

# PPL Says Montana PSC Action Contrary to Federal Law

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ALLENTOWN, Pa.

PPL Corporation (NYSE: PPL) said a Tuesday action by the Montana Public Service Commission contains conclusions that are clearly in violation of federal law regarding the Montana power plants that a company subsidiary owns and operates.

(Photo: <http://www.newscom.com/cgi-bin/prnh/19981015/PHTH025>)

"We bought these power plants in Montana with the understanding that they would operate as merchant plants, selling electricity into Western wholesale markets -- at market-based prices," said Joanne Raphael, PPL vice president- External Affairs.

"The federal government has given us the right to sell power from these plants at market-based rates. Although the PSC's order is directed at The Montana Power Company, the PSC also indicates that it has regulatory authority over PPL Montana's power plants," said Raphael. "The state of Montana has no authority to direct PPL Montana to sell electricity at a given price."

"Despite an attempt by the PSC to construct some legal basis for authority to dictate the terms under which we sell electricity generated at our Montana facilities, there simply is no legal justification for such a conclusion," said Raphael. "If the PSC continues to pursue this misguided reasoning, we would be forced to pursue a challenge to such an illegal action."

PPL Montana, a subsidiary established by PPL in 1999, operates two coal- fired power plants and 11 hydroelectric facilities in the state. PPL Montana has about 1,150 megawatts of generating capacity in the state.

Raphael said PPL has offered to supply Montana Power with 500 megawatts of power produced by PPL's plants at 4 cents per kilowatt-hour for five years. PPL already has signed an agreement providing for this power supply and is awaiting signature from Montana Power. That contract must be approved by the PSC.

"It would be extremely unfortunate for the people of Montana if the PSC puts at risk a contract that would provide for about two-thirds of Montana Power's electricity supply needs at very attractive prices," said Raphael. Since PPL Montana purchased its Montana plants, it has been supplying Montana Power with electricity at less than 2.5 cents per kilowatt-hour.

In addition, PPL Montana has voluntarily provided 20 megawatts of below- market-priced electricity to a power pool that the state has established for industrial customers. PPL is the only company providing electricity to that pool.

PPL EnergyPlus, another subsidiary of PPL, also has been making competitive energy supply offers to industrial customers in Montana.

"PPL has done as much or more than any other company in the state to help Montana cope with the increase in energy prices in the West," said Raphael. "Given our numerous efforts to be part of the solution, it is particularly disappointing that the PSC seems to be persisting in these unlawful and ill- advised actions."

Raphael said PPL will review the written PSC order and then consider its legal options.

PPL Montana and PPL EnergyPlus, both subsidiaries of PPL Corporation, have offices in Butte, Billings and Helena and together employ more than 500 people in Montana. PPL Montana operates the Colstrip and Corette generating plants and 11 hydroelectric facilities within the state.

PPL Corporation, headquartered in Allentown, Pa., generates electricity at power plants in Pennsylvania, Maine and Montana; markets wholesale or retail energy in 42 U.S. states and Canada; and delivers electricity to nearly 6 million customers in Pennsylvania, the United Kingdom and Latin America.

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EDITOR'S NOTE: Visit PPL's media Web site for additional news and background about the corporation and its subsidiaries.

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