CCNPP3COLA PEmails

From: Steckel, James
Sent: Wednesday, June 22, 2011 8:37 AM
To: CCNPP3COLA PEmails
Subject: FW: Electricity Crisis 03-10-10 Setback for CC3? Ed Markey Raising Concerns about NRC Licensing
Attachments: Electric Utility Week 3-9-10.pdf; BGE GenerationFinal2.rtf; The Spark Spread- 2009 Calcs on Blended Power_3_Model Mar 2010.xls; NG Cost Analysis BGE Auctions_Model Feb 2010.xls; Electricity Crisis 02-07-10 Balt Cnty Officials Tell Residents to Shovel Their Own Streets_ Meantime, 300 NG Troops in Aghanistan.eml; BG&E GenerationFinal2.doc

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From: Chris Bush [mailto:chris.bush@verizon.net]
Sent: Wednesday, March 10, 2010 9:06 PM
To: jemiller@hearst.com; rlang@hearst.com; agalli@cleanwater.org; savorsuccesslady3@yahoo.com; wj3@comcast.net; parranwh@co.cal.md.us; peters@opc.state.md.us; asnyder@mde.state.md.us; cmonk@saul.com; bbolea@energy.state.md.us; Leslie M. Romine; rshaffer@murphyshaffer.com; Wmurphyshaffer@murphyshaffer.com; Cindy Burda; mdean@psc.state.md.us; Chason, Todd R.; Beverly.A.Sikora@bge.com; Abraham Silverman; Brian R. Greene; Chris Bush; Christopher R. Mellott; Clifford M. Naeve; Curtis B. Cooper, Esq.; Daniel P. Gahagan; Deborah E. Jennings; Donald R. Hayes; Douglas L. Anderson; Gary Alexander; Gary R. Alexander; H. Russell Frisby, Jr.; Jeffrey Hooke; Kimberly August, Esq.; M.Brent Hare; Marc D. Machlin ; Marc Hanks; Matthew Nayden; Michael C. Powell, Esq.; Paula Carmody; Randolph S. Sargent; Ron Herzfeld; Steven R. Weiss; Suzanne Sangree; Telemac Chryssikos, Esq.; Terri Czarski; William Fields, Esq.; Maria Allwine; kojo@wamu.org; hmstichel@ghsllp.com; mayor@baltimorecity.gov
Cc: DEMOCRACY4Baltimore; DFHdiscussions@yahoogroups.com; DII@yahoogroups.com; mgp-disc@yahoogroups.com
Subject: Fw: Electricity Crisis 03-10-10 Setback for CC3? Ed Markey Raising Concerns about NRC Licensing

----- Original Message -----
From: Chris Bush
To: dnazarian@psc.state.md.us ; Gov. Martin O'Malley ; bruce@wbal.com ; kenneth.w.defontes@constellation.com ; Gould, Robert ; pwilkins@baltimoredevelopment.com ; donaldf@gbc.org ; governor@gov.state.md ; Belinda Conaway ; Sharon Green Middleton ; Rochelle Spector ; Bill Henry ; Robert Curran ; James Kraft ; Stephanie Rawlings-Blake ; Bernard Young ; dan.neil@latimes.com ; Steven R. Weiss ; Leslie M. Romine ; scott.calvert@baltsun.com ; fahrenthold@washpost.com ; laura.smitherman@baltsun.com ; H. Russell Frisby, Jr. ; Mike Tidwell, CCAN ; mksigaty@howardcountymd.gov ; jterrasa@howardcountymd.gov ; gfox@howardcountymd.gov ; cbball@howardcountymd.gov ; :council7@baltimorecountymd.gov ; council6@baltimorecountymd.gov ; council4@baltimorecountymd.gov ; council3@baltimorecountymd.gov ; council2@baltimorecountymd.gov ; council1@baltimorecountymd.gov ; fsmith@wypr.org ; :jes.phillips@gmail.com ; jim.rosapepe@senate.state.md.us ; Brian.McHale@house.state.md.us ; Jim.Brochin@senate.state.md.us ; Edward.Kasemeyer@senate.state.md.us ; jean.marbella@baltsun.com ; liz.kay@baltsun.com ; Edwards, George Senator ; dan.rodricks@baltsun.com ; Pat McDonough ; Adams, Paul ; John.Fritze@baltsun.com ; MayorSD@baltimorecity.gov ; Nancy_Jacobs@senate.state.md.us ; Johanna Neumann ; Catherine.Pugh@house.state.md.us ; CurtAnderson@aol.com ; Jill.Carter@house.state.md.us ; Joan.Carter.Conway@senate.state.md.us ; jay.hancock@baltsun.com ; John.Astle@senate.state.md.us ; campaign@martinomalley.com ; elaine.garven@baltimorecity.gov ; Info@opc.state.md.us ; editor@gazette.net ; rsmith@wbal.com ; john@sarbanesforcongress.com ; brian@illinoispirg.org ; aldshropshire@annapolis.gov ; info@sarbanesforbaltimore.com ; Jon Cardin ; letters@baltsun.com ; bunnysox2@aol.com ; sean@progressivemaryland.org ; letters@washpost.com ; michaels@cphabaltimore.org ; andrea.siegel@baltsun.com ; Sue.Kullen@house.state.md.us ; Katherine.Klausmeier@senate.state.md.us ; julie.scharper@baltsun.com ; Pipkin, E.J. Senator ; Andrew.Harris@senate.state.md.us ; andy.green@baltsun.com ; daytondaily@coxohio.com ; gadi.dechter@baltsun.com ; melvin.stukes@house.state.md.us ; Emmett.Burns@house.state.md.us ; Frank.Conaway@house.state.md.us ; Nathaniel.Oaks@house.state.md.us ; Barbara.Robinson@house.state.md.us ; Shawn.Tarrant@house.state.md.us ; George.Della@senate.state.md.us ; tim.wheeler@baltsun.com ; Michael.Busch@house.state.md.us ; Thomas.V.Mike.Miller@senate.state.md.us ; maggie.mcintosh@house.state.md.us ; annmarie.doory@house.state.md.us ; Governor Martin O'Malley ; jfunk@plaind.com ; gdubois@pol.net ; laura.vozzella@baltsun.com ; dborelli@nationalcenter.org ; ileech@vt.edu ; david.nitkin@baltsun.com ; jessica@40centerforemergingmedia.ccsend.com ; info@midamerican.com ;

amanda@sfbg.com ; MDMorning ; sjanis@gmail.com ; Stephen Janis ; rmarkus@dhr.state.md.us ; capletts@capitalgazette.com ; andrew.green@baltsun.com ; michael.dresser@baltsun.com ; Susan.Krebs@house.state.md.us
Cc: mgp-disc@yahoogroups.com ; DII@yahoogroups.com ; DFHdiscussions@yahoogroups.com ; DEMOCRACY4Baltimore
Sent: Wednesday, March 10, 2010 5:59 PM
Subject: Electricity Crisis 03-10-10 Setback for CC3? Ed Markey Raising Concerns about NRC Licensing

Electricity Crisis 03-10-10

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+ ***Setback for CC3? Ed Markey Raising Concerns about NRC Licensing***

~ Rep. Ed Markey, D- MA (Yes, THAT Ed Markey) has Asked the General Accountability Office (GAO) to Investigate the NRC's Safety and Licensing Procedures
~ Markey's Chair of the House Subcommittee that has Oversight of the NRC, so His Letter to the GAO Carries Great Weight
~ This could Throw a Wrench into the Nuclear Plant Approval Process- which INCLUDES CC3

+ ***Chris Bush OPPOSES Pipkin, Rosapepe Natural Gas Plant Bill, SB 807: Building New Power Plants May Well Result in HIGHER Costs- than if Consumers Do Nothing!?!?***

~ Why NOT Re-Reg Existing Plants???
~ EJ and Rosy's Bill Would Provide for 46% CHEAPER Power- BUT Ratepayers Only See a 17% Reduction in Prices Due to An Allocation Based on Percentage of Power BGE Purchases
~ Under the SB 807 Plan, Electricity Would be Produced in Newly Built NG Plants Which Would Charge, Based on Analysis by the Maryland Tax Education Foundation (MTEF) ONLY 6 ckwh for Generation Costs, MUCH LOWER than BGE's Current Amount of 11.08 ckwh
~ Jeff Hooke, of the Maryland Tax Education Foundation (MTEF) Points Out that BGE Purchases It's Power- Mostly from CEG- at 10.8 cwkh ($108 a Mwh), and Hooke Calculates that if BGE Built New Natural Gas Power Plants, it Would ONLY be Able to Charge 6 ckwh ($60 a Mwh) as those Plants would Be Re-Regulated
~ Yours Truly Agrees w/ Hooke's 10.8 ckwh Estimate, but Thinks his 6 ckwh for NG is Low: Chris Bush's Numbers Indicate that NG's All-In Costs Would be 6.9 ckwh ($69 Mwh), Assuming that the O&M Costs for NG Plants Include an Amount for Financing Costs- If Not, the Calc Would be Even Higher, at 8.6 ckwh ($86 a Mwh)
~ Hooke's Net Savings Will be Even Less, Only 17%, as Hooke Discusses that BGE Obtains Just 75% of its Power from Purchases and is Expected Only to Derive 50% of that 75% of the 46% in Savings from the New Plants (75% x 50% x 46% = 17%)
~ IF the Higher NG Estimates are Used, However, the Resulting Reduction is a Smaller 22.4% decline in Rates (Calculated as Follows: 11.08 ckwh Generation Cost - 8.6 ckwh Generation Cost = 2.48 ckwh/ 11.08 ckwh = 22.4%)
~ Using Hooke's Allocation Formula- Along with the Higher Estimate of 8.6 ckwh- Would Result in a Small 8.4% Rate Reduction (75% x 50% x 22.4% = 8.4%)
~ Since BGE is Projecting a Generation Rate at 9 ckwh by 2011 at the Earliest, that Means that the Pipkin/Rosy Legislation-Using the Higher Estimates Referenced Herein- Would Result in HIGHER Electricity Rates than if Consumers did NOTHING
~ that's Cuz, Based on the Higher Calcs, BGE Consumers would End up Paying 10.15 ckwh Under SB 807, INSTEAD of 9 ckwh for NOT doing Anything!?!?!
~ EVEN IF Hooke's numbers are correct, consumers STILL WOULD BE PAYING MORE- at 9.19 ckwh- for generation than to BGE, at 9 ckwh, if NOTHING HAPPENS!?!?!
~ AND, EVEN IF Hooke's 17% Reduction is Based on BGE's Purchase Cost of 10.8 ckwh, that Still Results in Generation Rates of 8.9 ckwh, ALMOST Equal to the NULL Alternative
~ AND, There's Some Risk in Building Plants as Well, So this is NOT a Good Deal
~ Another Issue: It will Take Several Years Til those plants are Built- w/ the Predictable Delays
~ also, Due to Problems w/ Natural Gas Drilling- the "Fracking" Process- it's Possible that NG Costs Will Go UP once More
~ Hooke's Statement Suggests 10-15 Year Long-term Contracts for Power Based on NG Costs, Which are Low Currently
~ BUT, What Happens if "Fracking" is Suspended, Leading to a Pinch in Supply, then Much Higher Costs?????

