

POSTAL SERVICE**Sunshine Act Meeting**

TIMES AND DATES: 9 a.m., Monday, October 2, 2000; 8:30 a.m., Tuesday, October 3, 2000.

PLACE: Previously Published.

STATUS: October 2 (Closed); October 3 (Open).

MATTERS TO BE CONSIDERED:

Addition to Agenda

Tuesday, October 3—8:30 a.m. (Open)
Fiscal Year 2001 Annual Performance Plan

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David G. Hunter,
Secretary.

TENTATIVE AGENDA*Monday Session*

October 2—9 a.m. (Closed)—San Diego Marriott in Marina Ballroom D

1. Financial Performance. (Mr. Richard Strasser)
2. Fiscal Year 2001 Integrated Financial Plan. (Mr. Richard Strasser)
3. Establish/Deploy Process. (Mr. Patrick Donahoe)
4. Fiscal Year 2001 EVA Variable Pay Program. (Ms. Yvonne Maguire)
5. Overview of the Sales Organization. (Ms. Gail Sonnenberg)
6. Briefing on Advertising. (Mr. Allen Kane)
7. EEO Settlement Authority. (Ms. Mary Anne Gibbons)
8. Personnel Matters.
9. Compensation Issues.

Tuesday Session

October 3—8:30 a.m. (Open)—San Diego Marriott in Marina Ballroom D

1. Minutes of the Previous Meeting, August 28-29, 2000.
2. Remarks of the Postmaster General and CEO. (Mr. William Henderson)
3. Fiscal Year 2001 Annual Performance Plan. (Chairman Dyhrkopp)
4. Board of Governors Calendar Year 2001 Meeting Schedule. (Chairman Dyhrkopp)
5. Office of the Governors FY 2001 Budget. (Chairman Dyhrkopp)
6. Preliminary FY 2002 Appropriation Request. (Mr. Richard Strasser)
7. Capital Investments.
 - a. Champaign, Illinois, Processing and Distribution Facility Expansion. (Mr. Danny Jackson)
 - b. Stamford, Connecticut—New

- Springdale Station Additional Funding. (Ms. Diane Van Loozen)
8. Report on the San Diego District.
9. Tentative Agenda for the November 13-14, 2000, meeting in Washington, DC.

[FR Doc. 00-24912 Filed 9-25-00; 2:12 pm]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27231; International Series Release No. 1232]

Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

September 20, 2000.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by October 13, 2000, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After October 13, 2000, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

PowerGen PLC, et al. (70-9671)

PowerGen plc ("PowerGen"), a public limited company organized under the laws of England and Wales, its wholly owned nonutility holding company subsidiaries, PowerGen US Holdings Limited ("US Holdings"), PowerGen US Investments Limited, Ergon US Investments Limited, PowerGen Luxembourg sarl, PowerGen Luxembourg Holdings sarl, PowerGen

Luxembourg Investments sarl, PowerGen US Partnership and PowerGen U.S. Investments Corporation (these subsidiaries, "Intermediate Companies"), each located at 53 New Broad Street, London EC2M 1SL, United Kingdom;¹ LG&E Energy Corp. ("LG&E Energy"), a public-utility holding company exempt from registration by order under section 3(a)(1) of the Act,² located at 220 West Main Street, Louisville, Kentucky 40232; LG&E Energy's wholly owned public-utility company subsidiaries Louisville Gas and Electric Company ("LG&E"), located at 220 West Main Street, Louisville, Kentucky 40232, and Kentucky Utilities Company ("KU", located at One Quality Street, Lexington, Kentucky 40507, and LG&E Energy's nonutility subsidiaries LG&E Capital Corp., LG&E Energy Marketing Inc. and LG&E Energy Power Inc., each located at 220 West Main Street, Lexington, Kentucky 40232 (collectively, "Applicants"), have filed a joint application-declaration ("Application") under sections 2(a)(7), 2(a)(8), 3(a)(1), 3(a)(2), 4, 5, 6(a), 7, 9(a), 10, 11(b), 12(b), 12(c), 13(b), 14, 15 and 33 of the Act, and rules 42, 43, 45, 46, 52, 53, 54, 80-91, 93 and 94 in connection with the proposed acquisition of LG&E Energy by PowerGen ("Merger") and related transactions. Following the Merger, PowerGen and each of the Intermediate Companies will register under section 5 of the Act.

Summary of Proposals

PowerGen proposes to acquire all of the issued and outstanding common stock of LG&E Energy³ ("LG&E Energy Common Stock"). Through the acquisition, PowerGen would indirectly acquire LG&E; KU; a 20% interest in Electric Energy, Inc. ("EEI" and together with LG&E and KU, "LG&E Energy Utility Subsidiaries"),⁴ an electric utility company; and a 4.9% interest held by LG&E and a 2.9% interest held by KU in Ohio Valley Electric Company ("OEC"), an electric utility company; and LG&E Energy's direct and indirect nonutility subsidiaries ("LG&E Energy Nonutility Subsidiaries," and together

¹ The Intermediate Companies have been or will be formed prior to consummation of the proposed merger described in the filing.

² See *LG&E Energy Corp.*, Holding Co. Act Release No. 26886 (Apr. 30, 1998).

³ LG&E Energy will merge with a Kentucky corporation to be formed as a direct, wholly owned subsidiary of PowerGen US Investments Corp. ("Merger Sub"), with LG&E Energy as the surviving entity.

⁴ LG&E Energy's direct and indirect nonutility subsidiaries are described in Appendix A to this notice.

with the LG&E Energy Utility Subsidiaries, the "LG&E Energy Subsidiaries"). PowerGen seeks to retain LG&E Energy and KU as public-utility holding company subsidiaries exempt from registration under sections 3(a)(1) and 3(a)(2), respectively. PowerGen seeks authority to engage in acquisition-related financing transactions; to retain the gas utility system of LG&E; and to retain PowerGen's existing utility and non utility activities, businesses and investments and the LG&E Energy Nonutility Subsidiaries. Applicants request that the Commission disregard: (1) For purposes of calculating the percentage limitation of rule 58, nonutility investments made by LG&E Energy prior to the effective date of rule 58; and (2) for purposes of applying section 11(b)(2) of the Act, the existence in the corporate structure of the Intermediate Companies and KU. Applicants further request authority: (1) To execute a system tax allocation agreement, (2) to establish a service company subsidiary and (3) to adopt utility and non utility service company agreements.

In addition, Applicants request authorization to engage in a series of financial transactions. Following the Merger, Applicants propose to maintain in place the existing financing arrangements of LG&E and its subsidiaries and to engage in a variety of transactions, including, among other things: (1) External financings by PowerGen, US Holdings, LG&E and KU, (2) intrasystem financings by the Intermediate Companies, LG&E and the LG&E Energy Subsidiaries (together with LG&E Energy, "LG&E Energy Group"), (3) guarantees by PowerGen, US Holdings and members of the LG&E Energy Group securities and other obligations of their subsidiaries, (4) payment by members of the LG&E Energy Group of dividends out of unearned capital or surplus and (5) use of securities proceeds to invest in exempt wholesale generators and foreign utility companies.

Parties

PowerGen

PowerGen, through its subsidiaries, is a leading U.K. gas and electric company with significant investments in utility operations outside the U.K. and the U.S. PowerGen conducts its business through two direct subsidiaries: PowerGen U.K. which conducts PowerGen's U.K. businesses, and U.S. Holdings.⁵

⁵ PowerGen has one other direct subsidiary, PowerGen Share Scheme Trustee Limited ("Share Trustee"). Share Trustee, a trust company,

PowerGen U.K. serves as a holding company over PowerGen Energy (formerly East Midlands Electricity plc) and those PowerGen subsidiaries that will not be in the LG&E Energy chain of ownership following the Merger.

PowerGen U.K.'s primary businesses are generation and distribution of electricity. It is also involved, either directly or through its subsidiaries or investment interests, in the transportation, marketing and delivery of natural gas, and the development and operation of combined heat and power plants (*i.e.*, cogeneration) and renewable energy facilities (*i.e.*, wind farms).

PowerGen Energy, plc ("PowerGen Energy") is the third largest regional electricity company in England and Wales. It distributes electricity to approximately 2.3 million residential and business customers in a service territory covering a 16,000 square kilometer area. PowerGen Energy operates a distribution network of over 67,000 kilometers of overhead lines and underground cables together with utility connections and metering services.

PowerGen U.K.'s other significant subsidiaries are: PowerGen CHP Limited and PowerGen CoGeneration Limited, subsidiaries that construct and operate power plants that provide electricity and heat or steam to industrial customers; PowerGen Energy Trading Limited, a subsidiary that trades electricity, gas and oil in seven energy trading markets in the U.K. and Europe; PowerGen Energy Solutions Limited, a subsidiary that provides tailored energy service products and advice to customers; PowerGen Renewables Holdings Limited, a 50% owned subsidiary that develops wind farms; PowerGen Gas Limited, a subsidiary that operates PowerGen U.K.'s natural gas pipelines in the U.K.; and PowerGen International Limited ("PowerGen International"), a power project developer involved in eleven projects in Europe, India and Asia.⁶

Prior to consummation of the Merger, either PowerGen U.K. or PowerGen Group Holdings, a holding company to be organized, intends to file Form U-57, under rule 57, claiming status as a foreign utility company ("FUCO") under section 33 of the Act.⁷ Applicants

administers employee stock plans to benefit the employees of PowerGen.

⁶ PowerGen's subsidiaries and activities are described in Appendix A to this notice.

⁷ PowerGen Group Holdings, a new, unlimited liability holding company, will be established between PowerGen and PowerGen UK. This measure will permit PowerGen International to become a sister company, rather than a subsidiary, of PowerGen UK. At the same time, it will create a single FUCO, with ownership of all FUCO businesses except those in the LG&E Energy Group.

anticipate that the claimant will retain FUCO status following the Merger.

PowerGen's ordinary shares are listed on the London Stock Exchange ("LSE"). PowerGen has an American Depositary Share ("ADS") program under which some of its shares trade in the United States as American Depositary Receipts ("ADRs") on the New York Stock Exchange ("NYSE"). According to a report filed by PowerGen with the Commission on Form 20-F on March 29, 2000, in accordance with section 12(b) of the Securities Exchange Act of 1934, PowerGen had issued and outstanding as of January 2, 2000 649,726,502 ordinary shares, 50 pence par value per share, 49,998 shares of limited voting redeemable preference shares, 1 pound sterling par value per share, and one "golden share."⁸ As of PowerGen's fiscal year ended January 2, 2000, PowerGen had revenues, net income and total assets of \$6.058 billion, \$1.819 billion, and \$10.740 billion, respectively.⁹

LG&E Energy

LG&E engages in the generation, transmission, and distribution of electricity to approximately 366,000 customers in Louisville and adjacent areas in Kentucky. LG&E also purchases, distributes, and sells natural gas to approximately 295,000 customers within this service area and in limited additional areas. For the twelve months ended December 31, 1999, LG&E had electric operating revenues of \$790.7 million, gas operating revenues of \$177.6 million, electric operating income of \$189.9 million, and gas operating income of \$7.9 million. LG&E is subject to regulation by the Federal Energy Regulatory Commission ("FERC") and the Kentucky Public Service Commission ("Kentucky Commission").

KU is engaged in producing, transmitting, and selling electric energy to approximately 458,000 customers in over 600 communities and adjacent suburban and rural areas in 77 counties in central, southeastern and western Kentucky, and to approximately 29,000 customers in five counties in southwestern Virginia. In Virginia, KU

⁸ Applicants explain that the golden share, which is held by the U.K. government, effectively operates as governmental change-in-control regulation.

⁹ All figures are presented on a U.S. Generally Accepted Accounting Procedures ("U.S. GAAP") basis. The figures for revenues and net income were translated into dollars using a rate of U.S. \$1.6172 for one pound, and the figure for total assets was translated using a rate of U.S. \$1.6117 for one pound. Consistent with U.S. GAAP, PowerGen's share of joint ventures and associates' businesses is included in net income and assets but is omitted from revenues.

operates under the name Old Dominion Power Company. KU also sells electric energy at wholesale for resale to twelve Kentucky municipalities and one Pennsylvania municipality. In addition, KU owns and operates a small amount of electric utility property in one county in Tennessee.¹⁰

For the year ended December 31, 1999, KU had operating revenues of \$937.3 million and operating income of \$196.4 million. KU is subject to regulation by the FERC, the Kentucky Commission, the Virginia State Corporation Commission ("Virginia Commission"), and the Tennessee Regulatory Authority ("Tennessee Commission").

In addition to its utility subsidiaries, LG&E Energy has three direct, nonutility subsidiaries. LG&E Energy Foundation, Inc., a charitable foundation exempt from taxation under section 501(c)(3) of the Internal Revenue Code, makes charitable contributions to qualified entities.¹¹ LG&E Energy Marketing Inc. ("LEM") engages in energy marketing and trading.¹² LG&E Capital Corp. is a holding company for nonutility investments. Through various subsidiaries and joint ventures, LG&E Capital Corp. is involved in numerous energy-related businesses. These nonutility subsidiaries include: LG&E Credit Corp., which offers consumer lending programs and services in Louisville; LG&E International Inc., a management and holding company for international energy project investments and operations, each of which qualifies for FUCO status; LG&E Power, Inc., which develops, operates, maintains and owns interests in domestic power facilities, each of which qualifies as an exempt wholesale generator under section 32 of the Act or qualifying facility under the Public Utilities Regulatory Policy Act of 1978; WKE CORP., a company whose subsidiaries operate the Big Rivers Electric Corporation's generation facilities; and CRC-Evans International, Inc., which provides equipment and services used in the construction and rehabilitation of gas and oil pipelines.¹³

¹⁰ KU is also a holding company by reason of its ownership interests in OVEC and EEL. KU is exempt from registration by order under section 3(a)(1) of the Act. See *KU Energy Corp.*, Holding Co. Act Release No. 25409 (Nov. 13, 1991).

¹¹ As of December 31, 1999, the market value of the assets of LG&E Energy Foundation was \$19.9 million.

¹² LEM has discontinued its merchant trading and sales business, but maintains the technical systems and personnel necessary to make power marketing sales from assets owned or controlled by its affiliates.

¹³ LG&E Energy Subsidiaries are described in Appendix A of this notice.

As of February 29, 2000, there were 129,677,030 shares of LG&E Energy Common Stock outstanding. As of December 31, 1999, on a consolidated basis, LG&E Energy's assets, operating revenues, and net income were \$5,133.8 million, \$2,707.3 million, and \$62.1 million, respectively.

Proposed Merger and Resulting Structure

In accordance with an Agreement and Plan of Merger dated February 27, 2000, among LG&E Energy, PowerGen, PowerGen US Investments Corp., a Delaware corporation to be formed as an indirect, wholly owned subsidiary of PowerGen, and Merger Sub ("Merger Agreement"), LG&E Energy will merge into Merger Sub, with LG&E Energy as the surviving entity. LG&E Energy will be an indirect, wholly owned subsidiary of PowerGen.

