

# Restructuring and Re-regulating Maryland's Electrical Utilities

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Ref. 1: State Analysis & Survey on  
Restructuring & Re-Regulation 30 Nov. 2007  
(note: Great- a must read document!)

Ref. 2: Analysis of Options for Maryland's  
Energy Future 30 Nov. 2007  
(note: Great data, Summary needs rework!)

Ref. 3: Interim Report of the Public Service Commission  
of MD to the MD General Assembly 3 Dec. 2007  
(Note: Lacking near-term action/recommendations for MD crisis!)

Ref. 4: Electricity honey pot is starting to stink  
Jay Hancock, Baltimore Sun, December 21, 2007  
(Note: Must read- A clear cry for MD Crisis & Congressional Action!)  
(Located at end of this document for convenience)

**SUMMARY:** Maryland's electric utility has had major problems for years requiring the intervention by the US Congress, but where are our elected US officials (Senate Barbra Mikulski & Ben Cardin and Representatives: Roscoe Bartlett, Elijah Cummings, Wayne Gilchrest, Steny Hoyer, Dutch Ruppersberger, John Sarbanes, Chris Van Hollen, and Al Wynn) and why have they been ignoring or down-playing Maryland's public outcry plus the numerous other activities loudly seeking electric utility rate justice and intervention via the US Congress to change FERC/PJM grossly non-competitive laws? Why aren't they working closely with our State officials and other PJM state representatives to develop a pro-active, near-term encompassing plan calling for timely resolution of the nation's faulty deregulated utility problems?

Maryland's 1999 quasi deregulated electric utility is in a "crisis state" whether it is officially declared or not, due to: the threatened 2011-2012 brownouts/blackouts, the unwarranted nearly 100% rate gouging increase, and the blatant blockage of competitively available power imposed by powerful out-of-state corporate utility giants (Constellation Energy, Exelon, etc.). Unconstrained, these corporations "basically wrote-their-own US and State laws" (FERC, PJM, and States: MD, DE, IL, NJ, ... ) that enabled "racketeering like control/ enforcement" of electric wholesale rate-gouging auctions concurrent with creating power grid congestion and electrical shortages by blocking/ avoiding construction of new transmission lines and new load based, modern, environmentally friendly coal-fired power generators (also needed to retire the old polluting ones). Our US and state elected officials must stop ignoring the huge public outcry and start working

together to achieve a fair, long enduring solution to the problems. These major problems are clearly identified here along with streamlined, "best" long term cost effective recommended solutions:

- Change the FERC/PJM wholesale auction and related rules for fairness
- Establish a State Power Authority (SPA) empowered to oversee/ensure competition and to implement solutions identified herein.
- SPA let long-term contracts for 2 (500kv) transmission lines across MD to WV&PA
- SPA let long-term contracts for four or more emission efficient, load based coal-fired generators (two generators for more power and two for retiring the two most polluting generators- then proceed to buy and retire remaining outdated, state polluting generators)
- MD State fund upfront (as necessary) transmission lines and load based generators to expedite their availability- award long term contracts with option for the state of Maryland to own these new assets after end of contract!
- PSC to provide billing/collecting service to competing providers to permit residential aggregates to competitively compete for better rates.
- PSC to divide state utilities' SOS into small packets (~50KW units) to facilitate residential aggregate competition.
- Block Constellation Energy's bid to build "new" nuclear generator in MD until "low waste fast- breeder" version under US test is available, thus protecting MD's rate payers from needless, long-term financial obligation to store/dispose of even more highly radioactive nuclear waste as currently required for Calvert Cliff units.
- Sponsor a state 2008 referendum of above actions/funding for public support

## **Restructuring and Re-regulating Maryland's Electrical Utilities**

The PSC is currently conducting a comprehensive dialog with the Maryland General Assembly on ways that immediately start to correct the existing electric utility restructuring fiasco that created a financial windfall for powerful electric utility corporations residing primarily outside of Maryland. It is absolutely essential that Maryland's Governor O'Malley, the General Assembly and the PSC intervene with timely, bold leadership and new policies/laws to regain control of Maryland's electric utility fate. These out-of-state corporations continue to reap huge annual "grid congestion/monopoly" financial rewards from Maryland's ratepayers by blocking fair competition via congested intrastate and interstate electric transmission grids and by preventing competition from constructing lower cost, low emission load based generators! Hopefully this recommendation herein along with ref. 4 review will be helpful in defining a clear proactive path for solving the MD electrical crisis!

Federal laws PURPA (1978); EPACT (1992);and FERC orders 888 & 889 (1996), and order 2000 (1999) were issued with a basic noble objective of lowering electricity rates to all users and opening the national electricity market to conventional and a wide variety of innovative and renewal energy providers by providing robust access to the national and state power grids. This objective is still

valid and achievable, even though powerful, multi-state corporation in several states have temporarily "hijacked the process". The proposed Option Six herein with its milestone chart also strives to achieve this noble cause.