~ Even IF Power Vendors have "Hedged" Their Contracts, We All Learned that Such Hedges are Oftent Not Worth the Paper they're Printed On

~ AND, after the Severe Controversy Regarding the Credit Default Swaps and the 2008 Crash, Don't Count on the Feds Bailing Out Electricity Brokers

~ Which Means BGE Customers Will be TRAPPED Into Long-Term Contracts, having to Eat MUCH Higher Prices

~ the CEG/BGE Spark Spread is ALREADY 185%: that's the Difference Between the Actual Cost to Produce Electricity, 3.78 ckwh, and the Price BGE Pays of 10.8 ckwh

~ Just Re-REgulate NOW!!?!

~ And/Or Impose a Windfall Tax of 90%- on Profits AND After Adding Back a Whole range of "Deductions", Like CEO Pay for Instance- and Recycle CEG/BGE's Ill Gotten Gains as Credits to Ratepayers!!!!

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+ *Health Insurance Companies to Receive $336 BILLION DOLLARS from Obamacare*

~ Yes, The Feds SHOULD Subsidize Premiums, BUT why NOT Use the Public Option to Bring Down Prices????

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~ Better Still, Dean Sez that the PO- if Passed by Reconciliation- Could Go Into Effect in 2010!!!!!!!!

~ Dean Made Comments on Rachel Maddow Show- to Substitute Host Chris Hayes- in the 9pm Segment

+ *As Jaczko Fiddles, Casks Corrode*

~ NRC Chair Greg Jaczko is Mulling over Alternative Storage sites to Yucca Mountain, Yet Stopgap Methods Based on Cannister Containment are Seeing Rapid Cask Corrosion

~ the NRC should BLOCK ALL NEW Nuke Plants Until it Figures out What to do w/ the Waste

+ *Surprise, Surprise: Goldman Sachs Arranging Financing for First Nuke Plant w/ Loan Guarantees in Georgia*

~ BOB Just Got Done Dissing the Banditos of Goldman this Past Week at the Health Care Rally in PA

~ Guess it Doesn't Matter What the Prez Sez- Goldman's Ears are Burning- All the Way to the Bank!?!

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...Rep. Ed Markey, D- MA (Yes, THAT Ed Markey) has Asked the General Accountability Office (GAO) to Investigate the NRC's Safety and Licensing Procedures...

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- see the "Electric Utility Week 3-9-10" pdf attachment
- Congressman Ed Markey- of Waxman-Markey fame- is raising concerns about NRC licensing- which COULD impact CC3
- Markey has asked the General Accountability Office to invesitgate the NRC's safety and licensing procedures ("EUW", windows page # 4, left column, paragraphs 1, 4-5):

Representative Edward Markey has asked the Government Accountability Office to look into the Nuclear Regulatory Commission's safety regulations and the agency's licensing process for new and exisitng power plants.

Markey's letter asked GAO to investigate NRC's actions on various issues, including the agency's processes for licensing new reactors and renewing the licenses of existing reactors.

Markey said he was requesting the information in ordder to find out if the NRC's process is "sufficiently rigorous with respect to safety, and sufficiently transparent with respect to public access to the decision-making process."

- Markey is the Chair of the House Subcommittee on Energy and Environment- which has oversight responsibilities of the NRC, so his letter carries substantial weight ("EUW", paragraph 2):

Markey, Democrat-Massachusetts, is chairman of the House of Representatives subcommittee on energy and environment, which oversees NRC.

- these developments could SLOW down the licensing process of the NRC, and possibly throw a wrench into the CC3 plans
- stay tuned

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- see the mlis.state.md.us link; the bge.com link; the baltsun.com link; "Electric Utility Week 3-9-10" email attachment, the "BG&E GenerationFinal2" doc attachment
- Sen. EJ Pipkin, R-36 and Sen. James Rosapepe, D-21, among a score of Senators, are co-sponsors of SB 807 which calls for supposed re-regulation of BGE the HARD way, via building new power plants ("mlis", "sponsored by"; "EUW", windows page # 1, left column, last 3 paragraphs; windows page #2, left column, first):

Sponsored By:
Senators Pipkin, Brochin, Conway, Currie, Della, Exum, Frosh, Harrington, Jones, Madaleno, McFadden, Middleton, Munson, Muse, Peters, Pinsky, Raskin, Rosapepe, Stone, and Zirkin

A hearing is scheduled today on a bill introduced by Maryland's most vocal opponents of the deregulation of electricity markets, who will release a study that shows ratepayers could save a significant amount if utilities build new natural gas-fired plants.

The bill, SB 807, directs the Public Service Commission to develop a plan for utilities to build and own new, regulated electric generation. The legislation is meant to reinforce Governor Martin O'Malley's December 2009 letter to the PSC urging the regulators to use their exising authority to direct utilities to build new plants, Senators Jim Rosapepe and E. J. Pipkin, said in in a statement.

The study by the Maryland Tax Education Foundation shows that Baltimore Gas and Electric and Pepco ratepayers could save about 17% on their power bills if utilities build and own new gas-fired generation, Jeff Hooke, managing director of Hooke Associates, and chairman of hte board of the Maryland Tax Education Foundation, said Monday in an interview.

- Pipkin and Rosy's bill would require that the new Natural Gas plants produce electricity at rates 46% CHEAPER than they're charging now ("BG&E", page 2, last paragraph; page 3, first paragraph)(NOTE: Jeff Hooke's arithmetic indicates a 44% savings- that's cuz he's comparing the NG All-In cost of 6 ckwh [$60 a Mwh] to BGE's purchase cost of 10.8 ckwh for 2009 ($108 a Mwh); yours truly is comparing the 6 ckwh to 11.08 ckwh, which is what BGE is currently charging for generation ["bge", chart, left column, 2nd line, Octobober 1, 2009 -May 31, 2010], which results in a 46% savings):

Net All-In Cost: $60/MWh

The $60 MWh levelized cost is 44% below the cost of electricity purchased by BG&e in 2008 and 2009.

- yours truly DOES agree w/ Jeff Hooke's numbers on the BGE cost of 10.8 ckwh
- HOWEVER, it does NOT cost CEG/BGE anywhere NEAR that amount to produce electricity: can you say a mere 3.78 ckwh ("Spark", left green box)
- the difference between what BGE is paying and the actual cost, the "spark spread", is massive: a 7 ckwh markUP, leading to an OVERCHARGE of 185%!?!?!? ("Spark", left red boxes)
- Hooke himself acknowledges the "incestuous relationship" between Mayo and BGE, which artificially rigs the final charges ("BG&E", page 2, footnote 2):

The incestuous relationship between supplier and customer has a built-in conflict that harms BG&E ratepayers, as pointed out in MTEF testimony before the PSC. See Exhibit B.

- this writer has somewhat different numbers than Hooke as regards the All-in Cost for NG produced power, however: Chris Bush's estimate is 6.9 ckwh ($69 Mwh)("NG", "Feb. 2010" tab, grey box on the left)

- my calcs are derived from the averages as indicated by the Nuclear Energy Institute ("NG", "Feb 2010", footnote 3)
- the assumption in Chris Bush's numbers include financing within the O&M category: if not, then add an additional 1.7 ckwh to the 6.9 ckwh, bringing it up to 8.6 ckwh ($86 Mwh) (based on $17 per Mwh for financing costs, using the MTEF estimate)("BG&E", page 2, last paragraph):

Capital costs: $17/MWh

- AND, Hooke is calculating that the net benefit to BGE customers will only be a rate reduction of 17%, based on his estimate that BGE purchases 75% of its power, that the NG juice would be 44% less, and that BGE would obtain 50% of the 75% of that electrictity: 75% x 44% x 50% = 17% ("BG&E", page 2, paragraph 1; Exhibit A, assumption 16, page 4, 2nd paragraph)(NOTE: to see the power consumption numbers, check out "BG&E" "doc" version, Exhibit B [the doc version of BGE Generation scattered the chart for Exhibit B])-cb:

Alternatively, a portion of new generation might be produced under regulated returns. This study concludes that new BG&E generation plants, regulated by the Public Service Commission ("PSC") and fueled by natural gas, would save residential ratepayers 17% annually (or $400 million) compared to currentn prices paid by BG&E for power.

Calculation

16 Savings 75% x 44% x 50% = 17% savings.

- if the higher NG costs of 8.6 ckwh are used- and factored into the Hooke allocation formula- then the savings is only 8.4% (75% x 22.4% [calculated as follows: 11.08 ckwh - 8.6 ckwh = 2.48 ckwh/11.08 ckwh = 22.4%] x 50% = 8.4%)
- that means, under the Pipkin/Rosy template- based on the higher NG costs- BGE customers generation charges will only decline from 11.08 ckwh to 10.15 ckwh
- BUT, 10.15 ckwh is HIGHER than the projected level- as indicated by BGE's Mark Case- of 9 ckwh by 2011 ("baltsun", paragraph 2):

"If you look out longer term, I think we're heading down toward 9-cent power," Mark Case, BGE's senior vice president of strategy and regulation, told me recently. Independent energy pros agree that Maryland households could pay as little as 9 cents per kilowatt-hour of electricity generation and transmission by 2011 or 2012.