As consideration for each share of LG&E Energy Common Stock outstanding at the time of the Merger, LG&E Energy shareholders will receive \$24.85 per share in cash, without interest.¹⁴ LG&E Energy shareholders will not obtain any stock consideration from PowerGen in the Merger. Applicants estimate that total cash payable to LG&E Energy shareholders ("Cash Consideration"), based on the number of shares of LG&E Energy Common Stock outstanding on February 27, 2000, will be approximately \$3.23 billion.¹⁵

PowerGen intends to establish the Intermediate Companies as intermediate holding companies in the corporate structure between PowerGen and LG&E Energy.¹⁶ Applicants state that the Intermediate Companies will exist primarily to create an economically efficient structure for the Merger and the ongoing operations of PowerGen and the LG&E Energy Subsidiaries. Applicants request that the Commission disregard the Intermediate Companies, LG&E Energy and KU solely for purposes of section 11(b)(2) of the Act.

Financing of the Merger

As noted previously, the Cash Consideration for the Merger will be approximately \$3.23 billion. PowerGen intends to finance the Merger by borrowings under a fully committed

¹⁴ Under Kentucky law, dissenting shareholders are entitled to seek the judicially determined value of their common stock in lieu of the \$24.85 provided in the Merger Agreement.

¹⁵ Applicants state that the Merger is expected to have no effect on the outstanding public debt of the LG&E Energy Group.

¹⁶ Applicants state that there will be no third party holders of voting equity securities in the Intermediate Companies.

bank facility ("Credit Facility").¹⁷ PowerGen and U.S. Holdings established the Credit Facility on February 27, 2000. It was originally underwritten by five internationally recognized banks and subsequently syndicated among a larger group. It provides for up to \$4.0 billion in borrowings by PowerGen, US Holdings and other Intermediate Companies that are subsidiaries of US Holdings as approved in writing by the banks, and guaranteed by PowerGen or US Holdings.¹⁸ The Credit Facility has a final maturity of five years from the date of signing. To the extent necessary, Applicants request authorization for borrowings under the Credit Facility.

Retention of LG&E's Gas System

Applicants seek to retain the gas integrated public-utility system of LG&E in addition to the electric integrated public-utility system of LG&E Energy. Applicants have submitted a study of the gas utility operations that analyze the lost economies that these operations would suffer upon divestiture. Applicants represent that substantial lost economies would result from divestiture.

Approval of Tax Allocation Agreement

Applicants request approval of an agreement for the allocation of consolidated tax among PowerGen US Partnership, PowerGen US Investments Corp. and the LG&E Energy Group following the Merger ("Tax Allocation Agreement"). Approval is necessary because the Tax Allocation Agreement will provide for the retention by the PowerGen entities within the consolidated group of certain payments for tax losses, rather than the allocation of the losses to subsidiary companies without payment, as would otherwise be required by rule 45(c)(5) under the Act.

Subsidiary Service Company and Affiliated Transactions

Applicants propose to form a subsidiary service company of LG&E Energy, to be named LG&E Energy Services, Inc. ("LG&E Services"), to provide goods and services to members of the LG&E Energy Group, and to a lesser extent, to PowerGen and its other subsidiaries. Applicants request that LG&E Services be authorized under

¹⁷ Applicants state that the Credit Facility was established both to fund the Merger and, if necessary, to provide funding and accommodate working capital needs of the Intermediate Companies and the LG&E Energy Group.

¹⁸ Applicants state that, although the Credit Facility permits other borrowers, Applicants intend that US Holdings will be the only borrower, with a guarantee provided by PowerGen.

section 13(b) and rule 88 to provide goods and services to associate companies, and to charge for goods and services to LG&E Energy Subsidiaries under two separate service agreements, one for the LG&E Energy Utility Subsidiaries and one for the LG&E Energy Nonutility Subsidiaries. In addition, Applicants propose that members of the PowerGen System provide goods and services to the LG&E Energy Group. Presently, it is anticipated that the majority of trans-Atlantic goods and services will be provided by the PowerGen system, principally, PowerGen UK (or PowerGen Group Holdings, if applicable). Charges for services provided to public-utility associate companies will comply with the at-cost requirements of section 13.

In addition, Applicants request that the Commission grant an exemption under section 13(b) from the at-cost requirement of section 13 and rules 90 and 91 for any nonutility subsidiary of PowerGen to provide services to: (1) Associate FUCOs and exempt wholesale generators ("EWGs") that derive no part of their income, directly or indirectly, from the generation, transmission or distribution of electric energy for sale or the distribution of natural gas at retail in the United States; and (2) services provided to an associate EWG, qualifying facility ("QF"), or independent power project ("IPP") provided that the purchaser of the electricity sold by the entity is not an associate company of LG&E Energy. No services will be provided at market-based rates to a QF, IPP or EWG that sells electricity to an LG&E Energy Utility Subsidiary.

Certain LG&E Energy Group companies have in place arrangements for the provision of facilities, personnel and services to other LG&E Energy Group companies, as described below. All such arrangements for the provision of goods, services and construction are provided at cost as determined in accordance with rules 90 and 91. Certain of the goods, services and construction to be provided by the providing company to the other LG&E Energy Group companies are provided through contracts with third parties. Where practicable, the contracting LG&E Energy Group companies will enter into assignments to LG&E Service of any such existing contracts. In addition, the Applicants expect that upon the expiration or renegotiation of the original contract for such goods, services and construction, LG&E Services will enter into new contracts with such third parties, in compliance with the requirements of rules 87, 90

and 91. The Applicants seek the necessary approval for the continued performance of these arrangements through December 31, 2001 in order to allow an orderly transition of such contracts and arrangements.

Description of Financing Proposals

Applicants request authority through February 28, 2004 ("Authorization Period") to engage in a variety of financing transactions subsequent to the Merger including: (1) External financings and guarantees by PowerGen, US Holdings, LG&E Energy and the LG&E Energy Subsidiaries, (2) intrasystem financings by the Intermediate Companies, other special purpose PowerGen subsidiaries, LG&E Energy and the LG&E Energy Subsidiaries, (3) increases in the number of shares authorized by the Intermediate Companies with respect to any capital security, without further Commission authorization, (4) currency and interest rate hedging instruments, (5) acquisition, redemption or retirement of securities issued by the Intermediate Companies and members of the LG&E Energy Group, (6) the formation of financing entities and the issuance by those entities of securities authorized to be issued and sold under the authority requested in the Application, (7) acquisition of intermediate subsidiaries for the purpose of investing in EWGs, FUCO, rule 58 subsidiaries ("Rule 58 Subsidiaries"), exempt telecommunications companies ("ETCs") and other non-exempt, nonutility subsidiaries, (8) reorganization and restructuring of the Intermediate Companies and the LG&E Energy Nonutility Subsidiaries, (9) investment of up to 100% of the PowerGen system's consolidated retained earnings post-Merger in EWGs and FUCOs, (10) financial reporting as described in the Application, (11) maintenance of the existing financial arrangements of the LG&E Energy Group and (12) the payment by the PowerGen, the Intermediate Companies and members of the LG&E Energy Group of dividends out of capital or unearned surplus. In addition, Applicants request an exemption for certain reporting requirements.

The proceeds from the sale of securities in external financing transactions by US Holdings and the LG&E Energy Group will be used for the general corporate purposes of the LG&E Energy Subsidiaries. The proceeds from the sale of the capital stock and short-term debt by PowerGen will be used by the PowerGen system, subject to any applicable limits on such uses.

The Applicants represent that no proceeds of financing by PowerGen will be used to acquire a new subsidiary, other than a special purpose financing entity as described below, unless such acquisition is consummated in accordance with an order of the Commission or an available exemption under the Act.

PowerGen and US Holdings External Financing

Applicants propose that PowerGen and US Holdings be granted authority to issue equity and debt securities in amounts that, except as noted below, would not aggregate more than \$6 billion outstanding at any time during the Authorization Period ("Aggregate Limitation"). Debt incurred to finance the Merger, including any borrowings under the Credit Facility, would be included in the Aggregate Limitation. These securities could include, but would not necessarily be limited to, ordinary shares, preferred shares, options, warrants, long- and short-term debt (including commercial paper), convertible securities, subordinated debt, bank borrowings and securities with call or put options. In addition to the Aggregate Limitation, aggregate outstanding amounts of securities issued by PowerGen would be subject to the limits for each type of security described below:

Security	\$ billions
Ordinary Shares, including options and warrants	4.0
Preferred stock	1.0
Short-term debt financing	4.0
Long-term debt financing	6.0

Ordinary Shares

PowerGen's common equity consists of ordinary shares, with a par value of 50 pence each, that are listed on the LSE. PowerGen currently has ADSs in the United States which trade as ADRs on the NYSE and are registered under the Securities Act of 1933, as amended.

Ordinary share financings by PowerGen covered by this Application may occur in any one of the following ways: (1) Through a pro rata rights offering directly to existing shareholders; (2) through underwriters or dealers under underwriting agreements of a type standard in the United Kingdom, the United States, or other places of sale; (3) through agents; (4) directly in private placements or other non-public offerings to a number of purchasers or a single purchaser; (5) directly to employees (or to trusts established for their benefit) and other shareholders through PowerGen's

employee benefit plans; (6) through the issuance of bonus shares (*i.e.*, stock splits or stock dividends) to existing shareholders; or (7) through the issuance of options or warrants to acquire ordinary shares.

PowerGen seeks authority to use its ordinary shares (or associated ADSs or ADRs) as consideration for acquisitions that are otherwise authorized under the Act. Among other things, transactions may involve the exchange of PowerGen equity securities for securities of the company being acquired in order to provide the seller with certain tax advantages. The PowerGen ordinary shares to be exchanged may, among other things, be purchased on the open market or may be original issue. For purposes of the \$6.0 billion external financing limit, PowerGen ordinary shares used as consideration in an acquisition would be valued at market value based upon the last closing price of the ordinary shares on the LSE prior to the execution of the transaction agreement.

In addition to other general corporate purposes, the ordinary shares will be used to fund employee benefit plans. PowerGen currently has and Applicants propose that it maintain three employee benefit plans under which its employees may acquire ordinary shares of PowerGen as part of their compensation: (1) The PowerGen ShareSave Scheme, (2) the PowerGen Executive Share Option Scheme and (3) the PowerGen Restricted Share Plan. The PowerGen ShareSave Scheme is available to all eligible employees of PowerGen. It provides for the issuance of share options that are normally exercisable on completion of a three or five year "save-as-you-earn" contract. The exercise price of options granted may be at a discount of no more than 20% of the market price at the date of the grant. The PowerGen Executive Share Option Scheme is available to executive directors and other senior executives and managers selected by the Remuneration Committee of the Board of Directors. Options are generally exercisable between the third and tenth anniversaries of the date of the grant, and are granted at the market price of PowerGen's shares at the time of the grant or higher where options have previously been exercised at a higher rate. The PowerGen Restricted Share Plan involves two types of awards: (1) Medium Term Bonus Awards and (2) Annual Bonus Enhancement Awards. The Medium Term Bonus Awards are available to executive directors and senior managers selected by the Remuneration Committee. Shares of equivalent value to the annual bonus

received by the participant are placed into trust. Subject to certain performance conditions being met, shares vest into the ownership of the participant after three and four years, and may be called for a year after that. The annual bonus Enhancement Awards are available to executive directors and managers who may elect to forgo some or all of their cash Annual Bonus. Shares of equivalent value to the bonus forgone are placed into trust, and if held in trust for a period of three years, are enhanced by PowerGen on the basis of one extra share for every four shares so held.

In addition, PowerGen may adopt one or more other plans which will provide for the issuance and/or sale of PowerGen ordinary shares, share options and share awards to a group which has not yet been determined but may include directors, officers and employees of the companies in the PowerGen System. PowerGen also has agreed to give holders of LG&E Energy stock options the right to convert those options into options for PowerGen ADSs. PowerGen may issue its ordinary shares under the requested authority described in this notice in order to satisfy its obligations under these plans. Ordinary shares for use under share plans may be newly issued shares or shares purchased in the open market. PowerGen or the Share Trustee may make open-market purchases of ordinary shares in accordance with the terms of or in connection with the operation of the plans.

Securities issued by PowerGen under all of the plans will be included within the \$6.0 billion external financing limit and will be valued, if ordinary shares, at market value based on the closing price on the LSE on the day before the issuance of the shares. Options issued by PowerGen under the plans will be valued at zero until exercised.

Any ordinary shares issued by US Holdings will be issued solely to PowerGen absent additional authority from the Commission. However, Applicants propose that US Holdings issue non-voting preferred stock from time to time during the Authorization Period. Any preferred stock would have dividend rates or methods of determining the same, redemption provisions, conversion or put terms and other terms and conditions as US Holdings may determine at the time of issuance. All issuances of preferred stock will be at rates or prices, and under conditions negotiated under, based upon, or otherwise determined by competitive market conditions.

PowerGen and US Holdings Short-Term Debt

Applicants request that PowerGen and US Holdings may engage in short-term financing as each may deem appropriate in light of its needs and market conditions at the time of issuance. Financing could include, without limitation, commercial paper sold in established U.S. or European commercial paper markets, lines of credit with banks or other financial institutions and debt securities issued under an indenture or a note program. All transactions will be at rates or prices, under conditions negotiated using, based upon or otherwise determined by competitive market conditions.

US Holdings Long-Term Debt

Applicants propose that US Holdings issue long-term debt from time to time during the Authorization Period.¹⁹ Any long-term debt would have the designation, aggregate principal amount, interest rate(s) or method of determining the same, terms of payment of interest, redemption provisions, non-refunding provisions, sinking fund terms, put terms and other terms and conditions as are deemed appropriate at the time of issuance. In addition, the long-term debt may be convertible into preferred shares of US Holdings or exchangeable for ordinary shares of PowerGen authorized to be issued hereunder. The maturity of any long-term debt will not exceed 50 years.

The long-term debt may be issued and sold under standard underwriting agreements or under negotiated bank facilities. In the case of public debt offerings, distribution may be effected through private negotiations with underwriters, dealers or agents, or through competitive bidding among underwriters. In addition, the long-term debt may be issued and sold through private placements or other non-public offerings to one or more persons. All transactions will be at rates or prices, under conditions negotiated using, based upon or otherwise determined by competitive market conditions.

In addition to the specific securities listed above, PowerGen and US Holdings may issue other types of securities during the Authorization Period that are not exempt from prior Commission approval. Applicants request that the Commission reserve jurisdiction over the issuance of additional types of securities by PowerGen and US Holdings. Applicants also undertake to have a post-effective

¹⁹ PowerGen does not itself anticipate issuing long-term debt during the Authorization Period.

amendment filed in this proceeding that will describe the general terms of each such security and request a supplemental order of the Commission authorizing the issuance thereof. Applicants further request that each supplemental order be issued by the Commission without further public notice.