**Background:** The 1999 Re-structuring Law enabled outside corporations to quickly acquired MD's electric generators worth an estimated \$18-24B for only \$5B book value, and then to levy a huge 72% rate increase (upon the removal of a small rate cap and a Katrina/Rita contrived multi year "cost spike serge"). This rate increase equates to an "annual added" charge of about \$1.9B (Original rate payer annual bill= about \$1,000; 72% increase =\$720; 2.4M rate payers total (1.1M for BGE, 1.3M for the other utilities) X \$720=\$1.9B). These same corporations in conjunction with the flawed FERC and scandalous PJM (MD's transmission grid operator- are also stakeholders) facilitated MD's transmission grid congestion, generator shortages, and stymied competition for the last eight years. Their blocking actions has been vastly profitable for them while it cost rate payers an additional \$500M due to grid congestion in just one year, 2006. Now they are threatening rolling brown/ black outs starting in 2012 unless they are authorized to raise rate even higher. Transmission grid-lock and energy shortage intimidation yielded by these powerful outside corporations must be stopped and can be stopped as defined herein. A very similar financial gouging, brownout situation was facilitated in CA by similar powerful corporations. That caper ultimately resulted in long term high rates, the expelling of Governor Gray, and the installation of Governor Schwarzenegger. Restructuring has been enacted in other states such as DE, NJ, IL, and CT with similar disastrous results. This abuse of power reinforces the concept that absolute power corrupts and that the states and the US Congress must cooperate, revise the laws/policies, and provide enforced oversight to ensure fair competition!

An impartial review of the reference documents 1-4 should clearly give a "crisis" wake-up call for Maryland's elected and appointed officials and emphasize the need to "pro-actively and timely take control" of MD's electric utility operations/destiny and to finally stop the financial exploitation by the powerful, outside corporations. Although the referenced documents do an excellent review/analysis of "most" of the problems/issues and presents five re-regulation options, the options are still incomplete in a number of very important areas, as they acknowledge. The following material builds on options 1-5 of ref. 1. and is intended to provide a more encompassing, combined draft option that will hopefully expedite finding a fair and complete solution to Maryland's Electric utility dilemma for all participants: large and small diversified generator providers, transmission grid providers, and all customers (residential, commercial and industrial).

## **Option 6: More Restructuring & Re-regulation**

**1. MD Electrical Crisis:** The governor ideally will declare MD to be in a "State of Electrical Crisis" to permit invoking federal (DOE:Electric Transmission Corridor- for timely land access) and state emergency measures and procedures that

will end the MD transmission grid congestion and permit construction of new load based electric generators. Justification:

-PJM and the powerful utility corporations are warning of impending 2011/2012 rolling brownouts/ blackouts! (Naturally they are in a position to "make it happen" as in CA since they are basically free- wheeling/under-regulated and are the primary owners of the electrical grids and generators.) The PJM/Utilities have proven to be highly unreliable due to their eight years of construction in-action!

-Reference 4 presents a coordinated financial attack by the utility corporations supported by the FERC/PJM- hence an urgent call for a congressional probe.

-PJM has 6,871 MW capacity in it queue, but only 24 MW was in service as of July 2007. Construction of 760 MW has been suspended. Only 33 MW additional capacity is expected to be in service by end of 2008, and an additional 239 MW capacity by end of 2009. The commission considers the outlook for adequacy of MD's electricity supply to be "FRAGILE".

-PJM has not corrected the severe transmission grid congestion and load based generator shortage for MD (and other PJM states) for the last eight years.

-PJM management was in a recent "abuse of power" scandal when it tried to mute its "Independent Oversight Monitor" Dr. Joseph Bowring. FERC was pressured to intervene, ultimately separating the oversight function from PJM.

-MD providers, since 2000, have only built about 700 MW and its mostly pricey gas-fired generators. MD has approved an additional 830 MW of pricey gas-fired generators, but there is only effort to build 100 MW of the total capacity. No requests have been made to build low cost "load based" coal-fired generators- which are the primary generators for stable, low cost electricity. MD is currently dependent on obtaining 30% of its electricity need form out of state- and this dependency is worsening! Most of MD generators are old and need replaced with modern load based coal-fired generators.

-MD has only only about four years until 2012 to resolve its restructuring issues and to build vital, new transmission grid and to start building load based coal-fired generators (plus resolve land access issues, etc.)

-BRAC will provide a near term power demand increase as thousands of new residents move into the state.

-PJM and MD regional providers (BGE, PEPCO, etc.) have blocked residential aggregates from forming and competing by preventing access to a robust residential aggregate billing/ collection services for the competing providers.

-Many more PJM & MD providers short-comings can be added if needed.

**2. MD Referendum:** MD could/should have a 2008 referendum for the voters to support any major controversial restructuring issues such as: Funding state owned/backed "new" transmission grids and "new" load based generators; Declaring State to be in Crisis status; Using state bonds, retirement fund, some lottery funds, etc. to build new transmission grids & generators.