- even IF Hooke's numbers are correct, the result will STILL be higher- at 9.19 ckwh (Calculated as follows: current BGE generation charges are 11.08 ckwh, a 17% decline brings those amounts down to 9.19 ckwh)- than the 9 ckwh BGE is projecting
- AND, EVEN IF Hooke's 17% reduction is based on 10.8 ckwh, that still leaves generation costs at 8.9 ckwh, almost EQUAL to the NULL hypothesis, BUT w/ additional risk from building new power plants
- NOT a good alternative
- here's another problem: it will take several years to build the plants as well- w/ the predictable delays
- Hooke is calling for long-term contracts, 15 years in fact ("BG&E", page 3, paragraph 4):

Gas Supply: Long-term, 10-15 year contracts for natural gas are beginning to surface in the marketplaace, but the data is closely held. The Henry Hub Natural Gas Future Market Strip (2010-2015) is one guide. It trades publicly and shows an average price of $5.50 per McF delivered in Louisiana. A sizeable long-term deal might equal that price on a Maryland delivery basis. The attractive part of natural gas generation is that electricity demand peaks in the summer, when natural gas demand is at low ebb. Another is hte fuel's relatively small environmental impact compared to coal.

- due to problems with the natural gas drilling process- "fracking"- as reported in the EC 02-07-10, it's quite possible that access to natural gas will be restricted, pinching the supply and causing costs to rise sharply over such a long contract period ("EC 02-07-10", 5th story)
- even if a long-term contract is "hedged"- ostensibly to protect the vendor in just such a situation, e.g. if NG costs skyrocket due to regulatory restrictions on NG drilling as a result of "fracking" concerns- we've just learned that such "hedges" may not be worth the paper they're printed on (can you say "credit default swaps"????)
- in that case, there likely will NOT be a bailout of such energy "providers" (after the backlash over the CDS controversy and the 2008 crash), meaning that the BGE consumers will end up stuck in a long-term contract, and have to pay HIGHER electricity rates as a result, hedge or no hedge
- bottom line: SB 807 is NOT in the consumers' interest
- why not SIMPLY re-Regulate now????

- and/or, why NOT implement a windfall tax on CEG/BGE at, say, 90% (a tax on profits and a range of deductions to be added back, like CEO "compensation"), then recycle those funds back to ratepayers as credits on their bills, effectively LOWERING the cost of electricity SUBSTANTIALLY!!!
- *(NOTE: while Chris Bush respects Jeff Hooke's background and his analysis, nonetheless, yours truly disagrees w/ his overall review; morever, this writer's analysis points to HIGHER costs via SB 807 than if NOTHING is done; why won't the Senate entertain a REAL RE-REG BILL, and/or WINDFALL TAX Legislation!?!?!)-cb*

http://mlis.state.md.us/2010rs/billfile/SB0807.htm

http://www.bge.com/vcmfiles/BGE/Files/Rates%20and%20Tariffs/POLR%20Rates/POLR_Rates_PTC_MiscCharges.pdf

http://www.baltimoresun.com/business/bal-bz.hancock03mar03,0,4328842.column

> Health Insurance Companies to Receive $336 BILLION DOLLARS from Obamacare....

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...Dean Made Comments on Rachel Maddow Show- to Substitute Host Chris Hayes- in the 9pm Segment

- see the abcnews.com link; huffingtonpost.com link; msnbc.com link
- as noted in the EC 03-09-10, Obamcare looks like it's going to pass
- as it stands right now, the plan is for Uncle Sam to reward health insurance companies w/ $336 BILLION DOLLARS in fed subsidies ("abc", paragraph 6):

To help pay for the new insurance requirements the government would give to people money to buy insurance - $336 billion over the next ten years. That money, ultimately, would have to go to... drum roll... insurance companies.

- while that's good for most BGE homes- cuz insurance premiums will be LARGELY subsidized- why not pass a public option instead to bring down insurance rates?
- in that case, the subsidies could be retargeted to Middle Class/Working Families, like BGE families, who could use those additional funds!?!?
- during the Reconciliation process, this flaw needs to be addressed
- speaking of Reconciliation, 41 Senators have NOW signed a letter indicating support for a public option in the Recon process ("huffington", paragraphs 1-4):

Bill Nelson (D-Fla.) became the 41st senator to say that he would back the public insurance option as part of a health care bill moved through reconciliation.

Nelson, asked by HuffPost if he would vote for a public option on the Senate floor, was unequivocal. "Yes," he said firmly. "I've already voted for it in the committee, in the Finance Committee."

The running tally is being kept by one of the organizations pushing for the public option, the Progressive Change Campaign Committee.

Forty-one puts Democrats just nine votes short. The number of senators who have publicly committed to the option is striking because the momentum has come without any organized effort by Senate leadership or from the White House.

- Howard Dean sez that the Public Option shoudl include a Medicare for All buy-in option, for ALL Americans, and NO individual mandates
- better still, Dean sez that the PO- if passed by reconciliation- could go into effect in 2010!!!!
- Dean made these comments on the Rachel Maddow show, w/ substitue host Chris Hayes, in the 9pm segment

http://blogs.abcnews.com/thenote/2010/03/a-complicated-enemy-obama-seeks-to-vilify-health-insurers-give-them-336-billion-check.html

http://www.huffingtonpost.com/2010/03/10/public-option-support-now_n_493725.html

http://www.msnbc.msn.com/id/26315908/#35788747

> As Jaczko Fiddles, Casks Corrode...

...NRC Chair Greg Jaczko is Mulling over Alternative Storage sites to Yucca Mountain, Yet Stopgap Methods Based on Cannister Containment are Seeing Rapid Cask Corrosion...

...the NRC should BLOCK ALL NEW Nuke Plants Until it Figures out What to do w/ the Waste

- see the nyt.com link
- NRC chief Greg Jaczko is mulling over alternative storage sites to Yucca Mountain ("nyt", paragraphs 1-2):

With Nevada's Yucca Mountain facility apparently out of the picture as a nuclear waste repository, government nuclear experts say interim measures might be needed for a very long time.

In a speech Tuesday delivered to about 2,700 industry executives, nuclear regulators and other experts gathered for a nuclear energy conference in Washington, Gregory B. Jaczko, the chairman of the Nuclear Regulatory Commission, said that his agency needed to determine just how many centuries such fuel can be safely stored above ground, and that it should come up with a policy that would not require amendment for many years.

- while Jaczko is spinning his wheels, the casks holding spent fuel rods are rapidly corroding ("nyt", paragraphs 8-10):

Fuel is now stored in dry casks — steel-lined concrete silos that require no liquid cooling or forced ventilation — and those are licensed for 20 years.
At three plants, the licenses have been extended for another 20.

Metal parts of such casks can begin corroding in weeks if salt hits them, the N.R.C. has found. Whether this happens depends partly on the temperature of the cask (it is heated by the waste) and the humidity in the air.

The engineer who headed the Yucca program under the Bush administration, Edward F. Sproat III, also attending the conference, said, "you can't keep that stuff in those canisters forever. They're not designed that way."

- the NRC should SUSPEND all nuke approvals- UNTIL it figures out what to do w/ the waste

http://greeninc.blogs.nytimes.com/tag/jaczko/

> Surprise, Surprise: Goldman Sachs Arranging Financing for First Nuke Plant w/ Loan Guarantees in Georgia...

...BOB Just Got Done Dissing the Banditos of Goldman this Past Week at the Health Care Rally in PA...

...Guess it Doesn't Matter What the Prez Sez- Goldman's Ears are Burning- All the Way to the Bank!?!

- see the "Electric Utility Week 3-9-10" pdf attachment
- guess who's arranging financing for the first nuke plant to get federal loan guarantees, which is in Georgia?
- that's right: Goldman ("EUW", windows page # 5, left column, third paragraph from the bottom):

In the first financing effort of a new nuclear power plant in years, Goldman Sachs says it has completed two portions of an estimated $2.55 billion bond program designed to help the Municipal Electric Authority of Georgia finance its share of the Vogtle 3 and 4 nuclear power reactors, with a third portion was expected to be priced Monday.

- Obama just got down dissing GS in his health care speech earlier this week
- apparently, the Prez can knock the ripoff artists of this Wall Street firm as much as he wants- meantime, Goldman's ears are ringing- all the way to the bank
- and you wonder why the American public is cynical about Obama's commitment to Main Street, instead of Wall Street

Chris Bush
20 Ridge Rd.
Catonsville, MD 21228
chris.bush@verizon.net
(410) 375-9010

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The Spark Spread- 2009 Calcs on Blended Power_3_Model Mar 2010.xls	81986	
NG Cost Analysis BGE Auctions_Model Feb 2010.xls	148546	
Electricity Crisis 02-07-10 Balt Cnty Officials Tell Residents to Shovel Their Own Streets_ Meantime, 300 NG Troops in Aghanistan.eml	523034	
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Electric Power Daily

Tuesday, March 9, 2010

EPA's Jackson working with Kerry, Graham on GHG measure

Environmental Protection Agency Administrator Lisa Jackson acknowledged Monday that she is advising Senate sponsors of climate legislation, but said the administration has not yet embraced the sector-by-sector approach the senators have said they are adopting.

Jackson told reporters at the National Press Club after a luncheon address that she had met with Senators John Kerry and Lindsey Graham separately in the past weeks to provide "technical assistance" on the climate change bill they are crafting but that she had not yet seen a final draft.

"We're helping them as they try to formulate their thoughts on how to take concepts into legislation," she said.

Kerry, a Massachusetts Democrat, and Graham, a Republican from South Carolina, said last week that their bill would not follow the economywide cap-and-trade approach long championed by the Obama administration, however,

(continued on page 6)

Rates, renewables to keep Ore. PUC busy, new member says

Keeping rates affordable for consumers while allowing utilities to build the necessary renewable power will be the likely focus of the Oregon Public Utility Commission for the next five to 10 years, said Susan Ackerman, the newest member of the Oregon PUC. Today will mark Ackerman's first commission meeting as one of the three Oregon PUC members.

"I think what we are in for is a very strong upward pressure on rates. That has to be managed," said Ackerman, a former manager of regulatory affairs with Northwest Natural until she started a private law practice eight years ago. "It's going to be a difficult time."

Ackerman's views are in line with her predecessor, Lee Beyer, who recently retired from the commission to run for a state Senate seat after serving nine years on the commission, including most recently as chairman of the commission. Ackerman was appointed by Oregon Governor Ted Kulongoski to serve out the

(continued on page 7)

Maryland hearing today to revisit utilities building plants

A hearing is scheduled today on a bill introduced by Maryland's most vocal opponents of the deregulation of electricity markets, who will release a study that shows ratepayers could save a significant amount if utilities build new natural gas-fired plants.

The bill, S.B. 807, directs the Public Service Commission to develop a plan for utilities to build and own new, regulated electric generation. The legislation is meant to reinforce Governor Martin O'Malley's December 2009 letter to the PSC urging the regulators to use their existing authority to direct utilities to build new plants, Senators Jim Rosapepe and E.J. Pipkin, said in a statement.

