

PPL Offers Comprehensive Proposal To Solve Montana's Electricity-Supply Needs

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PPL Corporation (NYSE: PPL) announced Tuesday (9/25) that its energy marketing company has structured a comprehensive proposal that would provide Montana's residents with a guarantee of stable electricity prices through June 2007.

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"We have made a proposal to The Montana Power Company under which PPL will shoulder the risk of changing electricity prices for five years," said Joel Cook, director of PPL EnergyPlus' Butte, Mt.-based Western marketing and trading operation. "Acceptance of this proposal by MPC would mean that Montana residents would continue to enjoy electricity prices that are among the lowest in the region."

Cook said PPL has pledged to be part of a solution to Montana's electricity supply needs and this latest proposal is another significant example of the company fulfilling that pledge.

"This proposal provides the price certainty and the entire 'supply portfolio' that the Montana Public Service Commission has been seeking. While providing this certainty, the proposal also is structured to allow MPC to buy electricity from new Montana power plants if such a purchase would further lower prices for MPC customers," said Cook.

Under the proposal, which was made in the form of a contract offer to MPC, PPL would meet all MPC's electricity supply needs for customers who don't choose an alternative supplier. This MPC obligation commonly is called the default supply requirement. PPL would supply up to the historic peak use of MPC customers, which is 1,050 megawatts, excluding electricity that MPC buys from "qualifying facilities," a special class of power plants.

PPL would supply this electricity at a fixed price of less than \$40 a megawatt-hour over the five-year period.

"This is a very competitive proposal, especially since PPL would bear the risk of wide swings in MPC's customer load. It is this load-following supply that is the most expensive form of electricity," said Cook.

"Under this proposal, PPL will provide the electricity Montana needs at set prices -- bearing all the wholesale electricity price risk -- as we have done under our current contract with MPC," said Cook. "This price would be guaranteed even if operating difficulties or low water flow limit the amount of electricity that our Montana power plants can produce and force us to pay high marketplace prices to meet our commitment," Cook said. "No other supplier has offered to bear such a risk for Montana."

This proposal, he said, means that:

- MPC would not be required to manage energy supply for its default supply customers.
- MPC would have a firm, guaranteed supply of electricity regardless of the supply situation in Montana or the region.
- MPC would not bear the risk of daily and seasonal price uncertainty.

"While we are convinced that our proposal is a very competitive one, we also realize that there may be some uncertainty about whether this is the best offer available," said Cook.

For that reason, PPL is encouraging MPC to issue a new Request for Proposal for all of its default energy supply needs. "The use of an RFP process, in which the bids would be made public, is the means by which consumers and public officials can be assured that MPC is getting the most competitive price and terms for its default supply obligation," said Cook. "We believe such a process will validate the competitiveness of this proposal."

In the RFP process held earlier this year, more than 20 bids were received and PPL's offer was the most attractive.

PPL EnergyPlus markets or brokers the electricity produced at all PPL power plants. Both PPL EnergyPlus and PPL Montana are subsidiaries of PPL Corporation. PPL has offices in Butte, Billings and Helena and employs more than 500 people in Montana. PPL Montana operates the Colstrip and Corette generating plants and 11 hydroelectric facilities within the state.

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