**3. State Power Authority (SPA):** MD urgently needs to establish a State Power Authority and mandated it to resolve the state's electrical crisis. The SPA could

**contract out its staffing needs until the capability is established within. Some of the SPA effort include:**

**-Coordinate with other PJM states to lobby the congress, FERC, and PJM for FERC and PJM rule changes to improve fair competition, get all providers robust access to the grid. Do not accept the premise that MD must perform a subordinate roll relative to the FERC and PJM as their authority can and must be changed by coordinated pressure from collaborative/cooperating states.**

**-Typical tasking:Acquire/procure land building sites for new grids and generators. Improved wholesale procurement procedures. Revised/updated grid and generator procurement planning and procure capability as required. The PJM is currently highly dysfunctional/ineffective and the SPA needs independent authority to "work around the PJM as required" to avoid/minimize the looming 2011/2012 brownout/blackouts. There are many more tasks- see ref 1. options 2-5 for more tasks.**

#### **Priority Mandate NUMBER ONE:**

**-Transmission Grids/Management: Expedite procurement of new transmission grids and "Manage their Operations" to ensure the MD grid congestion is quickly eliminated and new competitive providers have robust access to the total grid network as originally envisioned by the FERC national competitive objectives. This grid procurement should provide robust (500KV lines) transmission grid upgrades across MD and into WV & PA that eliminate all of MD's grid congestion well into the future. The US DOE Announced in 2007 the need to construct a Mid-Atlantic Area National Interest Electric Transmission Corridor that will run from WV through MD, DE and on to NY. These lines will be 500KV and are considered to benefit the region and hence, the region is required to share the cost. The PJM has also approved at least four transmission projects that affect MD. However, since the PJM performance is less than desired, the SPA should revisit these projects to ensure they are truly beneficial to MD, or they may need revisions due to land access or for other considerations. The SPA should consider cooperative efforts with the DOE, PJM and other states as applicable to properly share grid cost. However any agreements should have a provision/clause for MD to go "forward and alone" if necessary to maintain the critical schedule. Additionally, MD should plan to "fund the total MD state grid construction cost upfront", if necessary, to ensure the project is completed in a timely manner- as there will be many pressures to stop/delay this construction. Appropriate fund sharing can be recouped from the other PJM member states when they need access to the new grid. One must remember there are huge financial incentives for PJM and the powerful outside corporations to delay grid construction (and generators) as rates are highest in congested regions due to the use of pricey gas-fired peaking generators and related PJM congestion wholesale rules. PJM and the outside corporations have demonstrated their ability to greatly delay construction projects for the transmission grid upgrades (and new load based generators) over the last eight years in MD.**

**Ending grid-lock congestion and fostering true competitive access to the power grid will eventually permit lowering user rates. These new lines also end the need for expensive gas-fired generators that use price volatile fuel. MD can readily afford to fund the grid construction alone if necessary as its rate payers are currently spending \$2.4B annually that could be drastically reduced (see above \$1.9B annually due to the 72% increase plus \$.5B annually for grid congestion. Also see Table 1 below which shows WV & PA (industrial) electricity rates are very low-giving huge price margins to work with!). Total cost (est. \$4B) for "all new MD grid construction" will be less than the cost of "one" new load based coal-fired generator . Once built, other grid users can/should be charged (est. \$3B due to region sharing) to payback MD's investment. American Electric Power & Allegheny Energy announced in the Baltimore Sun Newspaper 12/29/07 a request to the FERC (for a rate formula to recover cost "-naturally from rate payers") to build a 290 mile-long, extra-high-volt transmission line from WV to Fredrick. MD should "take-over and accomplish the MD segment of this grid". Given the shady, past eight years lack-of-performance of the FERC, PJM and the powerful outside corporations, one could build a case that this application for the construction of the power grid is merely a political appeasing act and that actual construction will be greatly delayed thus ensuring that huge profits from grid congestion will continue almost indefinitely. MD officials owes it to its residents not to standby and to "allow events to play out" as they may! MD's State Power Authority needs to intervene, take control and manage construction of transmission grid's to ensure they are completed by 2012.**