The study by the Maryland Tax Education Foundation shows that Baltimore Gas and Electric and Pepco ratepayers could save about 17% on their power bills if utilities build and own new gas-fired generation, Jeff Hooke, managing director of Hooke Associates, and chairman of the board of the Maryland Tax

Renewable Power

Connecticut may scrap renewables solicitation results

Connecticut regulators Friday said they may scrap results from a solicitation for long-term renewable energy contracts – or modify terms – after receiving word from four bid winners that they are having trouble securing financing.

The Department of Public Utility Control is seeking comments by March 18 on how to proceed with the long-term contracts, after bid winners said that the contracts they signed no longer work in the current financial climate.

The projects are among several chosen through three solicitations issued through Project 150, a state program designed to secure long-term utility power purchase agreements for 150 MW of green energy.

The projects seeking contract revisions include two biomass plants, the 30-MW Watertown Renewable Power and the 27.8-MW Clearview Renewable Energy, a 3-MW biomass digester project called Clearview East Canaan Energy and a fuel cell at Waterbury Hospital.

(continued on page 7)

Florida agencies' reports suggest capping RPS at 7%

A series of reports prepared for the Florida Department of Environmental Protection and the state's Department of Agriculture & Consumer Services conclude that because of limited in-state supplies of woody biomass the goal of a state renewable portfolio standard should not exceed 7% — far less than the 20%-by-2020 RPS proposed by Governor Charlie Crist and the Florida Public Service Commission.

The reports, prepared for the DEP and the DACS by the University of Florida at the request of the Florida Legislature and made public Monday, would appear to undermine the widely held view that Florida and the rest of the Southeast — with their forests, forestry industry, and long growing season — represent "the Saudi Arabia of biomass," and that whatever they lack in wind and most other renewable resources is more than matched by their woody biomass.

(continued on page 8)

Education Foundation, said Monday in an interview.

Hooke said BGE and Pepco, both distribution companies, are paying an average of $109/MWh for power. But he found that the utilities could generate the power themselves for about $60/MWh, assuming the price of natural gas is $5.50/Mcf.

Hooke researched the cost of building and operating a new combined cycle gas-fired plant, including the cost of the turbines. Hooke built a 15% return on equity into his evaluation and a 5% interest on debt, he said.

"The profit margins of merchant power producers are quite high," Hooke said, noting their unleveraged return on assets is more than 20%. Hooke was an investment banker for 25 years and now runs a consulting firm and said he is not opposed to companies making a profit. "But the beleaguered customers of the utilities are sending large profits to these merchant companies," he said.

The legislation introduced by Rosapepe and Pipkin would direct the PSC to develop a transition plan to return the state "as soon as possible" to a regulated electricity market for residential and small commercial customers. The new regulatory system must result in a reliable system at the best possible price for the two rate classes.

Rosapepe said in December after O'Malley asked the PSC to direct the utilities to build new generation that legislation could be introduced this session that would tweak existing law that gives the PSC the authority to direct utilities to build plants.

In a letter dated December 17, O'Malley asked the PSC to direct utilities to build plants because legislation that would move Maryland's power industry back under regulation failed in the 2009 session.

O'Malley said he was not convinced that the General Assembly has the will to pass legislation that would reregulate the industry in the upcoming 2010 session. "In recognition of that, this is a new approach," Shaun Adamec, O'Malley's spokesman said. The governor hopes that the PSC will take action by next summer, Adamec said.

Rob Gould, a spokesman for BGE, declined to comment on the lawmakers' proposal. — *Mary Powers*

White House taps ex-utility executive for FERC

President Barack Obama on Monday announced his intention to nominate former utility executive Cheryl LaFleur to fill an open seat on the Federal Energy Regulatory Commission.

At the same time, the White House announced that Commissioner Philip Moeller would be nominated for a new term. His current term is set to expire June 30, though he could continue to serve under a grace period through the current session of Congress.

There was no immediate word on whether Moeller, a Republican, would receive a full five-year term if confirmed by the Senate. If the White House follows conventional practice, LaFleur, a Democrat, would receive the five-year term and Moeller would be nominated for the roughly four years remaining in the seat formerly held by Suedeen Kelly.

The assignment of terms had not been made clear to the Senate Energy and Natural Resources Committee, spokesman Bill Wicker said late Monday. "When the nomination papers are delivered, presumably later this week, . . . that's when it will be revealed who's getting which seat," he said.

LaFleur has more than 20 years experience in the electric and natural gas industries, said the White House announcement, noting that she retired in 2007 as executive vice president and acting CEO of National Grid USA.

Her previous positions at National Grid USA and its predecessor New England Electric System included COO, president of the New England distribution companies, general

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Chief Editor
Rod Kuckro

News Desk
202-383-2254, electric@platts.com
Amy Fickling, editor
Paul Ciampoli, editor

Staff Reporters
Paul Carlsen, Catherine Cash, Christine Cordner, Jason Fordney, Jeffrey Ryser, Tom Tiernan, Lisa Weinzimer

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To reach Platts

E-mail: support@platts.com

North America
Tel: 800-PLATTS-8 (toll-free)
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Latin America
Tel: + 54-11-4804-1890

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counsel, senior vice president of retail marketing and vice president of demand-side management.

"She helped lead the company through several regulatory and corporate transformations including the deregulation of energy supply, the transition to performance-based ratemaking, and mergers with National Grid, EUA, Niagara Mohawk, and KeySpan," said the White House.

"She has been an active leader in the growth of energy efficiency and demand response programs for customers, the introduction of competitive energy markets, and efforts to strengthen service reliability and employee and public safety," it added.

Since retiring from National Grid, LaFleur has been active as a nonprofit board member. She has a law degree from Harvard Law School, where she was an editor of the Harvard Law Review.

Moeller originally was nominated to FERC by President George W. Bush and was sworn into office in July 2006. From 1997 through 2000, Moeller served as an energy policy advisor to former Senator Slade Gorton, Republican-Washington, where he worked on electricity policy, electric system reliability, hydropower, energy efficiency, nuclear waste, energy and water appropriations and other energy legislation.

Prior to joining Gorton's staff, he served as staff coordinator for the Washington State Senate Committee on Energy, Utilities and Telecommunications. Just prior to joining FERC, Moeller headed the Washington, office of Alliant Energy Corporation, and before that he worked in the Washington office of Calpine.

Moeller was born in Chicago, and grew up on a ranch near Spokane, Washington. He received a B.A. in Political Science from Stanford University. — *Chris Newkumet*

White House pressed on NEPA requirements

Two Republicans in the House of Representatives are calling on the Obama administration to explain the impact, particularly to the energy sector, of its recent release of draft guidance on how greenhouse gas emissions and climate change must be analyzed under the National Environmental Policy Act.

In a letter sent yesterday to Nancy Sutley, chairwoman of the White House Council on Environmental Quality, Representatives Joe Barton and Michael Burgess, both of Texas, said the draft guidance would create more "regulatory barriers to new infrastructure," which could stifle job growth.

"Given the evolving, complex, controversial, uncertain and global nature of climate science, we have significant concerns that layering more analyses and requirements contemplated in the draft guidance will further delay the NEPA process, increase overall permitting and project costs, lead to protracted litigation and adversely impact new energy and other infrastructure development in the United States," Barton and Burgess wrote.

Barton is the top Republican on the House Energy and Commerce Committee, while Burgess is the top Republican on that panel's oversight and investigations subcommittee.

The CEQ in February released draft guidance that directs federal agencies to incorporate the impact of GHG emissions and climate change into their NEPA environmental reviews, which are required for most proposed federal actions, except federal land and resource management activities.

"Where an agency determines that an assessment of climate issues is appropriate, the agency should identity alternative actions that are both adapted to anticipated climate change impacts and mitigate the GHG emissions that cause climate change," the guidance states.

The CEQ is accepting public comments on the guidance through May 24.

Environmentalists largely have cheered the guidance, but Barton and Burgess said that with NEPA reviews already costly and time-consuming in many cases, the additional required analyses could hamper the country's economic recovery.

In their letter, they ask Sutley to release by March 29 any estimates and studies on how much the draft guidance would add to the costs of existing NEPA review requirements, as well as any impact the guidance has on jobs and economic growth, especially in the energy sector.

"We are concerned the administration's environmental agenda is creating significant regulatory uncertainty and discouraging infrastructure and other business development — and, as a result, stifling economic growth and job creation," the lawmakers wrote. — *Herman Wang*

Markey seeks GAO probe of NRC licensing

Representative Edward Markey has asked the Government Accountability Office to look into the Nuclear Regulatory Commission's safety regulations and the agency's licensing process for new and existing nuclear power plants.

Markey, Democrat-Massachusetts, is chairman of the House of Representatives subcommittee on energy and environment, which oversees NRC.

"If nuclear power is to achieve the potential to combat global warming that its proponents believe it has, the public will need assurances that the NRC is responsibly undertaking its regulatory mission to protect public health and safety," Markey wrote.

Markey's letter asked GAO to investigate NRC's actions on various issues, including the agency's processes for licensing new reactors and renewing the licenses of existing reactors.

Markey said he was requesting the information in order to find out if the NRC's process "is sufficiently rigorous with respect to safety, and sufficiently transparent with respect to public access to the decision-making process."

Markey asked GAO to report on NRC's actions to evaluate and improve the resilience of nuclear power plants to climate change and natural disasters such as earthquakes. Markey said the information was needed to gauge whether the agency's actions are sufficient to ensure public safety.

Markey also asked GAO to look into NRC's response to fire protection at nuclear power plants and the state of decommissioning funds.

NRC spokesman Eliot Brenner said in an e-mail Monday that, "As an agency that values openness and transparency we look forward to working with the GAO on the areas of interest to Representative Markey." — *Tom Harrison*

NRC denies extension of security deadline

The Nuclear Regulatory Commission has denied an industry request to extend a deadline for complying with new security requirements at nuclear plants until year-end, leaving utilities to seek individual exemptions to a rule that becomes effective March 31.

The NRC said in a March 2 decision published Monday that changing the deadline for rules for security would require a lengthy comment and review period.

NRC also said that the deadline extension would also be "overly broad," relieving utilities of the obligation to meet all the requirements of the new security rules, instead of relaxing just the parts that are causing the industry the most trouble.

The Nuclear Energy Institute asked NRC in September 2009 to delay the deadline for meeting the security requirements to December 31. The NRC notice in the *Federal Register* Monday said most nuclear utilities are requesting exemptions to deadlines for installing physical barriers and new detection systems required under the rules.