Intermediate Company Financings

The portion of an individual Intermediate Company's aggregate financing to be effected through the sale of equity securities to its immediate parent company during the Authorization Period cannot be determined at this time. It may happen that the proposed sale of capital securities may in some cases exceed the capital stock of a given Intermediate Company authorized at the date of the Merger, in which case the limit will be increased. In addition, an Intermediate Company may choose to use other forms of capital securities. Capital stock includes common stock, ordinary shares, preferred stock, other preferred securities, options and/or warrants convertible into common or preferred stock, rights, and similar securities. As needed to accommodate the sale of additional equity, Applicants request the authority to increase the amount or change the terms of any Intermediate Company's authorized capital securities, without additional Commission approval. The terms that may be changed include dividend rates, conversion rates and dates, and expiration dates. Applicants note that except for the financings of US Holdings described above, each of the Intermediate Companies will be wholly owned directly or indirectly by PowerGen and will not have third-party investors.

Applicants also propose that Intermediate Companies and LG&E Energy be authorized to borrow from its parent company. These inter-company loans would be on terms and conditions not materially less favorable than those obtainable by US Holdings from third parties.

Separately, US Holdings and its direct subsidiary, PowerGen US Investments Limited, will enter into parallel loans in order to effect a currency hedging transaction. Applicants believe that, although the transaction will be booked as loans, they do not constitute loans or extensions of credit within the meaning of section 12(a) of the Act and request approval of such transactions.

PowerGen Capital and Luxembourg Securities

Applicants propose for PowerGen to establish two subsidiaries, PowerGen Capital and Luxembourg Securities, sarl, which will stand outside the chain of the Intermediate Companies, to serve as conduits through which dividend payments from LG&E Energy are repatriated to PowerGen.

PowerGen Capital will be a sister company to US Holdings, and will not be in the chain of ownership between PowerGen and LG&E Energy. Applicants propose that PowerGen Capital issue non-voting ordinary shares to PowerGen Luxembourg sarl ("PowerGen Luxembourg"), an indirect subsidiary of US Holdings, and an Intermediate Company in the chain of ownership of LG&E Energy, and loan the proceeds from the sale to US Holdings.²⁰

Applicants state that PowerGen Capital will serve as a conduit through which dividend payments from LG&E Energy are repatriated to PowerGen in the most economically efficient manner, and ask that the transactions not be deemed to constitute an "upstream loan" for purposes of section 12(a).

Luxembourg Securities also will not be an Intermediate Company, but will be wholly owned by an Intermediate Company. At the time of the Merger, Luxembourg Securities will own voting preference share capital of PowerGen Luxembourg Holdings sarl ("PowerGen Luxembourg Holdings"), an Intermediate Company.²¹ The ordinary shares of PowerGen Luxembourg Holdings will be owned by PowerGen Luxembourg, also an Intermediate Company. The only assets of Luxembourg Securities will be the preference shares of PowerGen Luxembourg Holdings and a participating loan note to be issued for tax purposes by PowerGen Luxembourg Holdings.²² The funds that PowerGen Luxembourg Holdings will be using to make payments on the participating loan note will originate as lawfully payable dividends from LG&E Energy and these funds will be divided by

²⁰ Applicants also seek authority for PowerGen Capital to issue non-voting ordinary shares to other Intermediate Companies and to loan the proceeds from any such issuance to US Holdings on commercially reasonable terms.

²¹ Luxembourg Securities will own less than 1% of the voting securities of PowerGen Luxembourg Holdings.

²² The terms of the participating loan note provide for the payment in any year, from dividend payments received in such year, an amount that causes the rate of tax credit for UK double tax relief purposes to be equivalent to the current rate of UK corporation tax.

Luxembourg Securities to its immediate parent and, ultimately, to PowerGen.

Neither PowerGen Capital nor Luxembourg Securities will issue securities to third parties, nor will it be engaged in any substantive business activity other than to effect the dividend repatriation.

LG&E Energy Group Financings

Applicants seek Commission approval to retain the existing financing arrangements of members of the LG&E Energy Group, which, to this date, have been exempt from Commission authorization. These arrangements are more particularly described in Appendix B to this notice. Applicants request that the Commission authorize the existing financing arrangements through the Authorization Period.

LG&E Energy Financing

Applicants propose that LG&E Energy obtain funds externally through sales of short-term debt securities, which include commercial paper and bank financings. The aggregate amount of short-term debt of LG&E Energy to be outstanding at any one time during the Authorization Period shall not exceed \$400 million. This financing could include, without limitation, commercial paper sold in established U.S. or European commercial paper markets, lines of credit with banks or other financial institutions, and debt securities issued under an indenture or a note program. Applicants also request that the Commission reserve jurisdiction over the issuance by LG&E Energy of additional types of securities and the amount thereof.

LG&E Energy Utility Subsidiary Financing

All securities of LG&E and KU, except for securities with maturities of two years or less, are approved by the Kentucky Commission. Accordingly, authority is requested for LG&E and KU to issue debt with maturities of two years or less to one or more associate or non-associate lenders, provided that the aggregate principal amount of such debt incurred by either at any one time during the Authorization Period not exceed \$400 million outstanding. In addition, LG&E and KU may find it necessary or desirable to issue other types of securities during the Authorization Period that are not exempt from prior Commission approval. Applicants request that the Commission reserve jurisdiction over the issuance of such additional types of securities and the amount of these issuances.

LG&E Energy Nonutility Subsidiary Financings

The LG&E Energy Nonutility Subsidiaries have financing arrangements in place, which arrangements Applicants propose to maintain in place following the Merger. To the extent such financing arrangements are not exempt under rule 52, Applicants request authorization for such arrangements. These arrangements are more particularly described in Exhibit C to this Notice. Applicants believe that, in almost all cases, financings entered into by the LG&E Energy Nonutility Subsidiaries will be exempt from prior Commission authorization pursuant to rule 52(b). Applicants request authority, to the extent necessary, to engage in these transactions and ask that the Commission reserve jurisdiction over the issuance of these securities.

Intra-System Financings

The activities of LG&E Energy and the LG&E Energy Nonutility Subsidiaries are financed, in part, through inter-company loans. The sources of funds for the operations of LG&E Energy and the LG&E Energy Nonutility Subsidiaries include internally generated funds and proceeds of external financings. Outside of borrowings from the LG&E Money Pool (as defined below), there were outstanding as of December 31, 1999, inter-company loans among LG&E Energy and the LG&E Energy Nonutility Subsidiaries in a net principal amount of approximately \$757 million, including upstream loans from LG&E Capital to LG&E Energy in the aggregate amount of approximately \$230 million.

The Applicants request authorization to maintain in place the existing inter-company loans.²³ In addition, the Applicants request authorization for additional inter-company loans among LG&E Energy and the LG&E Energy Nonutility Subsidiaries in a net principal amount at any one time outstanding during the Authorization Period not to exceed \$1.0 billion. The authorization for inter-system financing requested in this paragraph excludes (1) financing that is exempt pursuant to

rules 45(b) and 52, as applicable, and (2) amounts outstanding from time to time under the LG&E Money Pool and/or the Utility Money Pool and Nonutility Money Pool. These financings would generally be in the form of cash capital contributions, open account advances, intercompany loans, and/or capital stock purchases. The terms and conditions of intercompany loans available to any borrowing company will be materially no less favorable than the terms and conditions of loans available to such borrowing company from thirdparty lenders.

Money Pools

LG&E Energy, LG&E and KU currently participate in a money pool ("LG&E Money Pool"). Through the LG&E Money Pool, LG&E and KU make unsecured short-term borrowings from the money pool and contribute surplus funds to the money pool. LG&E Energy contributes surplus funds to the LG&E Money Pool, but does not borrow from the LG&E Money Pool. At March 31, 2000, LG&E Energy and LG&E were contributors to the LG&E Money Pool and KU had borrowings from the LG&E Money Pool of approximately \$17.2 million.

Applicants request that the Commission authorize the continuation of the LG&E Money Pool for an interim period not to exceed two years to permit LG&E Energy to make a transition from the LG&E Money Pool to the Utility Money Pool and the Nonutility Money Pool as discussed below.

Applicants propose that LG&E Energy, LG&E, KU and the LG&E Energy Nonutility Subsidiaries replace the LG&E Money Pool with the Utility Money Pool and Nonutility Money Pool and request authority to do so. Further, LG&E and KU, to the extent not exempted by rule 52, also request authorization to make unsecured short-term borrowings from the Utility Money Pool, to contribute surplus funds to the Utility Money Pool and to lend and extend credit to (and acquire promissory notes from) one another through the Utility Money Pool. Applicants request authorization for LG&E Energy to contribute surplus funds and to lend and extend credit to (1) LG&E and KU through the Utility Money Pool and (2) LG&E Energy Nonutility Subsidiaries through the Nonutility Money Pool. Under the proposed terms of the Utility Money Pool, short-term funds would be available from surplus funds in the treasuries of the LG&E Energy, KU and the LG&E ("Internal Funds"), surplus funds in the treasury of LG&E Energy, and proceeds from bank borrowings by Utility Money Pool participants or the

sale of commercial paper by the Utility Money Pool participants for loan to the Utility Money Pool ("External Funds").

Utility Money Pool participants that borrow would borrow pro rata from each company that lends, in the proportion that the total amount loaned by each such lending company bears to the total amount then loaned through the Utility Money Pool.

If only Internal Funds make up the funds available in the Utility Money Pool, the interest rate applicable and payable to or by the Utility Money Pool participants for all loans of such Internal Funds outstanding on any day will be the rates for high-grade unsecured 30-day commercial paper sold through dealers by major corporations as quoted in the Wall Street Journal on the preceding business day. If only External Funds comprise the funds available in the Utility Money Pool, the interest rate applicable to loans of such External Funds would be equal to the lending company's cost for such External Funds, or, if more than one Utility Money Pool participant had made available External Funds on such day, the applicable interest rate would reflect a weighted average of the two rates.

Funds not required by the Utility Money Pool to make loans (with the exception of funds required to satisfy the Utility Money Pool's liquidity requirements) would ordinarily be invested in one or more short-term investments, including: (1) Interest-bearing accounts with banks, (2) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements, (3) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than "A" by a nationally recognized rating agency, (4) commercial paper rated not less than "A-1" or "P-1" or their equivalent by a nationally recognized rating agency, (5) money market funds, (6) bank certificates of deposit, (7) Eurodollar funds and (8) such other investments as are permitted by section 9(c) of the Act and rule 40. The interest income and investment income earned on loans and investments of surplus funds would be allocated among the participants in the Utility Money Pool in accordance with the proportion each participant's contribution of funds bears to the total amount of funds in the Utility Money Pool.

Each Applicant receiving a loan through the Utility Money Pool would be required to repay the principal amount of such loan, together with all

²³ If LG&E Energy is denied its request for continuing exemption under section 3(a)(1) of the Act, upstream loans to LG&E Energy would violate section 12(a) of the Act as of the moment LG&E Energy registers as a holding company. In such event, LG&E Energy requests that these borrowings and extensions of credit not be deemed illegal under the Act, pending their repayment over a reasonable period of time. Because of the amount of the borrowings, LG&E Energy requests that it be granted two years from the date of the order authorizing the proposals in this Application to repay these borrowings and eliminate the extensions of credit.

interest accrued thereon, on demand. All loans made through the Utility Money Pool may be prepaid by the borrower without premium or penalty.

The Nonutility Money Pool will be operated substantially on the same terms and conditions as the Utility Money Pool. All contributions to, and borrowings from, the Nonutility Money Pool are exempt under the terms of rule 52 under the Act, except contributions and extensions of credit by LG&E Energy, authorization for which applicants request authority. LG&E Services will administer the Utility and Nonutility Money Pools on an "at cost" basis and will maintain separate records for each money pool.

Guarantees

Applicants request authority for PowerGen to guarantee obligations incurred by US Holdings under the Aggregate Limitations. In addition, Applicants request that PowerGen and US Holdings to enter into guarantees, obtain letters of credit, extend credit or otherwise provide credit support with respect to the obligations of the Intermediate Companies and members of the LG&E Energy Group as may be appropriate to enable such system companies to carry on their respective authorized or permitted businesses. Guarantees entered into pursuant to this authorization by PowerGen and US Holdings will be subject to a \$2.5 billion limit, based upon the amount at risk outstanding at any one time, which amount is in addition to guarantees by PowerGen of securities issued by US Holdings under the Aggregate Limitation.

Existing Guarantees of the LG&E Energy Group

Members of the LG&E Energy Group have in place certain guarantees and other credit support arrangements, more particularly described in Appendix D to this notice, which arrangements Applicants request that the Group maintain following the Merger ("Existing Guarantees"). In addition, Applicants request authorization for LG&E Energy to enter into guarantees, extend credit and obtain letters of credit expense agreements and otherwise to provide credit support for the obligations from time to time of the LG&E Energy Subsidiaries during the Authorization Period in an aggregate principal amount not to exceed \$1.5 billion, based on the amount at risk, outstanding at any one time, exclusive of the Existing Guarantees.

In addition, the Applicants request authorization for the LG&E Energy Nonutility Subsidiaries to enter into

guarantees, extend credit, obtain letters of credit or otherwise provide credit support with respect to the obligations of the other LG&E Energy Nonutility Subsidiaries as may be appropriate to enable the LG&E Energy Nonutility Subsidiaries to carry on their businesses, in an aggregate principal amount not to exceed \$1.5 billion outstanding at any one time, exclusive of the Existing Guarantees and any guarantees that may be exempt under rule 45(b).

Interest Rate and Currency Risk Management Devices

Applicants request authority to enter into, perform, purchase and sell financial instruments intended to manage the volatility of interest rates and currency exchange rates, including but not limited to interest rate and currency swaps, caps, floors, collars and forward agreements or any other similar agreements. Activities of this nature could include (1) converting variable rate debt to fixed rate debt, (2) converting fixed rate debt to variable rate debt, (3) limiting the impact of changes in interest rates resulting from variable rate debt and (4) hedging currency exposures of foreign currency denominating debt. In addition, the Applicants may utilize instruments to manage interest rate and currency risks in future periods for planned issuances of debt securities. In no case will the notional amount of any hedging instruments exceed that of the underlying debt instrument.

Acquisition, Redemption or Retirement of Securities

Applicants propose that each of PowerGen, the Intermediate Companies and each member of the LG&E Energy Group acquire, redeem, or retire its securities or those of its direct and indirect subsidiaries, which securities may be either outstanding presently or issued and sold in the future from time to time during the Authorization Period.

Financing Entities

Applicants request authority for US Holdings and the LG&E Energy Subsidiaries to organize and acquire voting interest in or equity securities of new corporations, trusts, partnerships or other entities created for the purpose of facilitating financing through their issuance to third parties of trust preferred securities or other securities authorized by the Application. Applicants also request authority for these financing entities to issue the securities to third parties. Additionally, Applicants request authority with respect to (1) the issuance of debentures

or other evidences of indebtedness by any of US Holdings and the LG&E Energy Subsidiaries to a financing entity in return for the proceeds of the financing and (2) the guarantee by PowerGen, US Holdings or the LG&E Energy Subsidiaries of the financing entity's obligations in connection with its issuance of securities. Any amounts issued by financing entities to third parties under these authorizations will count against the external financing limit for US Holdings or and of the LG&E Energy Subsidiaries, as applicable. However, the underlying intra-system mirror debt and guarantee will not count against any applicable intercompany financing limit or the separate guarantee limits for PowerGen and US Holdings, or for the LG&E Energy Group.