**SOS/Aggregation: MD residential users have been locked out of access to lower cost competitive providers by PJM/MD's very powerful utility corporation. These corporations basically have abusive power control of the MD transmission grid and have facilitated grid congestion and discourage construction of new load based generators over an eight year period, thus projecting the state into a PJM warning of a 2012 brownout/blackout. MD residential users absolutely have no lower cost provider options than the Standard Office Service (SOS) rate- that is why they have not changed providers. See tables 1& 2 below. Only 7 of the licensed providers offer residential service and none have cheaper rates than SOS. MD's Office of Peoples Council confirm this situation. Four of the lowest cost states on the PJM grid (WV,KY,TN & IN) do not have provider service in MD presumably due to grid congestion and/or a lack of capability to provide billing/collecting service in MD. VA has cheaper rates (8.6 c/kwh) than MD (10.86-13.70) and its on the PJM grid, but its provider charges MD residential 13.79 to 13.90 c/kwh. It is absolutely essential for MD to end this abusive use of power by empowering the PSC (ideally via State Power Authority) to make upgrading the transmission grid and taking over its management operations to ensure robust grid access is their number one priority. Additional MD's 2.4M member of the SOS should be segmented into smaller 50MW sizes aggregates, as providers on the PJM grid typically bid on "blocks of power" of that size. Furthermore, the providers should be restricted from bidding on more than about 20% of the total number of blocks to prevent their controlling this market. Another issue requiring resolution is the lack of small providers having the ability/ resources to offer residential aggregates billing/ collecting service. The PSC could offer this service from an independent source(s) or mandate the current**

**MD utilities that own the power grids, read the power meters, perform the SOS billing/collecting service to also be required to provide this billing/collection service at the going rate to the small competing providers of the SOS blocks and other residential/ commercial aggregates. This billing/collecting service is needed as there are NO providers in MD today that has that capability, other than the existing power grid owners. This deficiency was noted in Jan 2008 when the Northern Anne Arundel County Chamber of Commerce (NAACCC) recently formed a commercial aggregate and contracted with a broker to negotiate for lower rates with competing providers. NAACCC also plans to form additional aggregates to permit more frequent procurements. NAACCC and the broker were contacted to combine a residential aggregate with their commercial aggregate only to learn they are receptive but that the broker and the competing providers do not have a billing/ collection service capable of handling large aggregate memberships. Obviously this billing/collection shortcoming needs to be solved. Meanwhile, the PSC should continue to authorize and encourage aggregate formation (joint residential, commercial, and Industrial) at the counties, cities, municipal, provider levels, (with additional aggregation between themselves) as well as aggregation at the community association and active group levels if necessary. These aggregates could eventually group to procure their own load based generator(s) and reap the additional financial gain of ownership.**

**Priority Mandate NUMBER TWO:**

**- Additional Load Based New Generators/Management: Priority should be to obtain at the earliest (concurrent with obtaining the new transmission grids) at least two (four preferred) new (+600 MW each) load based, state-of-the-art, low emission coal-fired generators that efficiently produce very low cost electricity, thus eliminating the need to procure the proposed reserve capacity 1200MW of additional pricey gas-fired generators. Follow-on, on in parallel, procurement of additional load based modern coal-fired generators should be made to permit decommission gas-fired peaking generators and/or the existing older, heavy polluting coal-fired generators (some units fail emission standards)- thus significantly reducing the overall pollution levels in MD. Fortunately MD is located adjacent to two states, WV & PA, that have an abundance of excess electrical power as well as an abundant supply of coal (estimated to last for 100s of years). MD should prioritize installing its modern coal-fired generators on the borders with these states to reduce the coal supply logistic costs as well as to have access with the newly installed transmission grids. In regard to generator management, MD should either purchase the new generators itself, or only allow new providers to buy the generators as a "controlling practice" to reduce power abuse by dominant energy providers (Constellation & Mirant own 85% of generators in MD). A good policy would appear to limit ones ownership to less than 20% of total grid usage as this has worked for other state. Renewable energy generators of all types should also be encouraged (with perhaps modest subsidies (grid access rates, etc.) to facilitate introduction of viable technologies) and have robust access to the grid. MD should**

**consider adopting CA law that encourages 1M solar users to provide energy to the power grid during peak load periods via their home meters. MD's current law is too restrictive and discourages this operation- this law needs revised. Hopefully the design of the new meters will permit this operation as well.**

**However, current old style nuclear generators are relic white elephants with very high financial risks and long term nuclear waste storage cost/obligations. MD rate payers should not be obligated to financially support such outdated, high risk ventures! Constellation Energy has exploited MD rate payer by acquiring the two generators located at Calvert Cliff, MD for about 1/4 their value and then greatly increased their electric cost as though they were pricey gas-fired generators. Additionally, they off-loaded the nuclear waste storage cost burden onto the MD electric users. Needless to say, any old style (classified as "new" but not fast breeders) nuclear generator ventures in MD should be fully funded by their sponsor, Constellation Energy, and their financial supporter without any MD rate payer financial commitment! The US, Russia and France are currently conducting prototype test on modern fast breeder reactor (type IV) units that essentially consume 99% of the nuclear fuel and generate negligible nuclear waste (safe after hundreds of years vice thousands), plus they can be fueled use re-processed spent fuel from conventional nuclear generators. Those units are the desirable nuclear plants of the future. MD should only authorize Constellation Energy to build any new generators in MD totally "at their own risk and expense" without any guaranteed funding by MD rate payers. Naturally, MD rate payers might purchase their nuclear generated electricity "when/if they come on-line and provided electricity that is cost competitive with other providers- that is called competition!"- but their current two nuclear plant produce electricity that is not priced to be competitive with the planned new coal-fired generator. See Table 1 below that has WV residential rate of 6.44 c/kwh and industrial rate of 3.8c kwh.**