Nuclear power plants have met stricter security standards since the terror attacks of September 11, 2001, NEI said in its request. The NRC rule adopted in 2009 combined regulations added since the attacks and included new requirements for computer security, video recording, and uninterruptible backup power.

"We felt we presented a good case that the extension was the appropriate way to proceed, given that the associated NRC guidance was not finalized until the summer of 2009, NEI spokesman Steve Kerekes said in an e-mail.

As of March 3, the NRC had received requests for exemptions from the new physical security rules from 40 of the 64 US nuclear plants, spokeswoman Holly Harrington said Monday. "We've got an exemption process and it's working," she said. — *William Freebairn*

Colorado bill calls for changes to Xcel coal fleet

Xcel Energy will retire, retrofit or convert to natural gas at least 900 MW of coal-fired capacity in Colorado under legislation unveiled Friday.

The move comes as the Colorado General Assembly approved a bill to increase the state's renewable portfolio standard to 30% by 2020, making it the second-most aggressive requirement in the US.

The Clean Air-Clean Jobs Act, which is supported by the utility, requires Xcel to make the changes by 2017. "This proposal will keep Colorado at the forefront of America's energy revolution," said Colorado governor Bill Ritter, a Democrat. "It will protect consumers, clean our air and protect public health, and create new jobs by increasing demand for Colorado-produced natural gas."

Under the bill, which has not been introduced yet, Xcel would work with the Colorado Department of Public Health and Environment to submit plans by August 15 to the Colorado Public Utilities Commission to reduce nitrogen oxide emissions at coal plants by up to 80% over the next eight years, likely sooner.

Xcel's plan would include evaluating, retiring or retrofitting 900 MW of coal-fired capacity at Denver-area power plants, giving primary consideration to replacing or repowering the plants with natural gas and other lower-emitting resources.

"Xcel Energy supports proposed legislation to establish a comprehensive process for addressing more stringent current and future federal Clean Air Act requirements," said David Eves, Xcel president and CEO for the company's Colorado utility. "The company is optimistic that any final legislative proposal would focus on meeting these requirements in a fashion that is cost-effective for consumers and ensures ongoing system reliability."

Xcel owns about 2,706 MW of coal-fired capacity in Colorado, including the utility's stake in the Comanche 3 power plant, which is set to be put online later this month. The main plants that will be reviewed for emissions reductions include the 717-MW Cherokee plant near Denver, the 505-MW Pawnee plant in Brush, Colorado, and the 186-MW Valmont plant in Boulder, according to Mark Stutz, utility spokesman.

Xcel had previously agreed to shut its 73-MW coal-fired Cameo plant by the end of the year and its 153-MW Arapahoe plant by the end of 2012. The utility, however, was given

permission by the PUC to study converting the Arapahoe plant to natural gas, Stutz said. If it coverts the plant, it will burn coal into 2013, he said.

Xcel supports the plan because it will help reduce regional haze and ozone levels, two areas of concern in Colorado, Stutz said.

It is too early to know what the plan will cost to implement because the options are so different, Stutz said. The costs would likely be recovered through a rate rider, via base rates or through some other mechanism, he noted.

Xcel's Minnesota utility has finished converting two coal-fired plants to natural gas and adding pollution-control equipment to a third plant under the utility's $1 billion Metro Emissions Reduction Project, approved by state regulators in late 2003. The costs were recovered through a rate rider.

Colorado increases RPS

Meanwhile, the Colorado General Assembly on Monday passed a bill that increases the state's RPS to 30% by 2020 for the state's two investor-owned utilities, Black Hills Power and Xcel Energy.

The Colorado Senate approved H.B. 1001 Friday and the House of Representatives, which had already passed the bill, voted again Monday on the bill after some small changes were made to it by the Senate. The bill now goes to the governor, who supports the legislation. The bill passed both chambers on party line votes, with Democrats supporting and Republicans opposing.

Colorado has an RPS that climbs to 20% by 2020. The new RPS reaches 20% in 2015 before jumping to 30% in 2020. The new mandate also includes a set-aside for distributed generation. Under the bill, distributed generation must account for 1.75% of total retail sales by 2015, 2% by 2017 and 3% by 2020. The Colorado PUC can change the set-aside if it is not in the public interest.

The bill also allows new hydroelectric projects less than 10 MW to count toward the RPS.

Once H.B. 1001 becomes law, only California would have a higher goal in the US — at 33% by 2020. — *Ethan Howland*

Goldman close to finishing nuclear financing

In the first financing effort of a new nuclear power plant in years, Goldman Sachs says it has completed two portions of an estimated $2.55 billion bond program designed to help the Municipal Electric Authority of Georgia finance its share of the Vogtle 3 and 4 nuclear power reactors, with a third portion was expected to be priced Monday.

According to Michael DuVally, spokesman for Goldman, $1.25 billion of Build America Bonds were issued Wednesday on behalf of MEAG Power. He said Monday that a second, $1 billion issue was sold last Friday, while a third, roughly $300 million issue was to be priced yesterday.

The $2.5 billion bond program, according to MEAG Power, is to fund a "significant portion" of its capital expenditures related to the building of the two 1,102-MW Westinghouse AP 1000 nuclear reactors in Burke County, Georgia, along with Southern Company's Georgia Power affiliate and Oglethorpe Power.

Total cost of the two new nuclear units has been put at close to $14 billion.

MEAG has a 22.7% share in the project, and will take 500 MW of the 2,204 MW of power generated. MEAG has estimated that its portion of the project's cost will be $3.7 billion.

According to Goldman, the issuance of the relatively new, long-term and taxable Build America Bonds, was well received in the market. The BABs provide a 35% rebate, or subsidy, on interest costs of the issuer by the government.

The first $1.25 billion of BABs issued for MEAG last Wednesday, are due April 1, 2057. The coupon on the bonds was 6.637% and they will yield 205 basis points, or 2.05% over the yield of comparable Treasury securities.

The $1 billion of BABs sold Friday, also with a term of 47 years, had a coupon of 6.655% and will yield 200 basis points over comparable Treasuries.

The BABs were created under the American Recovery and Reinvestment Act of 2009, otherwise known as the stimulus bill. The BABs have sold particularly well over the past year. According to Goldman, 800 issuers in 46 states have used BABs since inception of the program.

Senator Chuck Grassley, Republican of Iowa, has argued recently that the BABs should not be made permanent because he thinks they offer too much of a subsidy.

The bonds issued for MEAG were secured by off-take contracts. MEAG Power is to sell approximately 40% of its share of the new Vogtle output to Jacksonville, Florida cooperative JEA and 25% to Andalusia, Alabama's PowerSouth Energy Cooperative.

On February 16, the three partners in the two new reactors received commitments from the Obama administration for $8.3 billion in loan guarantees. MEAG's share of the guarantees was $1.8 billion.

The government loan guarantees do not apply to the bonds, however. The loan guarantees will apply to any additional money MEAG borrows from the Treasury Department's Federal Financing Bank to help it finance the nuclear project. — *Jeffrey Ryser*

US Renewables forms wind development unit

US Renewables Group, a private equity firm that has to date focused on development of non-wind renewable generation assets, on Monday said it formed a new company designed to aid small developers of wind power facilities.

The focus of Westerly Wind will be to help developers by providing financing or becoming an ownership partner in wind generation assets, as the ability to sell projects to larger firms has changed, CEO Joe Cofelice said in an interview. Compared with a few years ago when it was relatively easy for small developers to sell wind projects to larger firms quite

early in the siting and development process, larger firms are focusing on developing their own projects and they are only looking to purchase assets in the latter stages of development, Cofelice said.

With record amounts of wind generation being added in the past few years in the US, large wind generation owners are focusing on their own projects and they do not seem to be as interested in adding to their list of potential projects through acquisitions, said Cofelice.

That change, combined with the tighter financial and credit markets, have made it harder for small developers to develop and hold onto wind generation assets, and Westerly Wind aims to step in and provide financing or development advice for US and Canadian wind projects, said Cofelice, who previously served as president of wind project developer Catamount Energy, which was purchased by Duke Energy in 2008 for about $320 million.

Besides the financing, assistance could take the form of helping negotiate power purchase agreements or aiding with the grid interconnection process, he said.

The goal of Westerly Wind will be to develop projects to a later stage in order to sell them to large wind generation firms, but the company will be flexible on the services it will provide, Cofelice said. It could partner with a developer and ultimately own the generation assets, as parent company US Renewables Group has developed other companies that own renewable generation assets.

"The recent financial crisis has led to a shortage of development capital and, as a result, many promising wind development projects are not being adequately funded," Lee Bailey, managing director of US Renewable Group, said in a statement.

Cofelice declined to speculate on whether the number of wind project developers has declined with the economic downturn, but said "there certainly are a lot of them, and a lot are in need of development capital." — *Tom Tiernan*

OPG 2009 earnings jump to C$623 million

Toronto-based generator Ontario Power Generation on Monday reported income for 2009 of C$623 million (US$607 million), a jump from income of C$88 million in 2008 as the company reported better earnings from some of its investment funds.

Income in 2009 "was favorably impacted by an increase in earnings from the segregated investment funds due to improved global financial markets," OPG said in a statement.

Results in the company's nuclear fixed asset removal and nuclear waste management funds reversed to earnings of C$683 million in 2009 from a loss of C$93 million in 2008.

OPG, which operates the Darlington, Pickering A and Pickering B nuclear plants, sets aside these funds to ensure it has enough cash to cover the cost of decommissioning its nuclear plants and for nuclear waste-fuel management.

The plants have a combined capacity of about 6,600 MW.

The company generated 92.5 million MWh in 2009, down from 107.8 million MWh in 2008, mainly on lower generation from its thermal and nuclear generating stations.

The company said power demand was challenging in 2009 and pushed down Ontario spot electricity market prices.

"Overall, OPG received an average price of 4.5 cents/kWh for the electricity it generated in 2009," OPG President and CEO Tom Mitchell said.

"To put this in context, the current price for generation charged to residential and other consumers of smaller volumes of electricity under the Regulated Price Plan of the [Ontario Energy Board] is 5.8 cents/kWh for the first 1,000 kWh and 6.7 cents/kWh thereafter." — *Carla Bass*

Jackson working with Kerry … from page 1

but rather would feature separate mandates for different sectors of the economy.