Receivables Factoring Program

Applicants propose that each of LG&E and KU, prior to the closing of the Merger, implement a receivables factoring program, providing for the factoring of accounts receivable ("Receivables"), including outstanding consumer billings, through one or more existing or newly-formed subsidiaries of LG&E and KU ("Receivables Sub"), to one or more unaffiliated third parties ("Purchasers"). Each Receivables Sub will purchase Receivables from the related associate company as the Receivables are generated at a discount based on, among other things, the collection history of the associate company.

Each Receivables Sub will enter into purchase and sale agreements with one or more Purchasers under which Receivables Sub may sell (from time to time in its discretion and subject to the satisfaction of certain conditions precedent) fractional, undivided ownership interests expressed as a percentage ("Receivable Interests") in (1) Receivables of its related associate company and (2) certain related assets, including any security or guarantee for the Receivables, all collections thereon and related record ("Related Assets"). The Purchasers of the Receivable Interests are expected to be special purpose corporations, which acquire receivables and other assets and issue commercial paper to finance these acquisitions and/or financial institutions, and their respective successors or assigns.

Primarily because of the reserves that are included in the calculation of the Receivable Interests sold to the Purchasers, the purchase price paid by the Purchasers for the Receivable Interests will be lower than the purchase price paid by the Receivables

Sub to the associate company for the Receivables and Related Assets. The funds available at the Receivables Sub at any time may not match the cost of the Receivables and Related Assets available for purchase from the associate company. In the event that the Receivables and Related Assets originated by an associate company exceeds the amount of cash that the applicable Receivables Sub has available, either the Receivables Sub will pay the purchase price of the Receivables in part in cash and in part through the use of an inter-company note, or the associate company will make an additional capital contribution to the Receivables Sub in the form of excess Receivables and Related Assets.

Applicants state that, for financial reporting purposes, LG&E Energy will treat the transfer of Receivables Interest from associate companies to the Receivables Subs as sales under U.S. GAAP. Applicants request that the Commission authorize the retention of existing Receivables Subs, the creation of new subsidiaries for the purpose of acting as Receivables Subs and the payment of dividends or other distributions by the Receivables Subs to their own parent companies, to the extent the dividends or other distributions may be considered to be paid out of capital or unearned surplus. Applicants also request that the Commission authorize the inter-company notes issued by the Receivables Subs to its parent, as described above. These inter-company notes will not be counted against the intra-system financing limit requested.

Intermediate Subsidiaries

Applicants propose that LG&E Energy and the LG&E Energy Nonutility Subsidiaries acquire the securities of one or more intermediate subsidiaries ("LG&E Energy Intermediate Subsidiaries"), which would be organized exclusively for the purpose of acquiring, holding and/or financing the acquisition of the securities of, or other interest in, one or more EWGs, FUCOs, Rule 58 Subsidiaries, ETCs or other nonexempt, nonutility subsidiaries, provided that the LG&E Energy Intermediate Subsidiaries may also engage in development activities and administrative activities relating to these subsidiaries. Investments in LG&E Energy Intermediate Subsidiaries may take the form of any combination of the following: (1) Purchases of capital shares, partnership interests, member interests in limited liability companies, trust certificates or other forms of equity interests, (2) capital contributions, (3) open account advances with or without

interest, (4) loans and (5) guarantees issued, provided or arranged in respect of the securities or other obligations of any LG&E Energy Intermediate Subsidiaries.

Reorganization

Applicants propose that the Intermediate Companies receive a general grant of authority to adjust the capital structure of the Intermediate Companies from time to time, in order to reflect tax and accounting changes after the Merger, without the need to apply for or receive prior Commission approval, on the condition that the reorganization will not result in (1) any Intermediate Company being organized under any jurisdiction other than a member state of the European Union with which the United States has a Double Taxation Treaty, or a state of the United States, (2) any Intermediate Companies not being wholly-owned, directly or indirectly, by PowerGen or, other than in respect of the debt and preferred stock of US Holdings, having third party investors, (3) the Intermediate Companies being engaged in any business or trade other than the business of owning, directly or indirectly, equity securities of LG&E Energy and the financing transactions described in the notice and (4) any of the Intermediate Companies being regulated by United Kingdom or other third country regulatory authorities having jurisdiction over electricity rates and service. Such restructurings may involve the creation of new, the elimination of existing or the consolidation of Intermediate Companies and/or the re-incorporation of an Intermediate Company in a different jurisdiction.

In addition, Applicants request authority for LG&E Energy to reorganize and restructure the LG&E Energy Nonutility Subsidiaries from time to time, without the need to apply for or receive prior Commission approval, on the condition that the reorganization will not result in the entry by the LG&E Energy Nonutility Subsidiaries into new lines of business that have not previously been authorized by the Commission or that are not permissible on an exempt basis under the Act or Commission rule. These restructurings may involve the creation of new, or the elimination of existing, LG&E Energy Nonutility Subsidiaries, the consolidation of LG&E Energy Nonutility Subsidiaries, the spin-off of a portion of an existing business of an LG&E Energy Nonutility Subsidiary to another LG&E Nonutility Subsidiary, the reincorporation of an existing LG&E Energy Nonutility Subsidiary in a

different state, the transfer of authority from one LG&E Energy Nonutility Subsidiary to another, the transfer or sale of one LG&E Energy Nonutility Subsidiary, or its assets, to LG&E Energy or another LG&E Energy Nonutility Subsidiary or other similar type arrangements.

EWG/FUCO Related Financings

As a general matter, PowerGen intends to fund its FUCO activities at the level of its first-tier subsidiary, PowerGen UK (or PowerGen Group Holdings, as applicable), under which PowerGen subsidiaries, other than the Intermediate Companies and the LG&E Energy Group, will be segregated. However, under certain circumstances, it may be desirable from time to time for PowerGen to provide some additional investment capital or credit support for FUCO acquisitions or operations. At the end of the fiscal year 1999 (as adjusted for investments subsequently sold), the combined LG&E Energy Group and PowerGen "aggregate investment" in EWGs and FUCOs was approximately \$1.270 billion. This investment represents 77% of PowerGen consolidated retained earnings at the end of fiscal year 1999, calculated in accordance with U.S. GAAP. Applicants seek authority to finance, after the Merger, additional EWG and FUCO investments and operations in an aggregate amount of up to 100% percent of the consolidated retained earnings of the entire PowerGen system at any one time outstanding during the Authorization Period. These financings may include the issuance or sale of securities for the purpose of financing the acquisition or operations of an EWG or FUCO or the guarantee of a security of an EWG or FUCO.

Payment of Dividends

Applicants will use the purchase method of accounting for the Merger. Applicants state that, under applicable exemptions to these accounting rules, PowerGen is not required to "push down" the premium paid in the Merger to the LG&E Energy Group. However changes in circumstances or changes in accounting principles or the application thereof may result in such a pushdown or a similar non-cash charge to retained earnings. Accordingly, Applicants request authority for PowerGen, the Intermediate Companies and members of the LG&E Energy Group to pay dividends out of additional paid-in-capital up to the amount of LG&E Energy's consolidated retained earnings just prior to the Merger and out of earnings before the amortization of goodwill after the Merger. In addition,

Applicants request authorization for the LG&E Energy Nonutility Subsidiaries to pay dividends with respect to the securities of companies, from time to time through the Authorization Period, out of capital and unearned surplus capital (including revaluation reserve), to the extent permitted under applicable corporate law.

Requests for Exemption From Rule 26(a)(1)

Applicants request an exemption from rule 26(a)(1) under the Act, regarding the maintenance of financial statements in conformance with Regulation S-X, for any subsidiary of PowerGen UK (or PowerGen Group Holdings as of its formation) organized outside the United States. Any FUCO acquired directly or indirectly by PowerGen subsequent to the issuance of an order in this Application will maintain its financial statements in accordance with U.S. GAAP or reconcile such statements to U.S. GAAP in the same manner as required by Form 20-F.

Appendix A—Nonutility Businesses

PowerGen

I. FUCOs and ETCs

PowerGen owns, directly or indirectly, the following interests in foreign utility companies ("FUCOs") and exempt telecommunications companies ("ETCs") (all of the following subsidiaries or affiliates are 100% owned, except where noted): Telecentric Solutions Ltd (internet sales services; ETC); PowerGen UK plc (electric generation and holding and financing company over subsidiaries; FUCO); 33.3% interest in Phambile Nobane (Proprietary) Ltd (gas distribution project in South Africa; FUCO); PowerGen CHP Ltd (development and operation of cogeneration plant in UK and holding company and financing company for PowerGen Cogeneration Ltd and Biogeneration Ltd; FUCO and energy-related company); PowerGen Cogeneration Ltd (operates cogeneration plant in UK; FUCO or energy-related company); 50% interest in Biogeneration Ltd (operates biomass plant in UK; FUCO or energy-related company); 50% interest in PowerGen Renewables Ltd (operates 9 windfarms in UK; FUCO or energy-related company); 25% interest in Yorkshire Windpower Ltd (operates 2 windfarms in UK; FUCO or energy-related company); 25% interest in TPG Wind Ltd (operates 1 windfarm in UK; FUCO or energy-related company); Gen Net. Com Ltd (internet services provider; ETC); PowerGen Systems & Services (information technology services company; ETC); Garneidd Power Co Ltd (hydro electric plant in Wales; FUCO); PowerGen Retail Gas Ltd (gas retail in UK; FUCO); 99% interest in PT PowerGen Jawa Timur (operator of Paiton station in Indonesia; FUCO); 49.99% interest in Turbogaz Produtora Energetica SA (owner of Tapada station in Portugal; FUCO); 75% interest in Portugén Energia SA (operator of

Tapada station in Portugal; FUCO); Csepel Eromu Rt (owner of Csepel I plant in Hungary; FUCO); PowerGen Energia RT (operator of Csepel II project in Hungary; FUCO); Csepel Aramtermelo (owner of Csepel II station in Hungary, which is under construction; FUCO); 49.5% interest in Yallourn Energy PTY Ltd (owner of Yallourn station in Australia; FUCO); 74.1% interest in Gujarat PowerGen Energy Corporation (owner of Pagathan plant in India; FUCO); 20.5% interest in Kraftwerk Schkopau GbR (owner of Schkopau plant in Germany; FUCO); 22.5% interest in Kraftwerk Schkopau B'Gessellschaft GmbH (operator of Schkopau plant in Germany; FUCO); 49.9% interest in LG Energy Co Ltd (owner of Bugkok plant; FUCO); and 35% interest in PT Jawa Power (owner of Paiton station in Indonesia; FUCO); PowerGen Energy plc (electric distribution in UK and holding company for PowerGen Retail Gas Ltd, East Midlands Electricity Gen Ltd, Charnwood Insurance Co Ltd, Coppice Insurance Co Ltd, East Midlands Electricity Gen (IPG) Ltd, Phambile Nobane (Proprietary) Ltd, and 29 dormant companies; FUCO).

II. Intermediate Holding Companies and Financing Entities

PowerGen owns, directly or indirectly, the following interests in intermediate holding companies holding, or financing entities financing, its nonutility business interests (all of the following subsidiaries or affiliates are 100% owned, except where noted): PowerGen (Kentucky) Ltd (representative office in UK for PowerGen's interest in LG&E Energy Corp.); PowerGen East Midlands Investments (holding and financing company for PowerGen Energy plc, an electric distribution company and holding company for other energy facilities); PowerGen (East Midlands) Holdings (financing company); East Midlands Electricity Gen (Non Fossil) Ltd (holding company for Biogas Generation Ltd, an energy-related company); PowerGen Directors Ltd (company administration); PowerGen Secretaries Ltd (company administration); PowerGen Investments Ltd (holding and finance company for PowerGen Renewables Holdings Ltd); 50% interest in PowerGen Renewables Holdings Ltd (holding and finance company for PowerGen Renewables Ltd); PowerGen Finance Ltd (finance company); Ergon Finance Ltd (finance company); PowerGen Energy Solutions (energy management company in UK and holding company for DelComm Ltd, a dormant company; also qualifies as energy-related company); Ergon Nominees Ltd (finance company); PowerGen Projects Consultancy Ltd (with Malaysian Branch) (project management; also qualifies as energy-related company); PowerGen International Limited (holding and financing company for PowerGen Overseas Holdings Limited, Visioncash, Ergon Overseas Holdings Ltd, Inputrapid Ltd, Ergon Energy Ltd, PowerGen Serang Ltd, and North Queensland Power Ltd); PowerGen Overseas Holdings Limited (holding and finance company for Ergon Generation (Malaysia) Sdn Rhd, a dormant holding company); Visioncash (finance company); Ergon Overseas Holdings Ltd (holds 84% of, and

serves as finance company for, PowerGen Holdings BV, which is a holding and finance company); Inputrapid Ltd (holds 16% of, and serves as finance company for, PowerGen Holdings BV); PowerGen Holdings BV (holding and finance company for sixteen direct subsidiaries); PowerGen Nederland BV (finance company); 33% interest in MIBRAG BV (finance company for Mibrag lignite mine in Germany); 33% interest in MIBRAG IB GmbH (finance company for Mibrag lignite mine in Germany); 33% interest in MIBRAG IV GmbH (finance company for Mibrag lignite mine in Germany); 33% interest in MIBRAG IVB GmbH (finance company for Mibrag lignite mine in Germany); PowerGen Australia Holdings BV (finance company for Yallourn Energy Pty Limited, a FUCO); PowerGen Australia BV (finance company for Yallourn Energy Pty Limited, a FUCO); PowerGen Aus PTY Ltd (finance company); 49.5% interest in Auspower PTY Ltd (finance company); 49.5% interest in Mezzco PTY Ltd (financing partnership); PowerGen India Ltd (holds 46.3% of the Gujarat PowerGen Energy Corporation ("Gujarat"), a FUCO, with PowerGen BV Holdings holding 27.8%; also serves as financing company for Gujarat); 50% interest in Saale Energie GmbH (financing company for Schkopau plant); 40% interest in PT Power Jawa Barat (developer of Serang project, a prospective power station in Indonesia; also qualifies as an energy-related company); 35% interest in BLC Power Limited (developer of Map Ta Phut project, a prospective power station in Thailand; also qualifies as an energy-related company); PowerGen (Malaysia) Sdn Bhd (regional headquarters of PowerGen in Malaysia; operation headquarter support service); Ergon Energy Ltd (holding and finance company for PT Jawa Power, a FUCO); 49.95% interest in LLPCo Holdings Ltd (holding and finance company for LLPCo PTY Ltd); 49.95% interest in LLPCo PTY Ltd (manages Yallourn Investments); 49.95% interest in Yallourn Investments, A Limited Partnership (LLP) (financing partnership for Yallourn station); and 49.95% interest in Meerco PTY Ltd (finance company for Yallourn Energy Pty Limited, a FUCO).

