PPL Plans to Place Four Connecticut Units in Reserve Status

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ALLENTOWN, Pa.

A subsidiary of PPL Corporation (NYSE: PPL) told the Federal Energy Regulatory Commission on Monday (3/31) that it is preparing to file an application to temporarily deactivate four of the five units at the company's power plant in Wallingford, Conn.

In that application, PPL will inform ISO-NE, the independent system operator in Connecticut, that the company would like to place the units in reserve status for two to four years.

"Current prices in the region do not justify continued operation of these Wallingford units and our internal projections show that the right economic decision is to deactivate them for at least two years, and perhaps as long as four," said Paul T. Champagne, president of PPL EnergyPlus, PPL's electricity marketing company. "PPL cannot continue to run these units when the prices we expect to receive for the electricity will not even cover our costs of keeping the facility in operation."

Champagne said price mitigation measures in the New England power pool have forced PPL into this position.

"Deactivation is not our first choice," said Champagne. "We remain hopeful that FERC will approve cost-based rates for these units, which would likely avoid the need to deactivate them."

On Jan. 16, PPL asked FERC to put into place a special contract it negotiated with ISO-NE that would establish cost-based rates and approve the designation of four Wallingford units as "must-run" units. This would permit the ISO-NE to order those units to operate even if, under normal circumstances, market conditions would make it unprofitable for the units to generate electricity.

ISO-NE concurred in the January request. PPL's filing Monday was in response to a FERC request for additional information.

"We understand that electricity is needed in this region of Connecticut and we stand ready to help provide supply as long as we can do so in a way that doesn't have a negative impact on the shareowners of PPL," said Champagne. "In these circumstances, cost-based rates could make it economical for the company to keep these units available to meet peak electricity needs in the region."

He said PPL anticipates that market conditions will permit the profitable operation of Wallingford within two to four years. "We are not proposing to close these units permanently, just to place them in reserve for a period," Champagne said.

The fifth unit at Wallingford, which sells its output under contract to a wholesale customer in New England, would continue to operate while the other units are deactivated. For that reason, the company currently plans to retain its employees at the plant during the reserve period. The deactivation would not result in an impairment of the company's investment in the plant, he said.

PPL Corporation, headquartered in Allentown, Pa., controls about 11,500 megawatts of generating capacity in the United States, sells energy in key U.S. markets and delivers electricity to customers in Pennsylvania, the United Kingdom and Latin America.

SOURCE: PPL Corporation

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