The two are working with colleague Joseph Lieberman, a Connecticut Independent Democrat, on a bill that might regulate the utility sector via a market-based cap-and-trade system but that will likely use fees on carbon dioxide or other mechanisms to reduce emissions from other sectors.

Jackson said the administration would reserve judgment on the bill until it sees it.

"One of the advantages that the president points out often is if you really want to unlock private sector investment, the more economywide you are the more you can find these win-win opportunities," she said.

"Certainly, we would look at any legislation that's offered, but right now the president is talking about an economywide legislation," she said.

Asked how long it would take EPA to analyze the legislation once it is released, Jackson said "it takes six to eight weeks for the modeling," making it unlikely that it would come to the Senate floor in the next two months.

Jackson was less shy about offering an opinion of another bill Senator John Rockefeller of West Virginia has offered in the Senate, which would strip her agency of its ability to regulate greenhouse gas emissions from stationary sources for the next two years.

The bill, which has a companion in the House sponsored by Rockefeller's West Virginia colleague Nick Rahall, would not allow EPA to regulate power plants and other facilities for carbon until 2012.

"At no point in our history has a problem ever been solved by waiting another year to act or burying our head in the sand," said Jackson. In a letter to Rockefeller two weeks ago Jackson pledged not to begin regulation of stationary sources until 2011, which she said was long enough to allow Congress to act on climate change.

"I'm not in a position where I'm going to stand here and support the idea of the EPA not being able to use the Clean Air Act," she said.

Jackson directly rejected a suggestion by the American Public Power Association that EPA has not closed the door on regulating coal plant emissions this year by using its authority to require the installation of the Best Available Control Technologies.

"The BACT authority is pursuant to the [prevention of significant deterioration] requirements of the Clean Air Act. In

my letter two weeks ago – whenever it was — to the eight senators, I made clear that we are not going to use that authority this calendar year." — *Jean Chemnick and Rod Kuckro*

Rates to keep Ore. PUC busy … from page 1

remaining two years of Beyer's four-year term. Current Commissioner Ray Baum was named as chairman by Kulongoski.

In separate interviews Monday, both Beyer and Ackerman said the focus of the OPUC over the next several years will be rates.

Beyer said that during his tenure over the last nine years, the commission has dealt with 100 rates cases — double the rate of the previous 20 years.

"I think we are in an era of probably continuous rate cases," Beyer said. "They are coming about with the need to keep up with the fluctuation of energy prices, and the need to expand energy resources – particularly the expansion of renewables."

The commission, Beyer said, has put in place a strong third-party evaluation system to make sure that the utilities are getting the best price possible for new renewable projects. But the state's renewable portfolio standard forces utilities and the PUC to choose the least-cost renewable energy project – not necessarily the least-cost energy project. That difference is having an impact on rates, though, Beyer adds, "I think we are probably getting the best projects we can for customers."

Fortunately, Beyer said, Ackerman is prepared to handle the task, as a "battle-worn" veteran of utility regulation with much more experience than Beyer said he himself had joining the commission in 2001.

Ackerman, who also worked at the Bonneville Power Administration, represented Northwest Requirements Utilities, a group of public utilities, as well as the Northwest and Intermountain Power Producers for the last eight years as an independent regulatory attorney.

That eight years of distance from investor-owned Northwest Natural likely made Ackerman an acceptable candidate for consumer groups for her new job on the commission.

"If she would have been appointed straight out of the utility environment, we would have had more concerns," said Jeff Bissonnette, organizing director of the Citizens' Utility Board of Oregon, which represents residential ratepayers in Oregon. Bissonnette said that CUB was supportive of Ackerman's appointment to the PUC because her private practice gave her a "broader perspective" on energy issues.

Bissonnette said that even as manager of regulatory affairs for Northwest Natural, the CUB found that Ackerman was "very open with a broad range of options. We think she is going to be fair. She works hard and is willing to listen and is willing to take our views and everyone else's into consideration."

Ackerman put it more succinctly: "The consumer groups in Oregon know me well enough to know that I'm not a kook."

— *Pam Radtke Russell*

Conn. may scrap RFP results … from page 1

The latest Project 150 solicitation was issued in April 2008.

The DPUC said that it is reluctant to change contracts that have already been executed, but it will look into the possibility. "In recognition of the extreme tightening of the credit market," the department also will consider allowing the projects to cancel their contracts and participate in a new solicitation under different terms. However, the projects would have no guarantee they would be selected again, the DPUC said.

"Due to the collapse of the world's financial markets, projects that were once capable of being financed can no longer find the debt or equity capital that will allow these projects to be developed," said Watertown Renewable Power, owned by Investors Energy Services, in a filing to the DPUC. "As a result of this meltdown, projects such as the Watertown and other renewable projects will need amendments to several provisions of their standard electricity purchase agreements."

The situation is "particularly difficult on the financing of renewable energy facilities because the lowering of prices for natural gas and other fossil fuels during this recession makes renewable energy less attractive from a relative pricing standpoint," Watertown said.

At the same time, the projects under contract are under pressure to break ground to become eligible for federal stimulus money, which requires that construction begin between January 1, 2009 and December 31, 2010 and a project placed in service by January 1, 2014, Watertown said.

Connecticut ratepayers will save a significant amount of money if the projects qualify for federal stimulus funds, about $27.6 million for every $100 million spent on a biomass project, Watertown said.

Watertown suggested several changes to the Connecticut contracts, including pre-determined prices. The current contract calls for pricing of energy, capacity and any other products from Watertown's biomass plant based on ISO-New England's hourly day-ahead locational marginal price plus a fixed renewable adder of $0.045-0.055/kWh.

"Such pricing is insufficient to support the construction of a renewable facility, especially in light of current low natural gas prices. In order to get such project financing, lenders are requiring the ability to ascertain exactly what revenues the project anticipates receiving, which means contracts with predetermined prices," Watertown said.

The developer instead called for a pricing formula with a variable component representing the project's costs of operation, including fuel and operations and maintenance expenses, along with a fixed component representing the project's capital costs.

United Illuminating, which would be a buyer of the renewable energy under the solicitation, said that it opposes changing the contracts at this point. Significant revisions would "undermine the balance of risk and reward" and "undermine the integrity of the procurement process," the utility said in a filing.

Other factors, besides the contracts, may be contributing to the projects' difficulty obtaining financing, such as ownership

structure, risk execution, equipment warrantees and operational guarantees, UI said. — *Lisa Wood*

Reports say to cap Fla. RPS … from page 1

But biomass developers and pro-RPS groups such as the Southern Alliance for Clean Energy said that the reports actually affirm their view that biomass is part of the solution, albeit not a stand-alone fix.

The University of Florida reports noted that it is "widely assumed that Florida's abundant wood resources would be relied upon in order to meet much of the RPS-imposed demands for electricity, given that factors such as technological constraints and cost considerations will combine to limit the amount of renewable energy that will come from solar, wind, and other sources of renewable energy."

However, the researchers said that their findings "distinctly indicate that the proposed [20% RPS] mandate would place significant stress on the forest products industry in the state," and that the only way to achieve such a goal would be to use significant amounts of "marketable timber" as fuel and/or convert 15% of Florida's farmland to "short-rotation energy crops" grown specifically to provide power plant fuel.

"Taken together, consideration of all of the evidence strongly suggests that a 20% RPS should not be adopted for Florida," the University of Florida said in the reports. A 12% RPS "would also adversely impact the forest products industry, especially in terms of declining pine pulpwood inventory." In contrast, it said, projections involving a 7% RPS "impart a relatively benign impact on the forest products industry."

Crist in July 2007 proposed that the state secure 20% of its electricity from renewable sources by 2020, and the PSC in January made a similar proposal, but it was not ratified — as required — by the Legislature.

The Legislature, which started its session last week, is considering several renewables-related bills, including S.B. 596, which would establish a 20%-by-2022 "clean portfolio standard" with a mandate that utilities secure an increasing share of their electricity needs from traditional renewable sources, new nuclear plants, or fossil-fired plants with carbon dioxide capture and sequestration. The measure would permit utilities to meet no more than one-quarter of the mandated percentage with nuclear power or power from fossil plants with CCS.

A growing number of developers are planning to develop several biomass-fired plants in the Southeast, many of them 30-MW to 50-MW facilities that would be fired by urban wood waste, tree trimmings and other woody biomass from within a 50- mile to 75-mile radius of the proposed plants.

For example, in Florida alone, American Renewables plans to build a 100-MW biomass plant in Gainesville that would sell its electric output to that city's municipal utility. Also, Adage — the biomass-plant joint venture of Duke Energy and Areva — is planning 50-MW projects in Florida's Hamilton County and Gadsden County, and Biomass Energy Holdings is planning a 47-MW biomass project in Gulf County.

Adage spokesman Tom DePonty said that the number of biomass projects that can be developed in Florida and other Southeastern states is "clearly limited by the available fuel supply at competitive prices," and that projects are only viable when they have secured long-term supplies of biomass. Adage, which still has not signed power purchase agreements for its two Florida projects, already has lined up the fuel supply for its Hamilton County project and is in the process of doing so for its Gadsden County project, DePonty said.

Progress Energy Florida spokeswoman Suzanne Grant said, "We are reviewing the report. Progress Energy believes that as the state moves forward in developing a renewable portfolio standard, the focus need to be on enacting a policy that is affordable and achievable with clear objects to reduce greenhouse gas emission and increase fuel diversity and fuel security."

She added, "Biomass can be an important source of renewable energy, however we believe a balanced approach is needed which is why we are investigating multiple renewable energy sources including solar, wind and biomass."

Keith McDermott, spokesman for Biomass Energy Holdings, said that the company holds a signed PPA with Progress Energy Florida for its project, and that it has secured some of the project's needed woody biomass supply and is planning to buy energy crops as well.

Stephen Smith, executive director of the Southern Alliance for Clean Energy, said that while there clearly are limits to how much woody biomass would be available to fire biomass plants, his group and other advocates of a Florida RPS "never envisioned" that biomass-fired generation would account for all of the state's renewable energy.

Smith said that Florida also has significant potential for solar power and, over the long-term, for power from ocean currents, and that — while many environmental groups oppose the idea — Florida is also likely to be the site of additional waste-to-energy plants fired by municipal solid waste. Further, he said that some old phosphate mining sites could used to grow energy crops, thereby boosting the potential for biomass-fired generation without shifting active farmland from food production.