III. Energy-Related Companies

The following is a list of the companies Applicants assert are energy-related companies, owned directly or indirectly by PowerGen (all of the following subsidiaries or affiliates are 100% owned, except where noted): EME Industrial Shipping Ltd (gas shipping in UK); 50% interest in Biogas Generation Ltd (waste combustion in UK); East Midlands Pipelines Ltd (installation and operation of gas pipelines); PowerGen Energy Trading Ltd (energy trading in Europe); 50% interest in PowerGen Renewables Developments Ltd (develops windfarms in UK; holding company for Blyth Offshore Wind Ltd); 16.5% interest in Blyth Offshore Wind Ltd (developing an offshore windfarm); 50% interest in Fusers Ltd (develops windfarms in Ireland; holding company for Tursillagh Windfarm Ltd); 25% interest in Tursillagh Windfarm Ltd (develops windfarms in Ireland); 50% interest in Cottam Development Centre Ltd (turbine testing/operation in UK); PowerGen Gas Ltd (gas pipeline transportation and operation in

UK); 33% interest in MIBRAG mbH (owner of Mibrag lignite mine in Germany); 49% interest in Bina Power Supply Company Limited (developer of Bina project); and 49.5% interest in Saale Energie Services GmbH (consultancy services).

IV. Nonutility Companies Authorized by Order or Commission Precedent

In addition to the above nonutility subsidiaries and affiliates, PowerGen also owns interests in the following nonutility entities, a description of which follows each entity's name in parentheses (all of the following subsidiaries or affiliates are 100% owned, except where noted): Ergon Pensions Trustee Ltd (pension scheme trustee); PowerGen Share Trustees Ltd (share scheme trustee); PowerGen Share Scheme Trustee Limited (Qualifying Employee Trust Company); Charnwood Insurance Co Ltd, Guernsey (captive insurance company); 58.9% interest in Hams Hall Management Co Ltd (property management company); East Midlands Electricity Share Scheme Trustees Ltd (staff share scheme trustee); and Ergon Insurance Ltd (captive insurance company).

V. Inactive Companies

PowerGen also, directly or indirectly, owns the following inactive companies (all of the following subsidiaries or affiliates are 100% owned, except where noted): Central England Networks Ltd; Drakmarn O&M Ltd; Electricity Ltd; Ergon Properties Ltd; First Energy (UK) Ltd; Kinesis Resources Ltd; Kinesis Resource Management Ltd; Kinetica Ltd; Lincoln Green Energy Ltd; PowerGas Ltd; PowerGen Leasing Ltd; PowerGen Technology Ltd; The Power Generation Company Ltd; Wavedriver Ltd; Coppice Insurance Co Ltd, Guernsey; East Midlands Electricity Gen (IPG) Ltd; Derek B Haigh Ltd; East Midlands Electricity Distribution Ltd; East Midlands Electricity Generation (Rugby) Ltd; East Midlands Electricity Supply Ltd; East Midlands Telecommunications Ltd; EMCO Ltd; EME Employment Co Ltd; EME Employment Co No. 2 Ltd; Furse Earthing and Lightning Project Systems Ltd; Furse Specialist Contracting Ltd; Homepower Retail (EME) Ltd; J Smith (Southern) Ltd; M MacDonald & Co Ltd; Padfield and Howes Ltd; Ransome Properties Ltd; SGB (Steeplejacks) Ltd; Statco 2 Ltd; Statco 3 Ltd; Statco 4 Ltd; Statco 5 Ltd; Statco 6 Ltd; Statco 7 Ltd; The Peerless Engineering Co Ltd; The Santon Steeplejacks Co Ltd; 50% interest in Windy Hills Ltd; DelComm Ltd; PowerGen Brasil Limitada; Csepe Holdings BV; 40% interest in North Queensland Power Ltd; Powerconsult Ltd; Powercoal Ltd; Ergon Power Ltd; Ergon Generation (Malaysia) Sdn Bhd (to be used in possible Malaysia energy projects); and PowerGen Serang Ltd (will be holding company for Serang project, a prospective power station in Indonesia).

LG&E Energy

I. EWGs, FUCOs, and QFs

LG&E Energy owns, directly or indirectly, the following interests in exempt wholesale generators ("EWGs"), foreign utility companies ("FUCOs"), and qualifying facilities ("QFs") (all of the following subsidiaries or affiliates are 100% owned, except where noted), which constitute the

vast majority of LG&E Energy's nonutility businesses: LG&E Power Monroe LLC (lease and combustion turbine purchase in Monroe, Georgia; EWG); Western Kentucky Energy Corp. (leases the generating facilities owned by Big Rivers Electric Corporation, certified as an EWG, and sells the output of those facilities to LG&E Energy Marketing Inc. and, potentially, other affiliates and third-parties); 40% of Tenaska III Texas Partners (owns QF facility in Paris, Texas); 5% of Tenaska Washington Partners, L.P. (owns QF facility in Ferndale, Washington); 45% general partner interest and 5% indirect general partner interest in LG&E-Westmoreland Southampton (owns QF facility in Southampton, Virginia); 45% general partner interest and 5% indirect general partner interest in LG&E-Westmoreland Altavista (owns QF facility in Altavista, Virginia); 45% general partner interest and 5% indirect general partner interest in LG&E-Westmoreland Hopewell (owns QF facility in Hopewell, Virginia); 0.5% general partner interest and 49.5% limited partner interest in Windpower Partners 1993, L.P. (owns QF facility, windmill farms, in Minnesota and California); 0.33% direct and 0.113% indirect general partner interest and 24.67% direct and 8.22% indirect limited partnership interest in Windpower Partners 1994, L.P. (owns EWG facility, a windmill farm, in Salt Flat, Texas); 45.84% interest in K.W. Tarifa, S.A. (power generation facilities in Spain; FUCO); 45.9% interest in Distribuidora de Gas del Centro S.A. (natural gas distribution company in Argentina; FUCO); 14.4% interest in Distribuidora de Gas Cuyana S.A. (natural gas distribution company in Argentina; FUCO); and 19.6% interest in Gas Natural BAN S.A. (natural gas distribution company in Argentina; FUCO).

II. EWG, QF and FUCO Related Intermediate Holding Companies and Financing Entities

LG&E Energy owns, directly or indirectly, the following interests in intermediate holding companies holding, or financing entities financing, its nonutility business interests (all of the following subsidiaries or affiliates are 100% owned, except where noted): LG&E Capital Corp. (primary holding company for LG&E Energy's nonutility business interests); LG&E International Inc. (management and holding company for international energy project investments and operations); WKE Corp. (holding company for EWGs that are parties to the lease and related transactions with Big Rivers Electric Corporation, other than LG&E Energy Marketing Inc.); LG&E Power Inc. (management and holding company for QFs and EWGs); KUCC Paris Corporation (holds 15% limited partnership interest in Tenaska III Partners, Ltd., which owns 40% of Tenaska III Texas Partners, a QF); KUCC Ferndale Corporation (holds limited partnership interests in QFs); LG&E Power Spain, Inc. (management and holding company for energy power projects in Spain); LG&E Power Argentina II Inc. (owner of 45.9% combined equity interest in Distribuidora de Gas del Centro S.A., a FUCO); LG&E Power Argentina III LLC (owner of 14.4% combined equity interest in Distribuidora de Gas Cuyana S.A., a FUCO); LG&E Centro S.A. (receives consulting

revenues and pays management expenses related to Distribuidora de Gas del Centro S.A. (10% owned indirectly through LG&E Power Argentina II Inc.); holding company for FUCO); LG&E Power Finance Inc. (special purpose financing subsidiary formed to purchase and resell certain subordinated indebtedness collection rights as a part of a settlement of claims with K.W. Tarifa, S.A. (a FUCO and Spanish corporation owned 45.9% by LG&E Power Spain Inc.)); Inversora de Gas del Centro S.A. (owner of 51% equity interest in Distribuidora de Gas del Centro S.A., a FUCO (75% ownership)); LG&E Power Development Inc. (development of QFs and EWGs); American Power, Incorporated (owner of 99% interest in LG&E Power Monroe L.L.C., a QF); LG&E Power Gregory I, Inc. (formed to hold interests in Gregory Power Partners L.P., which will be a QF); LG&E Power Gregory II Inc. (formed to hold interests in Gregory Power Partners LLC, which will be an EWG); LG&E Power Gregory III Inc. (formed to hold interests in Gregory Power Partners LLC, which will be a QF); LG&E Power Gregory IV Inc. (formed to hold interests in Gregory Power Partners L.P., which will be a QF); KUCC Grimes GP Corporation (intermediate holding company formed in conjunction with EWG project in Grimes, Texas); KUCC Grimes LP Corporation (intermediate holding company formed in conjunction with EWG project in Grimes, Texas); LG&E Power 11 Incorporated (indirect owner of interest in QF in Southampton, Virginia); LG&E Southampton Incorporated (indirect owner of interest in QF in Southampton, Virginia); LG&E Power 12 Incorporated (indirect owner of interest in QF in Altavista, Virginia); LG&E Altavista Incorporated (indirect owner of interest in QF in Altavista, Virginia); LG&E Power 13 Incorporated (indirect owner of interest in QF in Hopewell, Virginia); LG&E Hopewell Incorporated (indirect owner of interest in QF in Hopewell, Virginia); LG&E Power 16 Incorporated (indirect owner of interest in QF in Roanoke Valley, North Carolina); LG&E Power Roanoke Incorporated (indirect owner of interest in QF in Roanoke Valley, North Carolina); LG&E Power 21 Incorporated (indirect owner of interest in QF, windmills in California and Minnesota); LG&E Power 21 Wind Incorporated (indirect owner of interest in QF, windmills in California and Minnesota); LG&E Power 31 Incorporated (indirect owner of interest in QF in Salt Flat, Texas); 33.3% interest in LQC LP LLC (indirect owner of interest in QF in Salt Flat, Texas); 33.3% interest in LQ GP LLC (indirect owner of interest in QF in Salt Flat, Texas); LG&E Power 31 Wind Incorporated (indirect owner of interest in QF in Salt Flat, Texas); 15% of Tenaska III Partners, Ltd. (owns 40% of Tenaska III Texas Partners, a QF, in Paris, Texas); 20% general partnership interest in LG&E Southampton L.P. (intermediate holding company for QF); 20% general partnership interest in LG&E Altavista L.P. (intermediate holding company for QF); 20% general partnership interest in LG&E Hopewell L.P. (intermediate holding company for QF); 50% general partnership interest in Westmoreland-LG&E Partners (owner of QF interest in Roanoke Valley, North Carolina); 24.0% interest in Inversora

de Gas Cuyana S.A. (intermediate holding company for FUCO); 28% interest in Invergas S.A. (owns 51% interest in Gas Natural BAN S.A., a FUCO); and 28% interest in Gas Natural S.D.G. Argentina S.A. (owns 19% of Gas Natural BAN S.A., a FUCO).

III. Energy-Related Companies

The following is a list of the energy-related companies owned, directly or indirectly, by LG&E Energy (all of the following subsidiaries or affiliates are 100% owned, except where noted) that Applicants assert are energy-related: LG&E Energy Marketing Inc. (power marketing); LG&E Home Services Inc. (appliance repair and warranty); LG&E Enertech Inc. (engineering, energy management and consulting services); LG&E Energy Services Inc. (formed to submit bid to provide electric service to Ft. Campbell project; FSF Minerals Inc. (owns Pittsburgh and Midway coal reserves near Henderson, Kentucky); LCC Inc. (formed to bid on a coal project); KU Solutions Corporation (energy marketing and services corporation); LG&E Power Engineers and Constructors Inc. (engineering and project management); LG&E Power Services Inc. (power facilities management and operation); LG&E Power Operations Inc. (intermediate holding company for QFs; power project ownership, management and development); LG&E Facilities Inc. (marketing, processing, storage and transmission of natural gas); LG&E Natural Gathering & Processing LLC and Llano Gathering Inc. (both natural gas transmission and processing); LG&E Natural Plains Marketing LLC and LG&E Crown Inc. (both marketing of natural gas); Hadson Gas Transmission LLC and Power Tex Parent Inc. (both natural gas transmission); LG&E Natural Plains Energy Services LLC and LG&E Minor Facilities Inc. (natural gas transmission); LG&E Natural Pipeline LLC and Llano Storage Inc. (both natural gas storage and transmission); LG&E Energy Natural Industrial Marketing Co. (natural gas marketing and transmission); LG&E Fuels Services Inc. (formed for alternative fuels investments); CRC-Evans Pipeline International, Inc. (primary operating company of CRC-Evans companies providing specialized equipment and services for pipeline construction); CRC-Key, Inc. (manufactures concrete weights for pipeline construction); CRC-Evans B.V. (international sales office); CRC-Evans Canada LTD. (company for Canada operations); PIH Holdings LTD. (holding company for operations in Europe and the Middle East); Pipeline Induction Head Ltd. (services for pipelines); GCSI Crown J.V.²⁴ (owns gas gathering and processing assets); Power Tex J.V.²⁵ (owns gas gathering and processing assets); 50% general partnership interest in Adobe Merchant 89 (owns gas gathering and processing assets); 50% interest in Gregory Power Partners LLC²⁶ (owns and developing power project in Gregory, Texas; will be a

QF); 1% general partnership interest and 49% limited partnership interest in Gregory Power Partners L.P. (owns and developing power project in Gregory, Texas; will be a QF); 50% general partnership interest in Wheeler Gathering System (owns gas gathering and processing assets); 11.5% general partnership interest in Hillsboro Gathering System (owns gas gathering and processing assets); and LG&E Industrial Sales Corporation (owner of natural gas transmission assets).

IV. Other Nonutility Companies

In addition to the above nonutility subsidiaries and affiliates, LG&E Energy also owns interests in the following nonutility entities, a description of which follows each entity's name in parentheses (all of the following subsidiaries or affiliates are 100% owned, except where noted): LG&E Energy Foundation Inc. (charitable contributions); LG&E Credit Corp. (offers consumer lending programs for energy efficient products in the Louisville metropolitan area); CRC-Evans International, Inc. (formed for the acquisition of CRC Holdings Corp., which owns interests in energy-related companies); WKE Station Two Inc. (operates the Station Two generating facility that is owned by the City of Henderson, Kentucky under an agreement with the city and Big Rivers Electric Corporation); 28% interest in ServiConfort Argentina S.A. (provides retail services to gas customers in Argentina).

