

## Update on PPL & the MCC

At issue is: The rising costs of PPL's power and whether or not PPL should be required to move from its current market-based pricing to cost-based rates.

### **Background:** (uncontested)

- Controversy has been unfolding between two of the biggest pieces of what used to be MT Power: its power-generating remnant, being PPL, and its transmission remnant, being NWE.
  - 1999 PPL bought MT Pow's dams and coal-fired plants
  - 2002 NWE bought its gas & electricity transmission & distribution systems
- The price:
  - With its purchase in 1999, PPL agreed to sell for below-market prices until after a transition period had passed and competition existed
  - PPL increased its rates 40% in 2002, sending rates from **\$22.50** / megawatt hour in 1999 to **\$32**.
  - Reportedly, PPL is suggesting a 25% increase for its contract renewal with NWE in 2007. If that were to occur, rates would move from **\$32** to about **\$39-40**.
    - As noted, PPL's 5-yr contract with NWE expires in 2007
- FERC:
  - PPL's market-based rate authority is subject to FERC review every 3 years
  - Both MCC & PPL have filings in with FERC. As of May 13, the "case [was] not yet scheduled for a [FERC] decision."

### **Montana Consumer Counsel (and NWE)**

- MCC says FERC should revoke PPL's "market-based rate authority".
- It argues that "PPL affiliates own and operate more than 92% of the generating capacity in MT sold in the unregulated competitive wholesale power market and that this represents a "near monopoly."
- Thus, the MCC says, an acceptable level of competition has not surfaced.
- And it further claims PPL has filed "false information" with FERC.
- It says, for example, PPL's contention that it's charging less than the market rate quoted by the Mid-Columbia price index (a regional index) is irrelevant; that it *would be expected* to be below that

## P.P.L.

- The price increases result from "market forces" not "market domination"
  - **Supply & demand, drought, growing regional load, increased** (environmental and production) **costs, higher credit risks** associated with bankruptcies.
- It's rates are "lower than relevant benchmarks" (a reference to the "Mid Columbia Market" regional index just mentioned)
- Reports they are providing NWE "the lowest price of any electricity in their portfolio."
- PPL points out that it has "never been named by FERC as a market manipulator."
- There is "a robust competitive wholesale market in MT and the Pacific NW [as shown by the] 44 separate bidders that participated in NWE's recent request for bids from power suppliers... a number of these [which would] involve building new power plants."
- MCC's filings contain "no facts, no affidavits and no legal theories to support the claims."