Smith acknowledged that some Florida legislators may not be prepared to enact a 20%-by-2020 RPS this year, but said that they should at least agree to adopt a modest interim goal for biomass, solar and other renewables. Otherwise, he said, the state will lose out on the economic-development potential that renewable energy offers. — *Housley Carr*

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To the Alternative of Building its Own Generating Plants

An Independent Assessment

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March 5, 2010

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-Savings Are Substantial-

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ratepayers. Alternatively, a portion of new generation might be produced under regulated returns. This study concludes that new BG&E generation plants, regulated by the Public Service Commission ("PSC") and fueled by natural gas, would save residential ratepayers 17% annually (or $400 million) compared to current prices paid by BG&E for power.[1]

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As a distribution utility, BG&E buys its power from third parties, either through the PJM network or directly through long-term contract. BG&E then sells the purchased power principally to its residential customers under standard offer service ("SOS"). BG&E's parent company, Constellation Energy Group, Inc. ("CEG"), is BG&E's largest supplier of electricity.[2]

In 2009 and 2008, the average cost of electricity purchased by BG&E (for resale) was $108 and $109 per MWh, respectively.[3] For PEPCO, the corresponding costs were $107 and $112. The intent of this study was to determine if a new gas turbine generation plant could supply electricity at a cost less than these historical averages

Electricity Cost of New Combined Cycle Power Plant Fueled by Natural Gas

To estimate the all-in cost of generating electricity from a new combined cycle power plant fueled by natural gas, MTEF uses a roll-up number called the "Levelized Cost of Electricity." This approach includes the variable cost of generation and an apportionment of the fixed cost (including the capital cost of the power plant) over the life of the plant, assuming that the plant operates at maximum output, in every hour that it is available. The final cost of any specific power plant varies greatly depending on a number of factors including: the location in which it is built, fuel contracts, maintenance arrangements, financing arrangements, and related items. MTEF views the following numbers as good faith estimates. Lower financing costs and lower gas prices make natural gas more attractive as a fuel today, compared to past years.

Combined Cycle Natural Gas Turbine Plant—Nominal Levelized Cost

4	Capital Costs:	$17/MWh
5	Fuel Cost:	$37/MWh (at $5.50/McF gas price delivered)
6	O&M Cost:	$ 3/MWh
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8	Net All-in Cost:	$60/MWh

[1] Purchased power accounts for about 75% of a residential customer's bill. See Exhibit A for a hypothetical savings calculation.

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The $60 MWh levelized cost is 44% below the cost of electricity purchased by BG&E in 2008 and 2009.[4]

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Combined Cycle Gas Plant: A 600 MW plant costs approximately $660 million to build. An economic life of 20 years is assumed for depreciation and debt repayment.

Financing: The calculation assumes a 50% debt/50% equity capital structure. The debt has a 5% cost and the equity a 15% cost. Both are reasonable assumptions in today's environment and reflective of the PSC's requirements for BG&E.

Gas Supply: Long-term, 10-15 year contracts for natural gas are beginning to surface in the marketplace, but the data is closely held. The Henry Hub Natural Gas Futures Market Strip (2010-2015) is one guide. It trades publicly and shows an average price of $5.50 per McF delivered in Louisiana. A sizeable long-term deal might equal that price on a Maryland delivery basis. The attractive part of natural gas generation is that electricity demand peaks in the summer, when natural gas demand is at low ebb. Another is the fuel's relatively small environmental impact compared to coal.

Using the same estimating approach, a new supercritical coal plant (if one could be permitted today) would come in at $75/MWh.

One thing to keep in mind is that the variable cost of gas generation, based on the above, is $43/MWh. Any time the price of "spot" power is less than $43, it is cheaper for BG&E to buy the power from the market rather than to generate it. While taking advantage of purchases from the market lowers the total cost of supplying power, it makes the average cost of power that comes from the gas turbine more expensive, since the fixed costs must be distributed over less energy output. For this reason, the plant's 24 hour per day assumption is important, given the service area's population of 2.3 million and the requisite base load demand.

Recent MTEF Work on BG&E Electricity Costs

In connection with work done by Senators Pipkin and Rosapepe, MTEF developed a proposal in 2009 to have CEG provide power under long-term contract to BG&E, as a condition of the PSC approving CEG's multi-billion transaction with Electricite de France ("EDF"). Under the proposal, CEG would have sold power to BG&E at a price determined as if the related generation plants operated on a PSC regulated basis. The projected reduction in residential ratepayer electricity bills

[4] In a perfect world, BG&E, PEPCO or the PSC might have made similar calculations for presentation to state legislators.

approximated 15% annually or $300 million per year. CEG never refuted the analysis or its conclusions in a scientific manner.

As an intervener in the PSC's review of the transactions, MTEF presented the proposal in written and oral testimony. It also discussed the proposal formally in legislative testimony. The PSC approved the EDF transaction without re-regulating existing plants,[5] and the legislature failed to advance the concept in a substantive way in 2009.

Acknowledgements

MTEF wishes to acknowledge individuals at the following organizations, who provided information or insights:

9 Anadarko Petroleum (natural gas division);
10 General Electric Company (gas turbine division);
11 Mirant Corporation (merchant power provider); and
12 PJM Interconnection (regional transmission network).

Two attempts to reach CEG and BG&E officials were unsuccessful. The Maryland PSC and Maryland Energy Administration were contacted by MTEF, but their ability to provide relevant BG&E statistical data to the public was restricted by state law.

About the MTEF

MTEF is a non profit, non partisan organization that studies budget and tax issues in the State of Maryland. Previous topics have included a $1.1 billion legal fee requested by the Angelos law firm, a $1.5 billion slots license giveaway proposed by the State of Maryland, Montgomery County's $2 billion school spending and related performance, and the $4 billion Washington Suburban Sanitary Commission (WSSC).

The website is: www.marylandtaxeducation.org.

Exhibit A

Hypothetical Savings

Assumptions

13 600 MW combined cycle plant at full capacity provides 44% savings, compared to recent purchased power costs.

[5] The PSC's acquiescence to the transaction provided favorable benefits to CEG's stock price, which advanced over the last 15 months, in percentage terms, significantly more than the S&P 500 or CEG's peer group. Employees were rewarded as well, as more stock options were granted to CEG executives and employees in 2009 than in 2008 and 2007 combined. See Exhibit C.

14 Residential SOS bills are 75% purchased power.

15 BG&E eventually obtains one-half of its generation from the new plants.

Calculation

16 Savings 75% x 44% x 50% = 17% savings.

Exhibit B

BG&E

Distribution Volumes (000—MWh)

2009 2008

Residential	12,851	13,023

Excluding Delivery Service Only:

Commercial	3,945	3,957
Industrial	270	242

17,066 17,222

Expenses ($000,000)

Electricity Purchased for Resale

From Third Parties	$ 1,217.4	$ 1,078.1
From Affiliate	623.5	802.0

$ 1,840.9	$ 1,880.1

Purchase Cost per MWh

2009	$1,840,900,000/17,066,000 MWh = $108/MWh

2008	$1,880,100,000/17,222,000 MWh = $109/MWh

For PEPCO, the purchased power costs (for SOS service) were $107 per MWh in 2009 and $112 per MWh in 2008.Exhibit C

CEG Stock Options

	Number Granted	Weighted Average Exercise Price	Implied Value: Stock Trades at $36 On 3-5-10
2009	3,511	$20.14	$56 million
2008	1,434	$93.79	-----
2007	1,759	$76.22	-----

Note: The stock traded at $20.14 (or less) in 2009 for only 30 days, so the timing of the stock option grants was providential for CEG executives.

The Spark Spread:
2009 Calcs on Blended Power

	Percentage	***All- In Cost***	***Notes***
Coal Percentage	40.00%	0.0300	1
Nuclear Percentage	31.00%	0.0187	1
Natural Gas Percentage	29.00%	0.0690	2
TOTAL	100.00%		3
BGE Current Rate			4
Spark Spread			
Spark Spread %			

1 Per US Energy Information Administration: 1 ton of coal = 2000 kwh; coal = $48 per
Per Nuclear Energy Institute, Supply = 80% of All-In Coal Cost: therefore, divide 2.4
http://www.nei.org/resourcesandstats/documentlibrary/reliableandaffordableenergy
Note: Click on the download, and see the chart: production costs + fuel costs are a
8.09 ckwh, but using the "NG Cost Analysis Spreadsheet for BGE Auctions" Instea

2 Per Calculations derived from the State of Oregon, recent natural gas prices (See "

3 Fuel sources based on CEG financials/spreadsheet calculation mwh of electricity p
plant type of the CEG fleet (i.e. nuclear, coal, natural gas imports)(See "Cost Price (

4 http://ir.constellation.com/secfiling.cfm?filingID=1047469-10-1515&clie
Note: BGE's 2009 purchase of electricity was 10.787 ckwh. Calculated as follows: to
12 of the 2009 Annual Report, are 17,066,000 Mwh (Residential is 12,851,000 Mwh +
+ Industrial Excluding Delivery Service Only of 270,000 Mwh = 17,066,000 Mwh); To
Annual report is $1,840,900,000 dollars for "Electricity Purchased for Resale"; divic
to convert to kwh, divide $107.87/1000 = .10787 per kwh, or 10.787 ckwh

Blended Rate	Ancillary Costs	BGE Line Charge	TOTAL	Current
0.0120				
0.0058				
0.0200				
0.0378	0.0233	0.0237	0.0848	0.1578

0.10787
0.07006
185.32%

· ton; $48/2000 = 2.4 ckwh

ckwh / .80 = 3.0 ckw

y/graphicsandcharts/uselectricityproductioncosts

s follows: coal, 2.75ckwh; nuclear, 1.87 ckwh; N

ac

NG Cost Analysis Spreadsheet for BGE Auctions_Model Feb 2010'

produced from eac

Comparison From Constellation Fleet" spreadshee

entname=CEG

otal BGE power purchases, from pag

Commercial Excl Delivery Service Only of 3,945,000 Mw

tal BGE payments for 2009, from page 53 of the 200

de $1,840,900,000/17,066,000 = $107.87 per Mwl

Re-Reg Reduction	***%-age Reduction***
0.0730	**46.25%**

Generation of Electricity from Natural Gas

Sources: 2

1 **http://www.oregon.gov/ENERGY/CONS/docs/EnergyUseOR.pdf**
Note: see windows page 2, Figure 1 for 5,362 mW OR capacity;
see windows page 2, box, for 8760 Mwh
see windows page 2, Figure 1, for 15% NG Allocation;
see windows page 5, chart, for 82,472,000,000 NG CU Ft for electricity.

