

PPL, NorthWestern Reach Agreement in Principle to Settle Lawsuit

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PPL Montana and NorthWestern Energy have reached an agreement in principle to settle a lawsuit related to PPL's purchase of power plants in Montana.

Under the terms of the agreement announced Wednesday (5/4), PPL and NorthWestern have agreed to drop all claims against each other, ending litigation that has been ongoing since 2002. The litigation began with a disagreement regarding PPL's obligation to purchase certain transmission facilities associated with the Colstrip power plant in eastern Montana.

"We believe that this settlement is the best way to resolve these legal issues," said Brad Spencer, vice president and chief operating officer of PPL Montana, the owner and operator of power plants that PPL originally purchased from Montana Power Company in 1999. "The settlement puts these issues behind us so that PPL and NorthWestern can focus on our core business operations. With this litigation out of the way, we are hopeful that we will be able to improve our working relationship with NorthWestern."

The 1999 asset purchase agreement that spelled out the terms of PPL's acquisition of the Montana power plants included a provision concerning the proposed purchase by PPL of a portion of NorthWestern's interest in transmission facilities near the Colstrip plant for \$97 million. During 2002, PPL had been in discussions with NorthWestern regarding the proposed purchase of the transmission facilities and the claims that PPL believed it had against NorthWestern arising from the asset purchase agreement and related agreements. In September 2002, NorthWestern filed a lawsuit in Montana against PPL seeking court action to compel PPL to purchase the transmission facilities or pay damages. PPL filed defenses denying liability for NorthWestern's claims as well as counterclaims against NorthWestern seeking damages PPL Montana believed it had suffered. PPL also filed claims for damages in NorthWestern's bankruptcy proceeding.

Under the terms of the settlement, NorthWestern will retain the transmission facilities, PPL will pay \$9 million, and will receive a back-up transformer that is located at the Colstrip facility. Each party will drop its claims (including PPL's claims for indemnity under the original asset purchase agreement) in the pending litigation in Montana and the bankruptcy court.

Once a definitive agreement has been reached, the settlement would become effective following the dismissal by the U.S. District Court of the Montana lawsuit, and acceptance by NorthWestern's bankruptcy Plan Committee and approval by the U.S. Bankruptcy Court for the District of Delaware.

As a result of the agreement in principle, PPL Corporation will recognize an unusual after-tax charge of \$6 million, or \$0.03 per share, against its first quarter earnings, which the company will announce on Thursday (5/5).

PPL Montana, a subsidiary of PPL Corporation (NYSE: PPL), has offices in Billings, Butte and Helena. With about 500 employees, PPL Montana operates the coal-fired Colstrip and Corette power plants and 11 hydroelectric facilities along the Missouri, Flathead, Clark Fork and Madison rivers and Rosebud Creek. PPL EnergyPlus, another PPL subsidiary, operates a trading floor in Butte that markets and sells power in the wholesale energy market. More information is available at <http://www.pplmontana.com/>.

SOURCE: PPL Montana

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