### **Priority Mandate NUMBER THREE:**

**Long Term Contracts: Electricity wholesale market- Managing long term contracts in the electricity wholesale market with the objective of providing price stability is an art that needs built in flexibility to provide fairness and reasonable returns for ones services. This mandate should also be performed concurrent with the other mandates as it is complementary. Moderation appears to always win out, therefore it is proposed that a maximum five year contracts be awarded that has a couple of three to five year options. The contract should contain fairness provisions that allow for reasonable fuel price surge recovery as well as justifiable other related charges. The contract options provide flexibility for unforeseen events and larger course changes.**

**Generator/Transmission Grid procurement: Long term contracts to procure energy over many years are awarded to encourage providers to procurement new generators as the provider is guaranteed a means to payoff a significant portion of**

the generator cost. Likewise long term contracts to procure transmission grid access for a given volume of energy over many years are awarded to encourage grid providers to procure new transmission grids as the grid provider is guaranteed a means to payoff a significant portion of the transmission grid cost. These contracts also need the same flexibility and fairness as mentioned above for wholesale market. Contracts of these types are largely based strongly on shared risks. Most experts seem to agree that state rate payer ultimately pays for "all the cost no matter what the agreement ". Therefore the rate payer really is accepting "all the risk" while ending up with "none of the assets"! This identical situation happened where BGE "bought generators" and then "sold them" to Constellation Energy at the total expense of the ratepayer. With this fact in mind, then MD officials, as the financial steward of its ratepayer/residents, should strongly re-evaluate its procurement policy for the 21st century and start making contractual agreements that are "fair and favorable to all"- including the ratepayer/residents. This is achievable by awarding long term contracts that guarantee the provider will be paid his expenses plus a good rate of return, but the contract has a clause that permits the state to ultimately acquire the assets at a specified amount. Under this situation, everyone wins. Since both the generator and transmission grid assets have a long life, the state can then continue to operate the assets (contract out their operation to the original buyers) and use the income for a variety of state obligations (retirement benefits, new construction, etc.). This would be a great selling feature in any State Referendum seeking approval for "go-it-alone" expediting construction projects needing state sponsored bonds, etc

#### **Priority Mandate NUMBER FOUR:**

**EMPower Maryland:** Governor O'Malley identified seven areas to help state government achieve energy savings of 15% by 2015. The MD Energy Administration also identified four more initiatives for residents. These initiatives as well as many more should be encouraged and supported as they provide the best benefits of all energy options. This mandate can safely be performed in parallel to the other mandates. Another energy saver would be to consider adopting CA law that encourages 1M solar users to provide energy to the power grid during peak load periods via their home meters. MD's current law is too restrictive and discourages this operation- this law needs revised. Hopefully the design of the new meters will permit this operation as well.

## Informative & Background Support Information

The following information is provided to show the relative position of MD to the other states and to show how the powerful out-of-state corporations have stymie fair and robust competition by limiting access to the transmission grid. Implementation of the above option will break this transmission grid congestion and enable all the competing providers to have grid access.

The below Energy Information Administration Data for table 1 was obtained at [WWW.EIA.DOE.GOV](http://WWW.EIA.DOE.GOV) . Date of DOE data release: July 2007. This data has been reformatted from the states being listed alphabetically to the states being listed by descending average retail price for the residential user. This reformatted data clearly displays the most and least expensive states and their relationship to Maryland. Additionally, ALL the PSC licensed providers (28 unique- PSC records list 112 residential providers but it includes numerous duplications) have been added to the chart to clearly show questionable rate gouging, low cost regional provider exclusion, and perhaps collusion between some providers and the PJM (Regional Transmission Organization electric power grid for Maryland, 12 other states and DC) as shown below! PJM buys and sells wholesale power via the national grid directly to "providers, aggregates and retail".

1. A majority of the state's electric users have had a 20% or more rate increase since 2006 (table 1). Maryland was ranked #17 down from the most expensive state (HI) in 2006 before the 72% increase, and now it has increased its relative position to be ranked #13 in 2007, implying an excessive rate increase. It also shows there are several states with very low rates and excess power capacity for sale.
2. Commercial and industrial rates are cheaper than residential rates on average by about 1.5c and 3c respectively (table 1). This implies quantity purchases are regularly given discount rates. Recently, residential users have been authorized by the new PSC to freely form aggregates that include commercial and industrial users to competitively obtain lower rates. Those very large aggregates with memberships at or near the county's user size (100Ks) would exceed millions Mwhr in usage and hence qualify for rates below the current industrial rates (savings for all, and savings greater than 36% or more for residential users (assuming 11c residential goes to the 7c or lower industrial rate, as in PA or the several cheaper PJM states (MI,IL,IN,KY,WV)). Additionally, the PJM sells directly to very large retail (residential), commercial and industry users, thus bypassing middlemen brokers and their related fees, hence the potential for even greater savings! To receive top electric rate discount (Type III >600k kwhr/mo) only requires about a 600 home aggregate. Also PJM sells wholesale electricity in units of 1M kwhr/mo which is only about 1000 home usage. These relatively small figures confirm that modest aggregates are capable of competing competitively.

