FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

NEWS MEDIA CONTACT:
Barbara A. Connors
(202) 502-8680

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COMMISSION APPROVES MERGERS IN PENNSYLVANIA, UPPER MIDWEST; CO-OP'S RESTRUCTURING AUTHORIZED

The Federal Energy Regulatory Commission today approved the acquisition of Duquesne Light Holdings Inc. by an investment consortium led by Macquarie Infrastructure Partners. In separate actions today, the Commission approved the merger between Chicago-based Peoples Energy and WPS Resources and approved a Virginia-based electric cooperative's structural reorganization.

Under section 203 of the Federal Power Act and the standards set by Order No. 592, the Commission's 1996 merger policy guidelines, the Commission reviews public utility mergers to evaluate a transaction's effects on competition, rates and regulation. The Commission approves a merger if it finds the transaction consistent with the public interest. The Energy Policy Act of 2005 amended section 203 of the Federal Power Act to specifically require the Commission to determine that a merger will not result in cross-subsidization of a non-utility associate company for the benefit of an associate company.

In both merger orders the Commission approved today, the Commission identified no cross-subsidization and found the transactions consistent with the public interest.

Pittsburgh-based Duquesne Light Holdings is a public utility holding company with several subsidiaries, including Duquesne Light Co. (DLC), Duquesne Power, Duquesne Generation Co., Monmouth Energy and Duquesne Light Energy LLC. Among these Duquesne Light Holdings subsidiaries, DLC buys, transmits and distributes electric energy to approximately 580,000 customers in southwestern Pennsylvania. Duquesne Power sells wholesale power at market-based rates. The Macquarie consortium has world-wide holdings that include energy and non-energy assets. Under the terms of the agreement, the consortium will acquire all of the outstanding shares of Duquesne Light Holdings in a transaction valued at approximately $1.59 billion.

The Commission dismissed arguments that DLC retail customers were "captive customers" at risk for cross-subsidization, noting that Pennsylvania is a retail choice state. "DLC's customers have retail choice, and it is not the role of this Commission to evaluate the success or failure of a state's retail choice program," the Commission said.

Moreover, in the Merger Policy Statement, the Commission recognized that "where the state commissions have authority to act on the merger, we intend to rely on the state commissions to exercise their authority to protect state interests." In Order No. 669, the Commission further stated that any additional protection mechanisms it imposes to assure that customers are protected from the effects of cross-subsidization would complement, and not nullify, those imposed by state commissions. In this regard, the Commission noted that the Pennsylvania Public Utility Commission has jurisdiction over DLC, and that the Pennsylvania Commission has merger authorization authority and authority to protect against cross-subsidization.

In approving the WPS/Peoples merger, the Commission noted that the applicants have offered hold harmless provisions for jurisdictional ratepayers and "have provided sufficient assurances that their merger will not result, at the time of consummation or in the future, in cross-subsidization…" Additionally, the Commission noted that the merger is consistent with the public interest as it will not have an adverse effect on competition, rates or regulation.

WPS Resources, a holding company headquartered in Green Bay, Wisconsin, owns subsidiaries with electric generation and distribution facilities in Wisconsin and Michigan, serving approximately 477,000 customers. WPS Resources' subsidiaries sell and distribute natural gas to about 669,000 customers in Wisconsin, Michigan and Minnesota. Peoples Energy, through its subsidiaries, has utility and non-utility operations in the Midwest, including selling and distributing natural gas to nearly one million retail customers in Illinois. Peoples does not own or control any electric transmission or distribution facilities.

Separately, the Commission approved the proposed transaction involving Old Dominion Electric Cooperative and New Dominion Energy Cooperative. Old Dominion is a public utility that operates as a not-for-profit electric generation and transmission cooperative, providing generation, transmission, ancillary and other related services to its twelve member cooperatives, which serve retail customers in Virginia, Delaware, Maryland and parts of West Virginia. New Dominion is a new entity created as part of a proposed reorganization of Old Dominion.

The Commission reviewed exceptions to an administrative law judge's February 2006 Initial Decision on the proposed reorganization and assignment of wholesale power contracts and their potential effect on rates. The question was raised as to whether Old Dominion's slight credit downgrade, from A+ to A, might raise rates and whether the downgrade was due to the proposed transactions. The Commission order approving the transaction affirmed the Initial Decision's finding that it was not shown that the credit downgrade would raise rates.

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