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FOR IMMEDIATE RELEASE

PPM Energy, City of Klamath Falls reach agreement for PPM to acquire 506 MW Klamath Cogeneration Plant

PORTLAND, Ore. – PPM Energy and the City of Klamath Falls today executed a purchase agreement for the 506-megawatt (MW) Klamath Cogeneration Plant located in Southern Oregon near the California border. The transaction, subject to receipt of necessary regulatory approvals, is expected to close this fall.

The City of Klamath Falls issued municipal revenue bonds to finance construction of the plant, using no taxpayer dollars. Under contract with the City, PPM has been managing, operating and maintaining the facility since it went online in 2001. PPM also purchases 237 MW, about half the plant output, which it uses to supply wholesale utility customers throughout the Northwest and California. PPM also owns and operates a 100 MW peak power facility adjacent to the plant.

Under the purchase agreement, PPM will pay off outstanding revenue bonds and take ownership of the plant at a projected cost of \$290 million. The City will continue to supply the plant with treated municipal wastewater for cooling, an innovative process that reduces the City's discharge to the Klamath River by some three million gallons per day. PPM will take over other contracts to supply co-generated steam to a nearby wood products manufacturing facility and about 80 MW of long-term power sales.

PPM and the City began cooperatively evaluating restructuring alternatives for the plant's ownership and financing following expiration of two power sales contracts that left a portion of the plant output unsold. PPM emerged as the natural owner of the plant due to its knowledge of plant operations and regional energy markets. PPM supplies the West Coast power markets from the Klamath plant and its growing portfolio of wind generation plants.

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“PPM’s acquisition of Klamath puts the plant on firm financial footing for the future,” said Peter van Alderwerelt, PPM senior vice president. “It enables us to fully place Klamath into our portfolio of gas and wind plants to serve our utility customers in the Northwest and California and gives us the potential to use Klamath transmission to help move wind power to high-value markets.”

“Under this transaction, the City’s bonds will all be paid off and the City will receive certainty in payments for having sponsored the project and for providing cooling water” said Mayor Todd Kellstrom. “Our appraiser has determined that this is fair value and we think this is a positive outcome for the City. The community realized economic development benefits from construction of the plant, and we can now turn it over to a company that will retain 23 good jobs and has a history as an active community supporter.”

About PPM Energy

PPM Energy (www.ppmenergy.com), part of the IBERDROLA group of companies, had more than 1,760 megawatts (MW) of wind energy in operation (including 606 MW provided under power purchase agreements from third parties) as of June 30, 2007. PPM Energy balances its supply portfolio with sales to wholesale customers, placing almost all of its output in long-term contracts. Major customers include the cities of Seattle, Sacramento, Eugene, Pasadena and Anaheim, as well as investor-owned utilities such as Xcel Energy and Pacific Gas & Electric Company and the federal Bonneville Power Administration. PPM Energy also creates innovative new products to meet customer needs including operations and maintenance services, and recently announced an expansion of its wind development activities into Canada.

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