

PRESS RELEASE

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Economic Study Shows Reregulation Could Save BGE Consumers 10%, PEPCO Consumers 18%

Maryland consumers could save hundreds of millions of dollars if the General Assembly passes SB 795 / HB 1312 -- The Maryland Electricity Reregulation & Energy Independence Act of 2009, to reregulate electric rates, according to a study released to today by the Maryland Tax Education Foundation (MTEF).

The bills, sponsored by Senators E.J. Pipkin (R, Upper Shore) and Jim Rosapepe (D, Prince George's and Anne Arundel) and Delegates Michael Smigiel (R, Upper Shore) and Herman Taylor (D, Montgomery) would end the state's reregulation law passed in 1999.

The study by MTEF demonstrates that:

- BG&E and PEPCO can buy their respective MD generating plants, place them under regulation and cut electricity rates by 10% to 18%.
- The savings may be greater, depending on factors that must be researched further.
- The purchase of the assets will not damage the respective financial conditions of Constellation Energy and Mirant, the current owners.
- The purchase and re-regulation of the plants involves neither state investment nor debt guarantees

“Our analysis shows that re-regulation of the existing Maryland generating plants can reduce electricity bills immediately, with no risk to the taxpayer,” said Jeff Hooke, chairman of MTEF. Hooke has extensive expertise in corporate finance, M&A and valuation matters regarding electric utilities, both in the US and abroad.

The reregulation bill would:

- 1) Clearly state that deregulation is a failure and going forward, Maryland shall reregulate.
- 2) Regulate new generating assets in Maryland
- 3) Enable the PSC to look to the market for good deals for consumers, then use all its tools to order reregulation of existing plants in Maryland.
- 4) Move all consumers back to regulatory protection
- 5) Return integrated resource planning authority back to the Public Service Commission

Why Now?

Electric bills continue to rise yet coal, natural gas, and oil prices are all down. Think about it - over the summer gasoline was up to \$4 a gallon and is now half of what it was. Also, we know that Maryland's power assets are trading on the market lower than ever. MidAmerican's valuation of Constellation at \$4.7 billion (when earlier estimates valued the company at much more than that) demonstrates that market conditions are perfect for this move. Finally, the legislature and the PSC have studied this issue extensively. SB 400 in 2007 required the PSC to examine deregulation and the policy's impact on consumers. The PSC found that deregulation has failed and is now waiting for policy direction from the legislature.

How will this lower electric rates?

Competition has failed and deregulation has led to inflated prices. In fact, rates are controlled by a self-interested organization, PJM Interconnection. Maryland companies are exporting their production to other states and then turn around and bid on that same energy at a much higher cost. This legislation would establish that Maryland-produced energy must be offered to Maryland consumers first. Also, reregulation can establish a more stable environment for the capital-intensive construction of a new power plant. To build new plants, reregulation is the safer bet.

"Now's the time, the numbers work, let's move forward with reregulation," said Senator Pipkin.

"Consumers have understood for years that deregulation didn't work," Senator Rosapepe said. "It's time for the state government to face reality and scrap it. That's what our bill will do."

"Marylanders are struggling to pay their electricity bills," said AARP Maryland Senior State Director Joseph DeMattos, Jr. "AARP is committed to working with state leaders to bring down and stabilize rates for Maryland consumers. There is no simple solution, but re-regulation is our best bet."

AARP Maryland, Progressive Maryland, Maryland PIRG, Maryland Tax Education Foundation, and the Maryland Coalition to Stop the BGE Rate Hikes are among the senior citizen, consumer, and environmental groups that support this legislation.

For a copy of the bill, the full MTEF study and more information on electric rate reregulation, visit:

www.ReregElectricRates.com

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