

PPL operates power plants and sells electricity in competitive markets in the Northeast and West. We value open dialogue with public officials to achieve constructive outcomes on energy policy issues. Contact us with questions or requests for information about competitive electricity markets and energy policy.



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This newsletter is available online at pplenergyinsights.com.

PPL prepared to comply with reinstated environmental regulation

PPL is carrying out plans to comply with a federal environmental regulation that was reinstated by the same federal appeals court that overturned it just a few months earlier.

A Dec. 23 ruling by the U.S. Court of Appeals for the District of Columbia Circuit allowed the Clean Air Interstate Rule to stand until the Environmental Protection Agency can fix it to address legal concerns identified in the court's July 11 decision that struck down the rule.

CAIR is a regional program that mandates significant air pollution reductions from fossil fuel power plants in 28 eastern and midwestern states. It establishes an annual "cap and trade" program for emissions of nitrogen oxides starting in 2009. Previously, nitrogen oxides were capped only from May through September. It also requires generators to surrender twice as many sulfur dioxide allowances starting in 2010 than required under

the 1990 Clean Air Act's acid rain program.

PPL's compliance strategy includes a \$1.5 billion investment in scrubbers and other control equipment at the Montour and Brunner Island coal-fired power plants in Pennsylvania. PPL also permanently shut down two coal-fired generating units at its Martins Creek plant in Pennsylvania as part of a 2003 agreement with environmental agencies in Pennsylvania and New Jersey.

To help meet the annual nitrogen oxides requirement, PPL will extend operation of the selective catalytic reduction (SCR) system at its Montour plant to a year-round basis.

PPL supported CAIR's emission reductions and the "cap-and-trade" approach to achieving them. After CAIR was overturned, Bill Spence, PPL's executive vice president and chief operating officer, testified before a U.S. Senate committee about the need for legislation to codify the rule so generators would have clarity and certainty about requirements for improving air quality.

Study shows competition is best way to address energy needs

A report issued in December by the Northbridge Group supports Pennsylvanians for Reliable Power's belief that electric competition is the best way to meet energy needs.

The report examines energy trends and policy changes from the 1970s and 1980s, when we faced the same challenges we're facing today — high fuel costs, changes in customer demand and environmental concerns.

In the '70s and '80s, policymakers

responded with regulatory action that led to a massive overbuild of baseload capacity, skyrocketing rates and huge cost overruns paid by customers. Those decisions cost ratepayers about \$200 billion in today's dollars and caused supply and rate problems that were felt for many years, according to the report.

The report notes four flaws of regulation:

- A lack of clear price signals, which creates a slow regulatory response, causing

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utilities to create much more or less electricity than needed.

- Perverse capital incentives, which cause utilities to fund unnecessary projects.
- Improper allocation of risks, which cause utilities to make uneconomic, customer-funded commitments.
- Regulatory overcompensation, which increased costs and inefficiencies instead of fixing problems.

Comparing electric regulation to the competitive electricity market, the report concludes that competition is the best way to meet the nation's electricity needs.

In addition to the pitfalls of regulation noted in the Northbridge report, competition has had several benefits. Competition

forces generating plants to be more efficient by maximizing output and capacity. Competition allows electric generators to keep up with demand by increasing capacity as they see fit, including conservation and increased use of renewable resources.

"Ultimately, the point we are trying to get across is that the solution is a combination of conservation, alternative energy and the improvement and expansion of our existing transmission infrastructure, all within a competitive electric industry," said John Quain, former Pennsylvania Public Utility Commission chairman and spokesperson for Pennsylvanians for Reliable Power.

PPL Electric Utilities submits regional transmission project for approval

After 18 public meetings, thousands of conversations with residents along the route, and seeking public input on everything from route selection to line design, PPL Electric Utilities has submitted to the Pennsylvania Public Utility Commission an application to site and build the 500-kilovolt Susquehanna-Roseland power line.

The line is needed because demand for electricity has risen substantially and is expected to continue to rise despite the current slowdown in the economy. The existing power grid infrastructure has not been improved to keep up with increasing demand.

The line will benefit residents and businesses, regardless of their local electric company, by helping to prevent overloads on the regional grid that could lead to

serious problems during the times when electricity is needed the most.

The line route through northeastern Pennsylvania follows existing power line routes for more than 90 percent of its distance, helping to reduce impact on people and the environment.

During the PUC review process, which is expected to take about one year, PPL Electric Utilities will move forward with final design work. The line is scheduled to be in service by May 2012.

The PJM Interconnection, which oversees reliability planning for the regional power grid, identified the need for the new line. PJM ordered PPL Electric Utilities to build the Pennsylvania portion and ordered PSE&G to build the New Jersey portion of the line.

PPL EnergyPlus program offers customers chance to go green

Everyone wants to do their part to fight global warming. Now with the help of PPL EnergyPlus' Renewable Choice Program, you can help create a cleaner, greener future.

The program allows consumers, businesses and wholesale energy customers to help fund the development of new renewable energy and reduce the country's reliance on fossil fuels for at little as \$7 per month.

Projects that produce renewable power also generate renewable energy credits (RECs). When customers enroll in the Renewable Choice Program, PPL EnergyPlus purchases and retires RECs on their behalf.

Participation in the program does not mean that customers will receive their electricity from renewable energy sources. Rather, the RECs provide an incentive for developers to build more renewable energy projects.

Under the program, customers have the option to support renewable resources nationwide, regionally or within their own communities. The first community-level program will be offered in Pennsylvania and New Jersey.

To learn more about the program or sign up for renewable energy credits go to www.pplrenewables.com.