**3. Only BGE and five of the 28 MD licensed providers are actively seeking new residential users (table 2), and all five providers have very high rates near or well above BGE's rate. The other 22 providers sell to commercial & industrial users or are in limbo waiting for either the formation of large aggregates (1000s to 100Ks members), and/or disclosure of an impending ruling by the new PSC stating how/if the state plans to re-regulate/ control the Maryland electric industry and related wholesale purchasing procedures. Also note that several PJM states with large excess electric power capacity do not have their providers licensed in MD (MI,IN,KY,WV) and two states with huge surpluses (PA & IL) has only one MD licensed provider, which greatly limits competition (tables 1 & 3). This limbo status will change rapidly should the PSC ruling continue to permit/ encourage aggregates and fair competition, and new transmission grids come on-line and give providers access. A short survey was made that quickly determined there is strong support for forming aggregates to obtain lower rates. The below response was obtained:**

**\*Anne Arundel County (County Executive, Mr. Leopold's, representative stated an interest in pursuing this concept), 100,000s of homes**

**\*Anne Arundel County, District 3 (Councilman, Mr. Dillon) (est. ~+190,000 homes) stated an interest, plus with commercial/ industrial (C/I) business associates participation.**

**\*Greater Pasadena Council (represents about 34 community associations consisting of well over 16000 homes) is very interested.**

**\*Chelsea Beach Residents Association (~800 homes) is very interested.**

**4. There is a PJM power excess of about 10. 3% at this time, with more power plant construction planned, but there is only meager construction activity. (table 3). There is also significant regional grid congestions. Additionally, the PSC annual report states that appreciable excess capacity was available at auction by providers at two recent secessions. However it is imperative that the new PSC becomes directly involved with the PJM to independently assess the grid congestion problems and to participate in future planning sessions for MD grid upgrades. This PJM review definitely should encompass the states with large current and planned excess power capacity (IL, IN, KY, MI,WV and perhaps TN). Maryland must avoid totally relying on the PJM planners as they profit from rate gouging due to power shortage/ interruptions.**

**Table 1. Maryland Electric Rates through July 2007**  
[www.cia.doe.gov/cneaf/electricity/epm/table5\\_6\\_b.html](http://www.cia.doe.gov/cneaf/electricity/epm/table5_6_b.html)

State	Average Price (c/kwh)			PJM Regional Transmission Organization- Distributes Electric Power on Grid to MD, & 12 other states plus DC	PJM State Electric Power Generation : in million Mwhr + Excess; ( ) Short	Maryland Licensed Providers 28 total (Some PJM states do not have providers!)
	Retail	Commercial	Industrial			
HI	22.80	20.64	17.11			
CT	18.84	15.46	12.98			
NY	16.89	15.34	8.74			
MA	16.57	15.1	13.21			
NH	14.92	13.26	12.50			
AK	14.82	11.69	11.74			
ME	14.68	12.62	11.91			
CA	14.44	12.44	9.74			1
VT	14.13	12.29	8.78			
<b>NJ</b>	<b>14.05</b>	<b>12.63</b>	<b>11.24</b>	<b>PJM</b>	<b>(21.4)</b>	<b>None</b>
RI	13.80	12.61	12.11			
TX	12.42	9.93	7.81			3
<b>DE</b>	<b>12.84</b>	<b>11.11</b>	<b>8.44</b>	<b>PJM</b>	<b>(4.0)</b>	<b>None</b>
NV	11.59	10.02	8.09			
FL	11.07	9.60	7.64			
<b>MD #</b>	<b>10.86-13.70</b>	<b>11.46</b>	<b>9.07</b>	<b>PJM</b>	<b>(15.7)</b>	<b>12</b>
<b>PA</b>	<b>10.85</b>	<b>9.24</b>	<b>6.92</b>	<b>PJM</b>	<b>+69.8</b>	<b>1</b>
<b>DC</b>	<b>10.66</b>	<b>11.80</b>	<b>10.09</b>	<b>PJM</b>	<b>(11.6)</b>	<b>None</b>
WI	10.74	8.62	6.22			
<b>MI</b>	<b>10.31</b>	<b>9.01</b>	<b>6.45</b>	<b>PJM</b>	<b>+11.2</b>	<b>None</b>
<b>IL</b>	<b>10.25</b>	<b>8.35</b>	<b>6.46</b>	<b>PJM</b>	<b>+49.1</b>	<b>1</b>
AZ	9.48	8.03	5.92			
<b>OH</b>	<b>9.47</b>	<b>8.66</b>	<b>5.77</b>	<b>PJM</b>	<b>(3.2)</b>	<b>None</b>
LA	9.46	9.29	6.89			
IA	9.45	7.15	4.79			1
CO	9.27	7.67	5.95			1
MN	9.17	7.56	5.81			
<b>NC</b>	<b>9.17</b>	<b>7.28</b>	<b>5.23</b>	<b>PJM</b>	<b>+1.4</b>	<b>1</b>
MS	9.16	8.78	5.16			
SC	9.13	7.70	4.74			
GA	9.08	8.03	5.23			
AL	9.04	8.49	5.14			
NM	8.96	7.58	5.45			
MT	8.66	8.19	5.12			
<b>VA</b>	<b>8.60</b>	<b>6.24</b>	<b>4.90</b>	<b>PJM</b>	<b>(30.0)</b>	<b>3</b>
AR	8.51	6.72	5.06			
KS	8.35	6.99	5.16			
OK	8.28	7.00	5.20			
UT	8.18	6.54	4.54			
<b>IN</b>	<b>7.99</b>	<b>7.11</b>	<b>4.92</b>	<b>PJM</b>	<b>+23.9</b>	<b>None</b>
SD	7.89	6.41	5.02			
OR	7.93	7.07	4.97			
<b>TN</b>	<b>7.71</b>	<b>7.95</b>	<b>5.42</b>	<b>PJM</b>	<b>(6.8)</b>	<b>None</b>
WY	7.64	6.13	4.10			
MO	7.57	6.32	4.78			
NE	7.35	6.23	4.73			
<b>KY</b>	<b>7.20</b>	<b>6.64</b>	<b>4.55</b>	<b>PJM</b>	<b>+8.4</b>	<b>None</b>
WA	7.12	6.52	4.75			
ND	7.07	6.38	4.47			
<b>WV</b>	<b>6.44</b>	<b>5.68</b>	<b>3.80</b>	<b>PJM</b>	<b>+63.4</b>	<b>None</b>
ID	6.15	5.02	3.77			
<b>Total</b>					<b>+227.2</b>	<b>(92.7)</b>

