

# Pennsylvania at Forefront of Renewable Energy Standards, PPL Corporation Chairman Says

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By capturing the wisdom of a market-based approach, Pennsylvania's new renewable energy legislation provides an illustration that environmental improvements and economic growth not only can coexist, but actually are mutually dependent, PPL Corporation's (NYSE: PPL) top executive told participants at a conference on renewable energy Wednesday (5/25).

Addressing industry leaders, policy makers and renewable energy advocates near Harrisburg, William F. Hecht, PPL's chairman, president and chief executive office, said the state has established aggressive, yet achievable, renewable energy standards. He said more must be done nationally, however, to encourage development of competitive electricity markets.

"Pennsylvania is clearly at the forefront of efforts to ensure an electricity supply that not only encourages economic development and jobs, but also leads to a cleaner environment," Hecht told audience members at PennFuture's "Spinning Green Energy into Gold" Conference.

"I am hopeful that our experience in Pennsylvania and some other states will begin to prove the efficacy and importance of a free market approach," he added.

Both Hecht and Pennsylvania Department of Environmental Protection Secretary Kathleen McGinty delivered keynote speeches at the conference, which focused on building a clean energy market and implementing the state's new energy law, the Alternative Energy Portfolio Standard. The law, enacted in November 2004, requires all load-serving energy companies in Pennsylvania to provide 18 percent of their electricity via alternative sources by 2020. Eligible technologies include solar, wind, hydroelectric, fuel cells, waste coal and landfill methane.

Hecht said the new legislation resulted from regulatory and elected officials working side-by-side with consumer advocates, environmentalists and business representatives. Praising the result, he likened the state's alternative energy approach to its strategy on deregulation.

"Pennsylvania's electricity restructuring has as its foundation a reliance on competitive wholesale markets to set wholesale electricity prices," said Hecht. "This reliance has already borne significant fruit for Pennsylvania's businesses and residential electricity customers. The Public Utility Commission estimates that Pennsylvanians have saved more than \$5 billion as the result of electricity deregulation. And, Pennsylvania's next generation of power plants will be built with investors, rather than ratepayers, taking the risks.

"We are confident that Pennsylvania's alternative energy growth process will be similarly successful because it, too, relies on market principles," he added.

A key to the act's success, he said, is its embrace of a "cap and trade" concept that has already proven its worth in encouraging environmental improvements. Under the concept, companies can either acquire renewable generation supply or purchase credits from other companies. The approach, he said, provides flexibility to ensure that the best, most economical facilities are built in the most advantageous locations.

"The cap and trade program was first put into environmental law by the 1990 Clean Air Act Acid Rain Program, and it works," said Hecht. "It has resulted in real improvement in air quality by reducing the amount of sulfur dioxide emissions from power plants by 38 percent from 1980 levels."

The reductions went significantly farther than the Clean Air Act would have required and took place sooner and less expensively than would have otherwise been the case, he said. The cap and trade system, he added, led PPL to decide to invest nearly \$1 billion in new pollution control equipment for its Montour and Brunner Island

coal-fired plants in Pennsylvania.

"The price of emission allowances established under the cap and trade system provided us with an economic incentive, or signal, to build now rather than later," he said. "Pennsylvania's renewable portfolio process can work that same way - putting in place a system that can result in significant advances in development of new environmentally-friendly technology in our region."

Hecht said challenges remain to the state's transition to a truly competitive market. A significant challenge is ensuring that the marketplace sends the appropriate signals for investment in new power plants when they are needed. Another challenge is inaction at the national level, he said.

"America desperately needs an energy policy that addresses the need for new power plants, boosts the reliability of the nation's transmission system, and provides a market-based framework for the development of environmentally- friendly power supplies," he said.

Hecht said he hopes Pennsylvania's actions will lead the way, and he encouraged conference participants to continue their effective collaboration and seek consensus that benefits all Pennsylvanians.

Headquartered in Allentown, Pa., PPL Corporation controls about 12,000 megawatts of generating capacity in the United States, sells energy in key U.S. markets and delivers electricity to nearly 5 million customers in Pennsylvania, the United Kingdom and Latin America. More information is available at <http://www.pplweb.com/>.

SOURCE: PPL Corporation

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