V. Inactive Companies

LG&E Energy also, directly or indirectly, owns the following inactive companies (all of the following subsidiaries or affiliates are 100% owned, except where noted): Lexington Utilities Company; LNGCL Inc. (indirectly held former interest in Natural Gas Clearinghouse); LNGCG Inc. (indirectly held former interest in Natural Gas Clearinghouse); KUCC Frederickson Corporation (owns 10% interest of Tenaska Washington Partners, II, L.P.); KUCC Portland 34 Corporation (holds 21% interest in Portland 34, L.P. and serves as its general partner); KUCC Portland 34, L.P. (former lessor regarding combustion turbine); Portland 34 LTD Corporation (holds 79% limited partnership interests in Portland 34, L.P.); KUCC Development Corporation (former development company); KUCC Grimes Corporation (intermediate holding company for developing EWG project in Grimes, TX); WKE Facilities Corp.; LCC LLC; FCD LLC; Excalibur Development LLC; LG&E Mendoza Services Inc. (originally formed to hold investment in foreign power facilities); LG&E Power Venezuela I, Inc. (originally formed to hold investment in foreign power facilities); LG&E Power Australia I Inc.; Ultrasystems Construction Co., Inc. (originally formed to construct power and related facilities); HD Energy Corporation; Hadson Financial Corporation (former management company); Ultrasystems Small Power, Incorporated; Hadson Fuels, Inc.; 70% interest in HD/WS Corporation (holding company for ash disposal activities); LG&E Power 5 Incorporated (former owners of investment in power facilities); LG&E Power 6 Incorporated (former owner of investment in power facilities); LG&E Power 14

Incorporated (owner of investment in power facilities); LG&E Power 18 Incorporated (owner of investment in power facilities); LG&E Erie Partner Incorporated (owner of investment in power facilities); LG&E Power 22 Incorporated (owner of investment in power facilities); LG&E Power 29 Incorporated (indirect owner of interest in QF); LG&E Power 25 Incorporated (owner of investment in power facilities); LG&E Power 26 Incorporated (owner of investment in power facilities); LG&E Australia Pty Limited; LG&E Power Constructors Inc. (former constructor of QFs and EWGs); Ultraclean Incorporated; NuHPI, Inc.; Ultrafuels Incorporated; Ultrafuels 1 Incorporated; Ultrapower Biomass Fuels Corporation; Hadson Power Live Oak Incorporated; Ultrasystems Small Power 1, Incorporated; Triple T Services, Inc.; 25.4% capital stock interest in Babcock & Wilcox; 10% interest in Tenaska Washington Partners, II, L.P. (interest in power general facilities; former facility in Frederickson, Washington); 17% general partnership interest in Babcock-Ultrapower West Enfield; 17% general partnership interest in Babcock-Ultrapower Jonesboro; 45% general partnership interest in LG&E Power 14—Buena Vista (owner of investment in power facilities); 1% general partnership interest, 49% limited partnership interest, and a 0.5% general partnership interest in Erie Power Partners L.P. (former owner of power supply contract); 2% general partnership interest and 49% limited partnership interest in LG&E/Kelso Power Partners, L.P. (formed to develop and own power facilities); 50% general partnership interest in Maine Power Services; 50% general partnership interest in LG&E—Westmoreland Rensselaer (former owner of power generation facilities); LG&E Power Argentina I, Inc. (management and holding company of former natural gas projects in Argentina); LG&E Power Spain LLC (formed to facilitate possible merger with LG&E Power Spain Inc.); and LG&E Natural Canada Inc. (former natural gas marketer).

Appendix B—Existing Financing Arrangements of U.S. Utility Subsidiaries

LG&E

Bond Financing:

At 12/31/99

First Mortgage Bonds—(× 000's)

Series due July 1, 2000, 7.5%—20,000

Series due August 15, 2003, 6%—42,600

Pollution control series:

P due June 15, 2015, 7.45%—25,000

Q due November 1, 2020, 7.625%—83,335

R due November 1, 2020, 6.55%—41,665

S due September 1, 2017, variable—31,000

T due September 1, 2017, variable—60,000

U due August 15, 2013, variable—35,200

V due August 15, 2019, 5.625%—102,000

W due October 15, 2020, 5.45%—26,000

X due April 15, 2023, 5.90%—40,000

Total first mortgage bonds—506,800

Pollution control bonds (unsecured):

Jefferson County Series due September 1, 2026, variable—22,500

Trimble County Series due September 1, 2026, variable—27,500

²⁴ 34.6% by Hadson Gas Transmission LLC ("HGTC"); 65.4% by LG&E Natural Plains Marketing LLC.

²⁵ 34.6% by HGTC; 65.4% by LG&E Natural Plains Energy Services LLC.

²⁶ 1% held by LG&E Power Gregory II, Inc. and 49% held by LG&E Power Gregory II, Inc.

Jefferson County Series due November 1, 2027, variable—35,000	Total unsecured pollution control bonds—120,000	Capital Stock:
Trimble County Series due November 1, 2027, variable—35,000	Total LG&E bonds outstanding—626,800	Common Stock, without par value—
	* Redeemed	Authorized: 75,000,000 shares
		Outstanding: 21,294,233 shares
		Cumulative Preferred Stock:

Short-Term Financing:	Series P, due May 15, 2007, 7.92%—53,000	Series 7, due May 1, 2020, 7.60%—8,900
\$200 million revolving credit line, expiring November 2001.	Series R, due June 1, 2025, 7.55%—50,000	Series 9, due December 1, 2023, 5.75%—50,000
Commercial paper program, up to \$200 million authorized	Pollution Control Series:	Series 10, due November 1, 2024, variable—54,000
<i>KU</i>	Series 7, due May 1, 2010, 7.375%—4,000	Total KU bonds outstanding—546,330
Bond Financing:	Series 8, due September 15, 2016, 7.45%—96,000	Capital Stock:
<i>At 12/31/99</i>	Series 1B, due February 1, 2018, 6.25%—20,930	Common Stock, without par value—
First Mortgage Bonds— (x 000's)	Series 2B, due February 1, 2018, 6.25%—2,400	Authorized: 80,000,000 shares
Series Q, due June 15, 2000, 5.95%—61,500	Series 3B, due February 1, 2018, 6.25%—7,200	Outstanding: 37,817,878 shares
Series Q, due June 15, 2003, 6.32%—62,000	Series 4B, due February 1, 2018, 6.25%—7,400	Cumulative Preferred Stock:
Series S, due January 15, 2006, 5.99%—36,000		
		</

Short-Term Financing:
Commercial paper program, inactive.
Uncommitted credit line with Centric Corporation ("Centric"), up to \$60 million.

Appendix C—Existing Financing Arrangements of U.S. Non-Utility Subsidiaries

LG&E Capital Corp.

Long-Term Debt:

At 12/31/99—(x 000's)

Medium term notes, due September 7, 2000, variable—50,000
Medium term notes, due May 1, 2004, 6.205%—150,000
Medium term notes, due January 15, 2008, 6.46%—150,000
Medium term notes, due November 1, 2011, 5.75%—150,000
Total Capital Corp. bonds outstanding—500,000

Credit Facilities:

\$200 million revolving lines of credit, expiring September 2000.
\$500 million revolving line of credit, expiring September 2002.
\$20 million uncommitted letter of credit facility.

Commercial paper program, up to \$600 million authorized.

CRC-Evans Pipeline International Inc.

At 12/31/99—(x 000's)

Note payable, due May 2003, 6.75%—\$281
Distribution de Gas del Centro

At 12/31/99—(x 000's)

Argentine negotiable obligations, due August 2001, 10.5%—\$37,782

Appendix D—Guarantees

Obligations of LG&E Capital Supported by LG&E Energy under the Support Agreement

1. Obligations of LG&E Capital on each of its credit facilities, in an aggregate principal amount of \$720 million.

2. Obligations of LG&E Capital in respect of its commercial paper program, in an authorized principal amount of \$600 million.

3. Obligations of LG&E Capital in respect of its medium-term notes outstanding, in an aggregate principal amount as of March 31, 2000 of \$500 million.

4. Obligations of LG&E Capital in respect of a guarantee of lease obligations of LG&E Power Monroe, LLC. See "Guarantees issued by LG&E Energy and the U.S. Non-Utility Subsidiaries" below.

5. Obligations of LG&E Capital under interest rate swap transactions in an aggregate notional amount of \$50 million, entered into in connection with the hedging of interest rate risk on outstanding indebtedness of LG&E Capital Corp.

6. Obligations of LG&E Capital under a guarantee of certain obligations of LG&E Energy Marketing Inc. under several Purchased Power Agreements relating to the purchase of 560 MW of power. No limit is stated.

Guarantees Issued by LG&E Energy and the U.S. Non-Utility Subsidiaries

1. LG&E Power and LG&E Capital guarantee certain obligations of LG&E Energy Marketing. These guarantees are provided in lieu of letters of credit or other credit enhancements required by counterparties and are provided in order to minimize the cost of providing the commodity required under the contract. The guarantees typically have a stated maximum amount, but the actual exposure is typically only a small percentage of the aggregate maximums stated amount of the guarantee. The maximum stated amount on such guarantees as of March 31, 2000 was \$461 million. In other cases, no maximum amount is stated. The aggregate exposure of LG&E Power and LG&E Capital under such guarantees as of March 31, 2000 was approximately \$63 million.

2. Guarantee by LG&E Capital of the lease obligations of LG&E Power Monroe, LLC under an operating lease relating to three combustion turbines and related facilities to be installed and constructed in Monroe, Georgia. The value of the assets under lease is expected to be approximately \$175 million.

3. Guarantee by LG&E Capital of the obligation of LG&E Power Inc. under a lease of office space in Irvine, CA in an aggregate amount of less than \$5 million.

4. Guarantees by LG&E Capital to provide equity contributions in respect of the Gregory Project. Each guarantee is unlimited on its

face, but the underlying agreements effectively limit the guaranteed obligations to \$4.5 million.

5. Guarantees by LG&E Capital of the obligations of HD/WS Corporation under a standby ash disposal agreement relating to certain power projects in Franklin, VA, Altavista, VA and Hopewell, VA. There is no stated cap on the potential liability under these guarantees.

6. Guarantee by LG&E Energy of all obligations of certain of the U.S. Non-Utility Subsidiaries relating to the lease of the generating assets of Big Rivers Electric Corporation ("Big Rivers"). The transaction provides the U.S. Non-Utility Subsidiaries with access to approximately 1,700 megawatts of capacity and requires that power be supplied to Big Rivers at contractual prices. The leased assets are expected to be capable of meeting the requirements of Big Rivers throughout the term of the lease. In addition, the U.S. Non-Utility Subsidiaries are required to make annual lease payments of \$31.5 million to Big Rivers through July 2023.

7. LG&E Energy has guaranteed all obligations of LG&E Energy Marketing in its contract with Oglethorpe Power Corporation ("OPC"). Under this contract LG&E Energy Marketing is required to supply approximately one-half of the system-wide power needs of OPC at fixed prices and has access to one-half of OPC's generation capacity. LG&E Energy Marketing has assumed the risk of price increases for any power it is required to purchase off system and any load growth under this contract. LG&E Energy has discontinued its merchant energy trading operation which includes servicing of this contract has booked reserves to cover expected future losses from these activities. In July 1998, LG&E Energy recorded an after-tax loss on disposal of discontinued operations of \$225 million. In December 1999, LG&E Energy increased the size of this reserve by \$175 million based on what it believes to be appropriate estimates of future energy prices and load growth. There is no guarantee that higher-than-anticipated future commodity prices or load demands or other factors could not result in additional losses.

8. Guarantee by LG&E Capital of certain obligations, up to a maximum amount of \$96 million, payable by LG&E Power Development Inc. with respect to a purchase contract for eight turbines.

Exelon Corporation, et al. (70-9693)

Exelon Corporation ("Exelon"), Exelon Business Services Company ("Services"), Exelon Ventures Company ("Ventures"), Exelon Enterprises Company, LLC ("Enterprises"), Exelon Generation Company, LLC ("Genco"), and Exelon Energy Delivery Company ("Energy Delivery"), each located at 10 South Dearborn Street, Chicago, Illinois 60603 and each a subsidiary of PECO Energy Company ("PECO"), a combination gas and electric utility holding company claiming exemption from registration under section 3(a)(1) of the Act by rule 2 under the Act; PECO

and its utility subsidiaries, PECO Energy Power Company, Susquehanna Power Company and Susquehanna Electric Company, each located at 2301 Market Street, Philadelphia, Pennsylvania 19101; and Commonwealth Edison Company ("ComEd" and collectively, "Applicants"), an electric utility subsidiary of Unicom Corporation ("Unicom"), an electric utility holding company exempt by order from registration under section 3(a)(1),²⁷ each located at 10 South Dearborn Street, Chicago, Illinois 60603, have filed an application-declaration under sections 6(a), 7, 9(a), 10, 12(b) and 12(c) of the Act and rules 43, 44, 45, 46, 53 and 54 under the Act.

In a separate filing with this Commission, file no. 70-9645 ("Merger Application"), Exelon has sought authority to exchange its common stock for the common stock of its parent, PECO, followed by a merger of Unicom with and into Exelon ("Merger"). Exelon will establish Energy Delivery as an intermediate holding company over PECO and ComEd, and will also establish Ventures as an intermediate holding company over Genco, to which generation assets of PECO and ComEd will be transferred, and over Exelon's nonutility subsidiaries.²⁸ In addition, Exelon, Ventures, and Energy Delivery will each register as a holding company under the Act after the Merger.

In the instant filing, Applicants seek authorization and approval with respect to ongoing financing activities through March 31, 2004, ("Authorization Period" and other matters relating to the Merger.

I. Summary

Applicants seek authority for Exelon and the Subsidiaries with respect to: (1) The issuance of common stock, guarantees, preferred debt and other

securities for cash and in connection with various acquisitions, (2) the issuance of 21 million shares of common stock under dividend reinvestment and stock-based management incentive and employee benefit plans, (3) the maintenance of existing debt and guarantees, (4) the payment of dividends out of capital or unearned surplus, (5) hedging transactions, (6) the establishment of a utility money pool and a nonutility money pool, (7) the retention, establishment and use of special-purpose financing entities, (8) changes in the capital stock of certain Subsidiaries in order to engage in financing transactions with a parent company and (9) the use of proceeds of securities issuances to invest in exempt wholesale generators ("EWGs") and foreign utility companies ("FUCOs") in amounts that exceed 50% of Exelon's consolidated retained earnings.

Applicants' effective cost of money on long-term debt borrowings under this authorization will not exceed the greater of (1) 350 basis points over the comparable term U.S. Treasury securities or (2) a gross spread over U.S. Treasuries that is consistent with similar securities of comparable credit quality and maturities issued by other companies. Applicants' effective cost of money on short-term debt borrowings under this authorization will not exceed the greater of (1) 350 basis points over the comparable term London Interbank Offered Rate ("LIBOR") or (2) a gross spread over LIBOR that is consistent with similar securities of comparable credit quality and maturities issued by other companies. The dividend rate on any series of preferred securities will not exceed the greater of (1) 500 basis points over the yield to maturity of a U.S. Treasury security having a remaining term equal to the term of such series of preferred securities or (2) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other companies. The maturity of indebtedness will not exceed fifty years. All preferred securities will be redeemed no later than fifty years after being issued.