Power Excess= 227.2- 92.7= +134.5 (10.3%)

**Note:-Maryland's Power % Usage; Residential=41. 6; Commercial=26. 2; Industrial=31. 5;Other=.7**  
**-There are 28 unique electric providers, listed above, in Maryland. The PSC web site indicates 112, but there are numerous duplications between the six Maryland electric regions.**

TABLE 2. TOTAL LISTING OF MARYLAND ELECTRIC PROVIDERS

RETAIL Rate	MD LICENSED PROVIDERS	HOME STATE	ACTIVELY SEEKING RESIDENTIAL USERS
#13.79-13.90	PEPCO Energy Services	VA	YES
#12.79-12.90	Commerce Energy, Inc	CA	YES
#11.60-11.90	Clean Currents,LLC	MD	YES
#11.70	Horizon Power & Light,LLC	TX	YES
#11.33	BGE-Home Products & Services,Inc	MD	YES
#11.03 (SOS)	Energy Service Mgnt,LLC/ Maryland Energy Consortium	MD	YES
	Affiliated Pwr Purchasers International.	MD	NO
	BTU Energy,LLC	MD	NO
	CQI Associates,LLC	MD	NO
	Energy Options,LLC	MD	NO
	Mid Atlantic Renewables, LLC	MD	NO
	National Energy Consortium,LLC	MD	NO
	Smith-Energy,LLC	MD	NO
	South River Consulting	MD	NO
	Synergetic Energy Pools	MD	NO
	Energy Window, Inc	CO	NO
	MidAmerica Energy Company	IA	NO
	Blue Star Energy Services	IL	NO
	Essential.Com	MA	NO
	Smart Energy.Com	MA	NO
	New Power Company	NC	NO
	Consolidated Edison Solutions,Inc	NY	NO
	Econnergy Energy Company	NY	NO
	Dominion Retail,Inc	PA	NO
	Direct Energy Services,LLC	TX	NO
	Spark Energy,LP	TX	NO
	Integrays Energy Services	VA	NO
	Washington Gas Energy Services,Inc	VA	NO

Note: There are 28 unique electric providers, listed above, in Maryland. The PSC web site indicates 112, but there are numerous duplications between the six Maryland electric regions.

