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NEWS RELEASE

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SEC. 206 PROCEEDING FOR PPL MONTANA COMPANIES TERMINATED; COMPANIES AUTHORIZED TO MAKE MARKET-BASED SALES

The Federal Energy Regulatory Commission today authorized the PPL Companies, wholesale electric power sellers in the Northwest, to continue making sales at market-based rates after determining that PPL Companies successfully rebutted the presumption that they had market power in their home market.

In April 2004, the Commission adopted two new generation market power screens that provide a preliminary assessment of whether a seller is a pivotal supplier and how much market share a seller has compared to other competitors.

Failure of one or both of the Commission's generation market power screens provides the basis for the Commission to order further proceedings under section 206 of the Federal Power Act. Initiation of a section 206 proceeding does not revoke a company's market-based rates or impose mitigation. The proceeding provides refund protections to wholesale customers while allowing the applicants to submit additional evidence and analysis to rebut the Commission's presumption that they have market power. Alternatively, companies can adopt the default cost-based rates or propose tailored market-power mitigation for Commission consideration.

In an earlier order in this proceeding, the Commission initiated an investigation under section 206 of the Federal Power Act to determine whether the PPL Companies – PPL Montana LLC, PPL Colstrip I LLC and PPL Colstrip II LLC – could continue to charge market-based rates. The section 206 proceeding, terminated by today's order, was limited to the NorthWestern control area because the PPL Companies' original updated market rate filing indicated they failed the wholesale market share screen in the NorthWestern geographic market.

As part of that proceeding, the PPL Companies and other parties filed Delivered

Price Test (DPT) analyses for Commission review. The DPT defines the relevant market for analysis by identifying potential suppliers based on market prices, input costs and transmission availability, and calculates each supplier's economic capacity and available economic capacity for each season/load period.

The DPT "is a well-established test that has been used routinely to analyze market power in evaluating mergers for many years," the Commission noted in today's order. It further noted that the DPT analysis helps to present a more complete view of competitive conditions and the applicant's position in relevant markets.

In analyzing the DPTs, the Commission found the PPL Companies successfully rebutted the presumption of generation market power and satisfied the Commission's generation market power standard. The Commission based its determination on the specific facts of this case, which show that:

- Under both the economic capacity and the available economic capacity measures of market power, the PPL Companies are non-pivotal suppliers in all peak periods and the market concentration measures are well below the Commission's thresholds in all seasons.

- These results occur even though the PPL Companies restricted competing imports into the relevant market in their study to a greater extent than intervenors did in their own market-based rates study, thus making PPL Companies' results more conservative.

- Simultaneous import limitation values for NorthWestern's control area indicate that competitors have access to 1,344 megawatts of transmission import capability for summer, 1,406 megawatts of transmission import capability for winter and 1,342 megawatts of transmission import capability for spring.

- Even if the Commission were to adopt intervenors' proposed adjustments (e.g., requiring PPL Companies to count its generation associated with "expiring contracts"), the evidence shows that a number of these adjustments would have no material effect on the test results – which intervenors themselves concede for some of these adjustments.

- Even the DPT results of one key intervenor (Northwestern) which assumes the current sales contracts have expired do not support that PPL Companies have market power because that study indicates that market concentrations for all periods under the available economic capacity measure would be below the Commission's thresholds in nine of 10 periods, and because the intervenor did not provide evidence on one of the key measures of market power (the pivotal supplier test).

- Contrary to NorthWestern's claims, the results of its recent Request For Proposals (RFP) for power suppliers indicates that Northwestern received several proposals other than PPL Companies' in response to its RFP, which suggests that NorthWestern has alternatives to renewing the expiring contracts with PPL Companies. Bids in response to the RFP generally ranged from $40 per megawatt-hour to $70 per megawatt-hour, and PPL Companies' average bids – from $40 per megawatt-hour to $50 per megawatt-hour – were at the lower end of that range.

To enhance customer access to lower priced power in the region, the Commission also accepted the PPL Companies commitment to voluntarily make long-term sales to load in the NorthWestern control area for 100 megawatts of "discounted power."

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