The proceeds from the sale of securities in external financing transactions will be used for general corporate purposes, including the financing, in part, of the capital expenditures and working capital requirements of the Exelon system, for the acquisition, retirement or redemption of securities previously issued by Exelon or the Subsidiaries, and for authorized investments in rule 58 companies, EWGs, FUCOs, exempt

²⁷ *Unicom Corporation*, HCAR No. 26090 (July 22, 1994).

²⁸ Each of the entities that will be directly or indirectly owned subsidiaries of Exelon upon consummation of the Merger is referred to in this notice individually as a "Subsidiary" and collectively as "Subsidiaries." "Utility Subsidiaries" includes ComEd, PECO, Genco, Commonwealth Edison Company of Indiana (which has no retail customers), PECO Energy Power Company, Susquehanna Power Company and Susquehanna Electric Company (the latter three are exclusively engaged in owning and operating an electric generation project, all of the power from which is sold at wholesale.) "Nonutility Subsidiaries" includes all other subsidiaries of Exelon and also includes other direct or indirect subsidiaries that Exelon may form after the Merger in accordance with a Commission order or with an applicable rule or order; provided, however, that for purposes of the requests described below with respect to the nonutility money pool, the term "Nonutility Subsidiaries" includes only Services and Enterprises.

telecommunications companies ("ETCs") and for other lawful purposes.

II Exelon External Financing

A. Securities

Exelon requests authorization to obtain funds externally through sales of common stock, preferred securities, long-term debt and short-term debt securities. With respect to common stock, Exelon also requests authority to issue common stock, options, warrants or stock purchase rights to third parties in consideration for the acquisition by Exelon or a Nonutility Subsidiary of equity or debt securities of a company being acquired in accordance with an order of the Commission, under sections 32, 33 or 34 of the Act or rule 58 under the Act.²⁹ The aggregate amount of financing requested will not exceed \$8 billion ("Exelon Financing Limit").³⁰

Common stock financings may be effected in accordance with underwriting agreements of a type generally standard in the industry. Public distributions may be pursuant to private negotiation with underwriters, dealers or agents as discussed below or effected through competitive bidding among underwriters. In addition, sales may be made through private placements or other non-public offerings to one or more persons. All common stock sales will be at rates or prices and under conditions negotiated or based upon or otherwise determined by, competitive capital markets.³¹

Preferred stock or other types of preferred securities may be issued in one or more series with such rights, preferences, and priorities as may be designated in the instrument creating each such series, as determined by Exelon's board of directors. Dividends or distributions on preferred securities will be made periodically and to the extent funds are legally available for such purpose, but may be made subject

to terms which allow the issuer to defer dividend payments for specified periods. Preferred securities may be convertible or exchangeable into shares of Exelon common stock or indebtedness.

Exelon's long-term debt securities will be comprised of bonds, notes, medium-term notes or debentures under one or more indentures or long-term indebtedness under agreements with banks or other institutional lenders. Maturity dates, interest rates, redemption and sinking fund provisions, tender or repurchase and conversion features, if any, with respect to Applicants' long-term securities, as well as any associated placement, underwriting or selling agent fees, commissions and discounts, if any, will be established by negotiation or competitive bidding.

Exelon's short-term debt will replace pre-Merger letters or lines of credit or commercial paper and would provide financing for general corporate purposes working capital requirements and temporary financing of capital expenditures. Any short-term debt outstanding or credit facility of Unicom existing at the time of the Merger may be assumed by Exelon.³² Exelon's short-term debt may include commercial paper, which would be sold at the discount rate or the coupon rate per annum prevailing at the date of issuance of commercial paper of comparable quality and maturities sold to commercial paper dealers generally. In addition, Exelon may, without counting against the Exelon Financing Limit, maintain back up lines of credit in connection with a commercial paper program in an aggregate amount not to exceed the amount of authorized commercial paper.

B. Hedging Transactions

Exelon requests authority to enter into, perform, purchase and sell financial instruments intended to reduce or manage the volatility of interest rates, including but not limited to interest rate swaps, caps, floors, collars and forward agreements, structured notes or transactions involving the purchase or sale of U.S. Treasury or Agency obligations or LIBOR based swap instruments for fixed periods and stated national amounts ("Hedge Instruments"). Exelon will not engage in speculative transactions unassociated with its financing needs and activities, and will only enter into agreements with counterparties having senior debt ratings, as published by a

national rating agency, greater than or equal to "BBB" or an equivalent rating ("Approved Counterparties").

Exelon and its subsidiaries also request authorization to enter into interest rate hedging transactions with respect to anticipated debt offerings ("Anticipatory Hedges"). Anticipatory Hedges would only be entered into with Approved Counterparties, and would be utilized to fix and/or limit the interest rate risk associated with any new issuance through (1) a forward sale of exchange-traded Hedge Instruments, (2) the purchase of put options on Hedge Instruments ("Put Options Purchase"), (3) a Put Options Purchase in combination with the sale of call options, (4) transactions involving the purchase or sale, including short sales of Hedge Instruments, or (5) some combination of the above and/or other derivative or cash transactions, including, but not limited to, structured notes, caps and collars, appropriate for the Anticipatory Hedges. The same limitations on the creditworthiness of counterparties described immediately above would also apply to Anticipatory Hedges.

III. Subsidiary External Financing

A. All Utility Subsidiaries

Rule 52 provides an exemption from the prior authorization requirements of the Act for most sales and issuances of securities by the Utility Subsidiaries.³³ Applicants have also requested, however, authority for certain Utility Subsidiaries to engage in external financings beyond the scope of the rule 52 exemption.

Applicants seek authority for ComEd, PECO and Genco to issue commercial paper and establish and borrow under credit lines in the aggregate amount of \$2.7 billion outstanding at any one time during the Authorization Period ("Utility Financing Limit"). In addition, ComEd and PECO have existing financing arrangements in place which they propose to maintain.³⁴ ComEd, PECO and Genco may also, without counting against this limit, maintain back up lines of credit in connection with a commercial paper program in an aggregate amount not to exceed the

²⁹ Exelon common stock issued in consideration for the acquisition of a company under any of these circumstances will be valued, for purposes of determining compliance with the proposed aggregate financing limitation, at its market value as of the date of issuance (or, if appropriate, at the date of a binding contract providing for the issuance of common stock).

³⁰ Applicants state that Exelon will incur approximately \$500 million in debt to finance the Merger, which it proposes to exclude from the calculation of indebtedness for purposes of the Exelon Financing Limit.

³¹ Applicants note that a very small amount of ComEd common stock will not be held by Exelon. This stock has been and will be acquired on conversion of certain outstanding warrants or on conversion of ComEd convertible preferred stock. Unicom has extended a standing offer to these holders of ComEd common stock to exchange the stock for Unicom common stock. Exelon wishes to continue this program.

³² These are described in Appendix A to the notice.

³³ In general, all securities issuances by ComEd must be approved by the Illinois Commerce Commission, other than indebtedness with a final maturity of less than one year, renewable for a period of not more than two years. Similarly, all securities issuances by PECO must be approved by the Pennsylvania Public Utility Commission, other than securities with a maturity of one year or less or having no fixed maturity but payable on demand. Issuances of securities by Genco are not subject to review by any state commission.

³⁴ These arrangements are described in Exhibit A to the notice.

amount of authorized commercial paper.

Additionally, to the extent not exempt under rule 52, the Utility Subsidiaries request authority to enter into and perform under Hedge Instruments and Anticipatory Hedges. These transactions will be entered into subject to the limitations and requirements applicable to Exelon's Hedge Instruments and Anticipatory Hedges.

B. Genco

Applicants request authority for Genco to issue common stock, preferred stock or other types of preferred securities, as well as such long-term debt securities as bonds, notes, medium-term notes or debentures under one or more indentures, or under agreements with banks or other institutional lenders, and to sell commercial paper and establish credit lines. The maturity dates, interest rates, redemption and sinking fund provisions and conversion features, if any, with respect to the long-term securities of Genco, as well as any associated placement, underwriting or selling agent fees, commissions and discounts, if any will be established by negotiation or competitive bidding. In addition, Genco may, without counting against the limits set forth above, maintain back up lines of credit in connection with a commercial paper program in an aggregate amount not to exceed the amount of authorized commercial paper.

The aggregate amount of common equity, preferred securities, long-term debt and short-term debt financing to be obtained by Genco during the Authorization Period (excluding indebtedness issued during the Authorization period to refund then outstanding indebtedness) will not exceed \$5.5 billion ("Genco Financing Limitation"). Any issuance of securities by Genco under the requested authority will count against the Exelon Financing Limit, except for borrowings from associates where the lender's own borrowings count against the Exelon Financing Limit.

Applicants also request authority for Genco to assume approximately \$369 million in pollution control loan obligations PECO issued in connection with facilities located at the generating stations to be transferred to Genco as part of the Merger. These assumptions of indebtedness will be in addition to the Genco Financing Limit.

IV. Intrasystem Transactions

A. Guaranties

Applicants request authority for Exelon to enter into guaranties, obtain

letters of credit, enter into support or expense agreements or otherwise provide credit support with respect to the obligations of the Subsidiaries as may be appropriate or necessary to enable the Subsidiaries to carry on in the ordinary course of their respective businesses, and to enter into guaranties of third parties' obligations in the ordinary course of Exelon's business ("Exelon Guaranties").³⁵ Applicants also request authority for Genco to enter into guarantees and other forms of credit support with respect to the obligations of its subsidiaries ("Genco Guaranties") and for each Nonutility Subsidiary to provide guarantees and other forms of credit support to other Nonutility Subsidiaries (together with the Exelon Guaranties and the Genco Guaranties, "Guaranties").

The aggregate amount of the Guaranties will not exceed \$4.5 billion outstanding at any one time (not taking into account obligations exempt pursuant to rule 45) ("Guaranty Limit"). Included in this amount are existing guaranties and other credit support mechanisms entered into by Unicom³⁶ which will be assumed by Exelon and those entered into by PECO³⁷ in favor of their respective Subsidiaries.

The issuance of any Guaranties will also be subject to the limitations of rule 53(a)(1) or rule 58(a)(1), as applicable. Applicants propose that each Subsidiary be charged a fee for each Guaranty provided on its behalf that is comparable to those obtainable by the beneficiary of the Guaranty from third parties.

B. Money Pools

Applicants request authority for Exelon and the Utility Subsidiaries to establish a money pool ("Utility Money Pool"). In addition, Applicants request authority for the Utility Subsidiaries, to the extent not exempted by rule 52, to make unsecured short-term borrowings from the Utility Money Pool, to contribute surplus funds to the Utility Money Pool, and to lend and extend credit to (and acquire promissory notes from) one another through the Utility Money Pool. In addition to the Utility Subsidiaries, Applicants request authority for existing utility related financing entities, referred to below, to participate in the Utility Money Pool as

a result of their financing relationship with ComEd and PECO.

In addition, Exelon and the Nonutility Subsidiaries request authorization to establish a nonutility money pool ("Nonutility Money Pool"). The Nonutility Money Pool activities of all of the Nonutility Subsidiaries are exempt from the prior approval requirements of the Act under rule 52. Applicants request authorization of Exelon to contribute its surplus funds and to lend and extend credit to: (1) The Utility Subsidiaries through the Utility Money Pool and (2) the Nonutility Subsidiaries through the Nonutility Money Pool. The aggregate outstanding amount of borrowings that each of PECO, Genco and ComEd may incur under the Utility Money Pool will count against the Utility Financing Limit.

Utility Money Pool participants that borrow would borrow pro rata from each company that lends, in the proportion that the total amount loaned by each such lending company bears to the total amount then loaned through the Utility Money Pool. On any day when more than one fund source (e.g., surplus treasury funds of Exelon and other Utility Money Pool participants ("Internal Funds")) and proceeds from external financing ("External Funds"), with different rates of interest, is used to fund loans through the Utility Money Pool, each borrower would borrow pro rata from each such fund source in the Utility Money Pool in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Utility Money Pool.

If only Internal Funds make up the funds available in the Utility Money Pool, the interest rate applicable and payable to or by Subsidiaries for all loans of such Internal Funds will be the rates for high-grade unsecured 30-day commercial paper sold through dealers by major corporations as quoted in The Wall Street Journal.

If only External Funds comprise the funds available in the Utility Money Pool, the interest rate applicable to loans of such External Funds would be equal to the lending company's cost for such External Funds (or, if more than one Utility Money Pool participant had made available External Funds on such day, the applicable interest rate would be a composite rate equal to the weighted average of the cost incurred by the respective Utility Money Pool participants for such External Funds).

In cases where both Internal Funds and External Funds are concurrently borrowed through the Utility Money Pool, the rate applicable to all loans comprised of such "blended" funds

³⁵ For example, as one of the founding members of the Midwest System Operator ("MISO"), Unicom issued guaranties to creditors on behalf of MISO to assist MISO's start-up operations.

³⁶ Existing guaranties of Unicom are described in Exhibit A to this notice.

³⁷ Existing PECO guaranties are described in Exhibit A to this notice.

would be a composite rate equal to the weighted average of (1) the cost of all Internal Funds contributed by utility Money Pool participants (as determined pursuant to the second-preceding paragraph above) and (2) the cost of all such External Funds (as determined pursuant to the immediately preceding paragraph above). In circumstances where Internal Funds and External Funds are available for loans through the Utility Money Pool, loans may be made exclusively from Internal Funds or External Funds, rather than from a "blend" of such funds, to the extent it is expected that such loans would result in a lower of cost of borrowings.

Funds not required by the Utility Money Pool to make loans (with the exception of funds required to satisfy the Utility Money Pool's liquidity requirements) would ordinarily be invested in one or more short-term investments including: (1) Interest-bearing accounts with banks; (2) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (3) obligations issued or guaranteed by any state or political subdivision, provided that such obligations are rated not less than "A" by a nationally recognized rating agency; (4) commercial paper rated not less than "A-1" or "P-1" or their equivalent by a nationally recognized rating agency; (5) money market funds; (6) bank certificates of deposit, (7) Eurodollar funds and (8) such other investments are permitted by Section 9(c) of the Act and rule 40 under the Act.

Each Applicant receiving a loan through the Utility Money Pool would be required to repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event not later than one year after the date of such loan. All loans made through the Utility Money Pool may be prepaid by the borrower without premium or penalty.

The Nonutility Money Pool will be operated on the same terms and conditions as the Utility Money Pool, except that Exelon funds made available to the Money Pools will be made available to the Utility Money Pool first and thereafter to the Nonutility Money Pool. Operation of the utility and Nonutility Money Pools, including record keeping and coordination of loans, will be handled by Exelon Service under the authority of the appropriate officers of the participating companies. Exelon Service will administer the Utility and Nonutility Money Pools on an "at cost" basis and

will maintain separate records for each money pool.

C. Borrowings by Ventures and Exelon Energy Delivery

Ventures and Exelon Energy Delivery request authority to issue debt or equity securities to Exelon for the purpose of facilitating Exelon's additional investments in Genco, PECO, ComEd, and Enterprises. Amounts borrowed by Ventures and Exelon Energy Delivery from Exelon for this purpose would not count against the aggregate financing limit proposed for Exelon.

