe that the PECO proposal is not good for the communities we serve. Despite PECO's statements over the past few weeks, we believe that PECO ultimately would consolidate most operations in Philadelphia, not in the Lehigh Valley. The loss of skilled jobs in this region would be a devastating blow to our communities.

You recently invited our constituents and community leaders to write to us with their thoughts on the proposed PECO acquisition of PP&L Resources. They have. And the hundreds of letters and calls we have received have been overwhelmingly against your proposal -- 25 to 1. In addition, you must be aware of the outpouring of public expressions of support we have received from community leaders, elected officials and editorial comments throughout the state. This strong support reflects our 75 years of service to the communities of Central Eastern Pennsylvania and to the entire region. The support is due in part to our outstanding economic development initiatives, which have helped more than 1,000 service-area companies in the last 10 years. Estimates show that these companies have added 84,000 new jobs for residents of our service area.

With regard to savings, we believe that your projection of $2 billion in "savings" over 10 years is misleading and simplistic. Your claimed savings include items that each of our companies can realize on its own. Any attempt by PECO to take credit for all these savings as elements of a proposed acquisition of PP&L Resources seems highly inappropriate. Nevertheless, even assuming that the savings you assert are achievable, for the reasons set forth in the preceding paragraphs of this letter, the Board still rejects PECO's proposal.

Your recent communications to us carry the threat of "more to come." We caution you and your fellow Board members, in the strongest terms, to reconsider any further plans you may have to take over PP&L Resources. Hostile takeover attempts of major electric utilities do not make sense and for that reason have failed in every case. A hostile attempt against our company would divert PECO management's attention from the pressing operational needs of your company (including ownership interests in three nuclear facilities, one of which has been shut down for an extended period and is not expected to return to service until some time next year). Moreover, it would entail a tremendous waste of corporate assets. Consider, for example, that over a six-month period in 1993, IPALCO Enterprises spent at least $34 million in its unsuccessful hostile attempt to gain control of PSI Resources. Given the waste of management resources, the high expense and the virtual impossibility that your hostile takeover attempt would be successful, your shareowners undoubtedly would agree that such a course of action on your part would be ill-advised and imprudent.

We believe that a far better course of action would be for our two companies to continue to share best practices, on an arm's-length basis, for the benefit of our respective shareowners, customers and other constituencies.

Sincerely,
William F. Hecht

PP&L supplies electricity to a 10,000-square-mile area of 29 counties in Central Eastern Pennsylvania. Among the communities it serves are Allentown, Bethlehem, Harrisburg, Hazleton, Lancaster, Scranton, Wilkes-Barre and Williamsport.

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