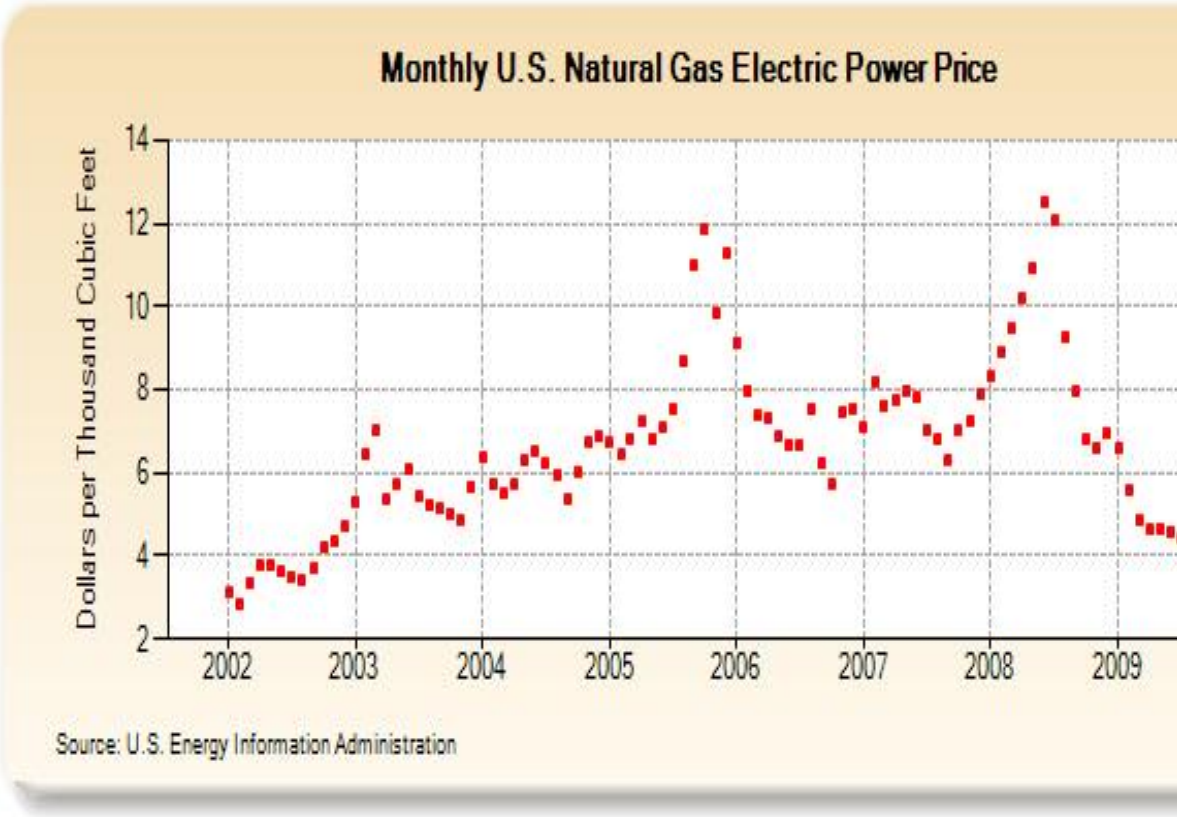
2 **http://tonto.eia.doe.gov/dnav/ng/hist/n3045us3m.htm**

3 http://www.nei.org/resourcesandstats/nuclear_statistics/costs/
Note: click on link, paragraph 6: "Fuel as a percentage of electric industry power costs", power point bar graph indicates NG fuel makes up 93% of cost of power, w/ O&M just 7%.

1	5,362	OR MW Nameplate capacity
	8,760	hrs in yr
	46,971,120	Mwh produced (46.9 Twh)
1	15.00%	Natural Gas %age of Electricity produced
	7,045,668	Mwh from NG (7.045 Twh)
	1,000	Conv to kwh
	7,045,668,000	kwh
1	82,472,000,000	Cubic Feet of NG Used by Utility Companies

2

	0.0854	***kwh/cu ft***
2	***5.50***	NG for Electricity Utilities ***Feb. 2010***
	85	kwh fr 1000 cu ft
	0.064	***ckwh NG supply***
3	93.00%	coal supply cost % of total coal costs- inclu generation costs, overhead
	0.069	***All In NG Cost***
	0.024	BGE line charge
	0.093	***All In Price After Apr 24, 2009 Auction***



U.S. Natural Gas Electric Power Price (Dollars per Thousand Cubic Feet)

Year	Jan	Feb	Mar	Apr	May	Jun
2002	3.1	2.86	3.37	3.8	3.78	3.61
2003	5.33	6.47	7.05	5.38	5.7	6.08
2004	6.37	5.76	5.5	5.74	6.3	6.52
2005	6.72	6.42	6.84	7.27	6.83	7.08
2006	9.15	8	7.36	7.32	6.89	6.69
2007	7.08	8.18	7.64	7.77	7.96	7.8
2008	8.33	8.93	9.47	10.22	10.93	12.5
2009	6.6	5.59	4.9	***4.62***	4.67	4.61
2010		***5.50***				

Jul	Aug	Sep	Oct	Nov	Dec
3.49	3.42	3.71	4.19	4.35	4.72
5.45	5.23	5.12	4.98	4.85	5.69
6.24	5.97	5.39	6.05	6.71	6.88
7.57	8.67	10.99	11.84	9.87	11.26
6.69	7.56	6.27	5.76	7.48	7.57
7.03	6.83	6.33	7	7.28	7.93
12.05	9.3	7.94	6.8	6.62	6.96
4.43	4.24	NA			

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Financing: The calculation assumes a 50% debt/50% equity capital structure. The debt has a 5% cost and the equity a 15% cost. Both are reasonable assumptions in today's environment and reflective of the PSC's requirements for BG&E.

Gas Supply: Long-term, 10-15 year contracts for natural gas are beginning to surface in the marketplace, but the data is closely held. The Henry Hub Natural Gas Futures Market Strip (2010-2015) is one guide. It trades publicly and shows an average price of $5.50 per McF delivered in Louisiana. A sizeable long-term deal might equal that price on a Maryland delivery basis. The attractive part of natural gas generation is that electricity demand peaks in the summer, when natural gas demand is at low ebb. Another is the fuel's relatively small environmental impact compared to coal.

Using the same estimating approach, a new supercritical coal plant (if one could be permitted today) would come in at $75/MWh.

One thing to keep in mind is that the variable cost of gas generation, based on the above, is $43/MWh. Any time the price of "spot" power is less than $43, it is cheaper for BG&E to buy the power from the market rather than to generate it. While taking advantage of purchases from the market lowers the total cost of supplying power, it makes the average cost of power that comes from the gas turbine more expensive, since the fixed costs must be distributed over less energy output. For this reason, the plant's 24 hour per day assumption is important, given the service area's population of 2.3 million and the requisite base load demand.

Recent MTEF Work on BG&E Electricity Costs

In connection with work done by Senators Pipkin and Rosapepe, MTEF developed a proposal in 2009 to have CEG provide power under long-term contract to BG&E, as a condition of the PSC approving CEG's multi-billion transaction with Electricite de France ("EDF"). Under the proposal, CEG would have sold power to

[4] In a perfect world, BG&E, PEPCO or the PSC might have made similar calculations for presentation to state legislators.

BG&E at a price determined as if the related generation plants operated on a PSC regulated basis. The projected reduction in residential ratepayer electricity bills approximated 15% annually or $300 million per year. CEG never refuted the analysis or its conclusions in a scientific manner.

As an intervener in the PSC's review of the transactions, MTEF presented the proposal in written and oral testimony. It also discussed the proposal formally in legislative testimony. The PSC approved the EDF transaction without re-regulating existing plants,[5] and the legislature failed to advance the concept in a substantive way in 2009.

Acknowledgements

MTEF wishes to acknowledge individuals at the following organizations, who provided information or insights:

1 Anadarko Petroleum (natural gas division);
2 General Electric Company (gas turbine division);
3 Mirant Corporation (merchant power provider); and
4 PJM Interconnection (regional transmission network).

Two attempts to reach CEG and BG&E officials were unsuccessful. The Maryland PSC and Maryland Energy Administration were contacted by MTEF, but their ability to provide relevant BG&E statistical data to the public was restricted by state law.

About the MTEF

MTEF is a non profit, non partisan organization that studies budget and tax issues in the State of Maryland. Previous topics have included a $1.1 billion legal fee requested by the Angelos law firm, a $1.5 billion slots license giveaway proposed by the State of Maryland, Montgomery County's $2 billion school spending and related performance, and the $4 billion Washington Suburban Sanitary Commission (WSSC).

The website is: www.marylandtaxeducation.org.

Exhibit A

Hypothetical Savings

[5] The PSC's acquiescence to the transaction provided favorable benefits to CEG's stock price, which advanced over the last 15 months, in percentage terms, significantly more than the S&P 500 or CEG's peer group. Employees were rewarded as well, as more stock options were granted to CEG executives and employees in 2009 than in 2008 and 2007 combined. See Exhibit C.

Assumptions

1 600 MW combined cycle plant at full capacity provides 44% savings, compared to recent purchased power costs.

2 Residential SOS bills are 75% purchased power.

3 BG&E eventually obtains one-half of its generation from the new plants.

Calculation

4 Savings 75% x 44% x 50% = 17% savings.

Exhibit B

BG&E

Distribution Volumes (000—MWh)

	2009	2008
Residential	12,851	13,023
Excluding Delivery Service Only:		
Commercial	3,945	3,957
Industrial	270	242
	17,066	17,222

Expenses ($000,000)

Electricity Purchased for Resale		
From Third Parties	$ 1,217.4	$ 1,078.1
From Affiliate	623.5	802.0
	$ 1,840.9	$ 1,880.1

Purchase Cost per MWh		
2009	$1,840,900,000/17,066,000 MWh = $108/MWh	

2008	$1,880,100,000/17,222,000 MWh = $109/MWh	

For PEPCO, the purchased power costs (for SOS service) were $107 per MWh in 2009 and $112 per MWh in 2008.Exhibit C

CEG Stock Options

	Number Granted	Weighted Average Exercise Price	Implied Value: Stock Trades at $36 On 3-5-10
2009	3,511	$20.14	$56 million
2008	1,434	$93.79	-----
2007	1,759	$76.22	-----

Note: The stock traded at $20.14 (or less) in 2009 for only 30 days, so the timing of the stock option grants was providential for CEG executives.