D. Other Borrowings

The Nonutility Subsidiaries may engage, from time to time, in other types of security financing with associates that are not exempt from prior Commission approval. In the limited circumstances where the Nonutility Subsidiary making the borrowing is not wholly owned by Exelon, directly or indirectly, authority is requested under the Act for Exelon or a Nonutility Subsidiary, as the case may be, to make such loans to such subsidiaries at interest rates and maturities designed to provide a return to the lending company of not less than its effective cost of capital. If such loans are made to a Nonutility Subsidiary, such company will not sell any services to any associate Nonutility Subsidiary unless such company falls within one of the categories of companies to which goods and services may be sold on a basis other than "at cost," as described in the Merger Application.

V. Other Transactions

A. Financing Subsidiaries

Exelon and the Subsidiaries request authority to acquire, directly and indirectly, the equity securities of one or more corporation, trusts, partnerships or other entities ("Financing Subsidiaries") created specifically for the purpose of facilitating the financing of the authorized and exempt activities of Exelon and the Subsidiaries through the issuance of long-term debt preferred securities or equity securities, to third parties and the transfer of the proceeds of such financings to Exelon or such Subsidiaries.³⁸

The parent of a Financing Subsidiary may, if required, guarantee or enter into support or expense agreements in respect of the obligations of its Financing Subsidiaries. Any amounts

issued by a Financing Subsidiary to third parties will be included in the proposed financing limit, if any, applicable to its immediate parent. However, any intrasystem borrowing by the parent of the proceeds of those issuances would not count against the proposed aggregate financing limitations, if any, applicable to the parent and a guaranty by the parent with respect to those issuances would not count against the Guaranty Limit.

PECO currently has in place Financing Subsidiaries related to its securitization bonds. Under the terms of PECO's settlement of its 1998 electric restructuring proceeding and the final order of the Pennsylvania Commission approving the settlement, issued on May 14, 1998, PECO is permitted to recover \$5.26 billion in stranded costs over a twelve year period that began on January 1, 1999. PECO's stranded costs are collected through a non-bypassable transition charge ("Transition Charge") which must be paid by all of PECO's transmission and distribution customers, regardless of whether the customers continue to purchase their electric capacity or energy from PECO.

The May 14, 1998 order authorized PECO to securitize up to \$4 billion of its recoverable costs through the issuance of transition bonds. On March 16, 2000, the Pennsylvania Commission issued a second order authorizing PECO to securitize an additional \$1 billion. In order to accomplish the approved securitization transactions, PECO created an independent special purpose entity named PECO Energy Transition Trust ("PETT") for the special purpose of purchasing from PECO certain property, including rights to the Transition Charge ("Transition Property"), issuing the transition bonds, pledging its interest in the Transition Property and other collateral to the bond trustee to secure the transition bonds, and performing activities that are necessary and suitable to accomplish these purposes.

The transition bonds have been issued and, in accordance with the orders of the Pennsylvania Commission, PECO is utilizing the proceeds of the transition bonds to retire higher cost debt and buy back equity securities. The investment of the transition bonds is being accomplished through a series of intercompany loans, contributions and distributions involving nonutility subsidiaries of PECO. Interest payments and loan advances are being and will continue to be made on a quarterly basis among these nonutility subsidiaries exempt under rule 52. The last of these quarterly transactions is presently expected to take place in May of 2010.

³⁸ One of the special purpose subsidiaries already in existence at PECO or Unicom, such as PECO-Energy Transition Trust (discussed below) or ComEd Transitional Funding Trust, may be used for these purposes as well.

Applicants request authority for PECO to refinance and extend the maturity of these obligations to lower interest costs. No refinancing will extend the maturity of the transition bonds past March 1, 2011.

B. Changes in Capital Stock of Majority Owned Subsidiaries

It may happen that the sale by a Subsidiary of capital securities (*i.e.*, common stock or preferred stock) may in some cases exceed the then-authorized capital stock of such Subsidiary. In addition, the Subsidiary may choose to use capital stock with no par value. Accordingly, request is made for authority to change the terms of any 50% or more owned Subsidiary's authorized capital stock capitalization or other equity interest by an amount deemed appropriate by Exelon or other intermediate parent company. This request for authorization is limited to Exelon's 50% or more owned Subsidiaries and will not affect the aggregate limits proposed in this application. A Subsidiary would be able to change the par value, or change between par value and no-par stock, without additional Commission approval.

C. Payment of Dividends

1. *Exelon and ComEd.* As a result of the application of the purchase method of accounting to the merger, the current retained earnings of ComEd will be recharacterized as additional paid-in-capital. In addition, the Merger will give rise to a substantial level of goodwill. In accordance with the Commission's Staff Accounting Bulletin No. 54, Topic 5J ("Staff Accounting Bulletin"), the goodwill will be "pushed down" to Unicom's subsidiaries, principally ComEd and reflected as additional paid-in-capital on ComEd's financial statements. As of the end of 1999, ComEd had a retained earnings balance of approximately \$433 million. However, the effect of these accounting practices will be to leave ComEd with no retained earnings, the traditional source of dividend payment. In addition, any dividend by ComEd of amounts now recharacterized as capital would be deemed a return of capital to Exelon and not a distribution of earnings. Accordingly, Applicants request authority for Exelon and ComEd to pay dividends out of capital up to the amount of \$500 million.

2. *Nonutility Subsidiaries.* The Nonutility Subsidiaries propose to pay dividends, from time to time through the Authorization Period, out of capital and unearned surplus (including

revaluation reserve), to the extent permitted under state law.

D. EWGs and FUCOs

At March 31, 2000, the pro forma consolidated amount of Exelon's aggregate investment in EWGs and FUCOs, as those terms are defined in rule 53, was \$151.4 million.³⁹ Applicants now request authority for Exelon to use up \$5.5 billion of the proceeds of financings to acquire additional investments in EWGs and/or FUCOs. In addition, Exelon requests that the limit on the use of Genco employees imposed in rule 53(a)(3) in connection with EWGs and FUCOs not apply.⁴⁰

Applicants note that pro forma consolidated retained earnings of Exelon as of March 31, 2000 were \$14 million. Consequently, Exelon will not satisfy the safe harbor requirement of rule 53(a). Applicants state in this regard that Exelon's low level of retained earnings are due to extraordinary writeoffs related to industry restructuring and the expected recharacterization of ComEd's retained earnings as a result of the Merger.

E. Stock and Incentive Plans

Applicants propose for Exelon, from time to time during the Authorization Period, to issue up to 21 million shares of Exelon common stock under the employee benefit and incentive plans described below and under a dividend reinvestment plan Exelon anticipates establishing after the Merger.

Upon completion of the Merger, Exelon will assume all the obligations of Unicom under the Unicom Stock Plans, of PECO under the PECO Stock Plans, the outstanding employee stock options and stock appreciation rights granted under those plans and the agreements evidencing the grants of those options and rights. In addition, each employee or director benefit or compensation plan, program or arrangement using Unicom Common Stock or PECO

³⁹ Applicants currently have no FUCO investments. The only existing EWG investment is PECO's investment in AmerGen, which was recorded at \$51.4 million at March 31, 2000. AmerGen, which is 50% owned by PECO, is an EWG that owns the Clinton Power Station in Illinois and the Three Mile Island Unit 1 Nuclear Generating Facility in Pennsylvania. As noted above, PECO also has issued letter agreements to provide funding up to a total \$100 million to be available to AmerGen in connection with the operation and maintenance of all the commercial nuclear power reactors acquired or to be acquired by AmerGen.

⁴⁰ One of the conditions to the use of the safe harbor provisions of rule 53 is the requirement in rule 53(a)(3) that no more than 2% of a registered holding company's utility subsidiaries employees render services to the company's EWGs or FUCOs.

Common Stock, other than the Unicom Stock Plans and the PECO Stock Plans, will provide for issuance or purchase in the open market only of Exelon Common Stock rather than Unicom Common Stock or PECO Common Stock, as the case may be, after the Merger. Further, Exelon anticipates that it will adopt the PECO Energy Company 1989 Long-Term Incentive Plan for purposes of making awards to employees of Exelon and its Subsidiaries following the Merger.

Appendix A—Existing Debt and Guaranties

Unicom Debt and Guaranties

Unicom is currently obligated under two notes to an associate having an outstanding aggregate principal amount of approximately \$627 million as of March 31, 2000. Unicom also currently guaranties committed lines of bank credit available to a Nonutility Subsidiary for \$400 million (from a group of 20 banks) which expire on December 15, 2000. In addition, as of March 31, 2000, Unicom has authorized guaranties of \$802 million including guaranties relating to obligations of Unicom Thermal Technologies, Unicom Energy, Inc., Unicom Energy Ohio, Unicom Enterprises and the Midwest Independent System Operator. Further, ComEd and Unicom Investment, Inc. entered into an intercompany agreement relating to the sale of certain fossil generating stations by ComEd under which Unicom Investment executed a 12 year promissory note to ComEd for \$2.5 billion

Utility Subsidiary Debt and Guaranties

As of March 31, 2000, ComEd has several issuances of debt outstanding, having various maturities up to 2023, including first mortgage bonds, sinking fund debentures, pollution control obligations, medium term notes, intercompany loans and purchase contract obligations, in amounts aggregating approximately \$4.914 billion. ComEd also has a commercial paper program in place with outstanding principal debt aggregating approximately \$122 million. ComEd Transitional Funding Trust has issued several series of transition bonds, with various maturities up to 2008, with an aggregate outstanding principal amount of approximately \$3.0 billion. ComEd has various other subsidiaries which will also maintain existing financing arrangement in transactions Applicants state are exempt from Commission review under rule 52.

As of March 31, 2000, PECO has several issuances of debt outstanding, having various maturities up to 2014, including first mortgage bonds, pollution control debt and other secured obligations, sinking fund debt, and medium term notes, in amounts aggregating approximately \$1.766 billion. In addition, PETT has issued several series of transition bonds having various maturities up to 2009, in an aggregate outstanding principal amount of approximately \$4.9 billion. Further, Susquehanna owes: Approximately \$60,000 under an intercompany note issued to PECO.

As of March 31, 2000, PECO has \$110 million in outstanding guarantees or commitments, including a \$100 million obligation in favor of AmerGen, an EWG, an \$10 million in favor of its Exelon Infrastructure Services subsidiaries.

For the Commission by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 00-24732 Filed 9-26-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43313; File No. 265-22]

Advisory Committee on Market Information; Establishment; Meeting

AGENCY: Securities and Exchange Commission.

ACTION: Notice.

SUMMARY: The Chairman of the Securities and Exchange Commission ("Commission"), with the concurrence of the other members of the Commission, intends to establish the Securities and Exchange Commission Advisory Committee on Market Information ("Committee"), which will advise the Commission regarding issues relating to the public availability of market information in the equities and options markets. The first meeting of the Committee will be held on October 10, 2000, in the William O. Douglas Room, at the Commission's main offices, 450 Fifth Street, N.W., Washington, D.C., beginning at 1 p.m. The meeting will be open to the public, and the public is invited to submit written comments to the Committee.

ADDRESSES: Written comments should be submitted in triplicate and should refer to File No. 265-22. Comments should be submitted to Jonathan G. Katz, Secretary, Securities and Exchange Commissions, 450 Fifth Street, N.W., Washington, D.C. 20549-0609.

FOR FURTHER INFORMATION CONTACT: Anitra Cassas, Attorney, Division of Market Regulation, at 202-942-0089; Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-1001.

SUPPLEMENTARY INFORMATION: In accordance with the requirements of the Federal Advisory Committee Act, 5 U.S.C. App., the Securities and Exchange Commission has directed publication of this notice that Chairman Arthur Levitt, with the concurrence of the other members of the Commission, intends to establish the "Securities and

Exchange Commission Advisory Committee on Market Information." Chairman Levitt certifies that he has determined that the creation of the Committee is necessary and in the public interest.

The Committee's charter directs the Commission to assist the Commission in evaluating issues relating to the public availability of market information in the equities and options markets, including: (1) The value of transparency to the markets; (2) the ramifications of electronic quote generation and decimalization for market transparency; (3) the merits of providing consolidated market information to intermediaries and customers; (4) alternative models for consolidating and disseminating information from multiple markets; (5) how market information fees should be determined, including the role of public disclosure of market information costs, fees, revenues, and other matters, and how the fairness and reasonableness of fees should be evaluated; and (6) appropriate governance structures for joint market information plans, as well as issues relating to plan administration and oversight.

To achieve the Committee's goals, members will be appointed that can effectively represent the varied interests affected by the range of issues to be considered. The Committee's membership may include, among other, persons who can represent investors, markets, broker-dealers, vendors, and other market participants, as well as the public at large. The Commission expects that the Committee's members will represent a variety of viewpoints and have varying experience, and that the Committee will fairly balanced in terms of points of view, backgrounds and tasks. The Chairman of the Committee will be Joel Seligman, Dean of the Washington University School of Law.

The Committee will conduct its operations in accordance with the provisions of the Federal Advisory Committee Act. The duties of Committee will be solely advisory. Determinations of action to be taken and policy to be expressed with respect to matters upon which the Advisory Committee provides advice or recommendations shall be made solely by the Commission.

The Committee will meet at such intervals as are necessary to carry out its functions. It is expected that meetings of the full Committee generally will occur no more frequently than six (6) times; meetings of subgroups of the full Advisory Committee will likely occur more frequently. The Commission will provide necessary support services to the Committee.

The Committee will terminate on September 15, 2001 unless, prior to such time, its charter is renewed in accordance with the Federal Advisory Committee Act, or unless the Chairman, with the concurrence of the other members of the Commission, determines that continuance of the Committee is no longer in the public interest.

Fifteen days after publication of this notice in the **Federal Register**, a copy of the charter of the Committee will be filed with the Chairman of the Commission, the Senate Committee on Banking, Housing, and Urban Affairs, and the House Committee on Commerce. A copy of the charter will also be furnished to the Library of Congress and placed in the Commission's Public Reference Room for public inspection.

Furthermore, upon establishment of the Committee, and in accordance with section 10(a) of the Federal Advisory Committee Act, 5 U.S.C. App. 10a, notice is hereby given that the first meeting of the Committee will be held on October 10, 2000 in the William O. Douglas Room at the Commission's main offices, 450 Fifth Street, NW., Washington, DC, beginning at 1 p.m. The meeting will be open to the public. The purpose of this meeting will be to discuss general organizational matters, to plan the progression of the Committee's work, and to begin discussion of the issues relating to the public availability of market information in the equities and options markets.

Dated: September 20, 2000.

Jonathan G. Katz,
Secretary.

[FR Doc. 00-24798 Filed 9-26-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43305; File No. SR-Amex-00-36]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the American Stock Exchange LLC Creating an Options Principal Membership Seat Upgrade Program

September 19, 2000.

I. Introduction

On June 30, 2000, the American Stock Exchange LLC ("Exchange" or "Amex"), submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934