# (Above sample residential electric rates obtained by State Del. Nic Kipke)

TABLE 3. PJM STATES POWER GENERATION, USAGE AND EXCESS/SHORTAGE TABLE  
 Power in millions Mwhr units This data is "Electric Power Monthly with data for July 2007"  
[www.eia.doe.gov/cneaf/electricity/epm/table\\_6\\_a.html](http://www.eia.doe.gov/cneaf/electricity/epm/table_6_a.html)

	Generation	Retail Usage	Excess	Shortage
DE	8.1	12.1		4.0
DC	.2	11.8		11.6
IL	194.1	145.0	49.1*	
IN	130.4	106.5	23.9*	
KY	97.8	89.4	8.4*	
MD	52.7	68.4		15.7 (applying for new power plants)
MI	121.6	110.4	11.2*	
NJ	60.5	81.9		21.4
NC	129.7	128.3	1.4	
OH	157.0	160.2		3.2
PA	218.1	148.3	69.8*	
TN	97.1	103.9		6.8 (Applying for new power plant)
VA	78.9	108.9		30.0
WV	93.6	30.2	63.4*	
TOTALS	1439.8	1305.3	227.2	92.7
	*Large Excess Power States		Summary Power Excess	227.2- 92.7= 134.5 (10.3%)

Reference 4

# **Electricity honey pot is starting to stink**

**Jay Hancock , Baltimore Sun Newspaper  
December 21, 2007**

**Exelon Corp. stock has nearly tripled in four years, but Merrill Lynch analyst Jonathan Arnold understandably still considers it a "buy." Thanks to rules that guarantee a bonus for operating generators that would have been running anyway, Arnold calculates in a recent report, electricity consumers will be forced to pay Exelon an extra \$1 billion in the next three years.**

**That's on top of the extraordinary profits Chicago-based Exelon will earn from operating its low-cost nuclear generators in an era of record-high energy prices.**

**Small wonder that an unlikely band of industry, local and state governments and lefty consumer groups is pleading with Washington to investigate not just Exelon, but the entire bulk-electricity trade. On Monday the group filed a complaint with the Federal Energy Regulatory Commission, urging it to open a nationwide probe into whether wholesale-electricity sales are "unjust and unreasonable" and therefore illegal.**

**Flawed wholesale markets mean high prices for everybody. In Maryland and other deregulated states, utilities such as Baltimore Gas and Electric buy juice on the wholesale grid and pass the cost to users.**

**FERC has resisted a thorough probe at every turn despite copious evidence of cheating and monopoly profits. But saying "no" now would be breathtaking. When Ralph Nader, the American Chemistry Council, the Ohio Hospital Association, the Maryland Office of the People's Counsel and 37 other groups agree there's a problem, there's a problem.**

**Deregulation was supposed to lower prices by spurring competition and inducing companies to install new generators. But hardly any were built, leaving incumbents with scarce power supplies and few limits on what they can charge.**

**Companies blame rising fuel costs for high consumer prices, but they're charging far beyond what they need to pay for more-expensive natural gas, coal and so forth.**

**Without federal inquiry the true size of this "electric honey pot," as energy consultant Edward C. Bodmer describes it, will never be known. Grid managers are bound to confidentiality, and "you can't get to the bottom of it because you can't get the data," says Susan N. Kelly, general counsel for the American Public Power Association, one of the groups petitioning FERC.**

**But evidence keeps mounting that the honey pot is deep and sweet beyond the fantasies of tycoons.**

**We know about the outrages perpetrated by Enron in California and Oregon, which emerged only because of bankruptcy and criminal scandal.**

**The staff of the Texas Public Utility Commission wants TXU to pay \$171 million in penalties for allegedly withholding power to drive up the price. TXU denies it. In Illinois, Exelon and others just agreed to pay \$1 billion to settle allegations they manipulated a wholesale auction.**

**Joseph E. Bowring, market monitor for PJM Interconnection, which runs the grid in a dozen states from Maryland to Illinois, found instances of millions of dollars in actual or potential "excess payments" collected by unidentified generators. His grid bosses silenced him, and after bitter litigation PJM agreed this week to let him operate independently. But that doesn't mean that he'll uncover all abuse or that FERC will do anything about it if he does.**

**The PJM grid may be the best place in the world to be a generator. Even after BGE prices popped 70 percent thanks to deregulation, PJM saw fit to pay generators an added surcharge for guaranteeing power during times of high use.**

**Baltimore's South River Consulting has calculated that BGE parent Constellation Energy will reap \$200 million a year from this "reliability charge" at two plants alone.**

**Merrill Lynch's Arnold figures reliability bonuses will funnel \$220 million to Exelon next year, \$330 million in 2009 and \$510 million in 2010. (Thanks to Steve Daniels at**

**Crain's Chicago Business, who first reported on this, for sending me the report after Merrill declined.)**

**Who can blame Pittsburgh's Duquesne Light for wanting to secede from PJM?  
Who's shocked that Maine is exploring quitting the New England grid because of reliability charges?**

**Who's surprised that consultant Bodmer, in a sworn affidavit to FERC, found Constellation and four other PJM generators are making "supra-competitive" profits - more than they would in a competitive market or a regulated market?**

**Much as the Enron felons did a few years ago, defenders of expensive electricity yammer on about "price signals" - the need to lure generation investment with the promise of profits.**

**Price signals, however, are a necessary but not sufficient condition for a functioning market. Without transparency and genuine competition, they're just an excuse to mint money. If FERC won't pry the lid off the honey pot, Congress should.**

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