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Long-term deals touted as CEG/EDF solution

Two outspoken Maryland lawmakers who want the state returned to a regulated electricity market on Tuesday sent a proposal to regulators that they said would help expedite Constellation Energy Group's proposal to sell half of its nuclear operations to the French firm EDF.

"We write to share our thoughts on how the Public Service Commission can quickly bring the CEG/EDF case to a conclusion for the benefit of Baltimore Gas and Electric ratepayers, as well as the two firms and their shareholders," Senators E.J. Pipkin and Jim Rosapepe said in a letter to PSC Chairman Douglas Nazarian.

Under the proposal, the approval of the EDF/Constellation transaction would require the two companies to agree to sign

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CFTC chief decries funding, staff shortages

In his sixth day on the job, the new chairman of the Commodity Futures Trading Commission asked Congress for more money to support his agency's growing market oversight role.

"What was once a group of regional domestic markets trading a few hours five days a week is now a global market trading 24/7, and what was once just a \$500 billion business has exploded to a \$22 trillion industry," Gary Gensler said Tuesday in testimony before the Senate Subcommittee on Financial Services and General Government.

To bolster the CFTC's mission to step up regulation of such products as over-the-counter derivatives, Gensler requested that Congress give the agency \$177.7 million for fiscal-year 2010,

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N.Y. utilities press for software error refunds

Utilities in New York want the Federal Energy Regulatory Commission to order the New York Independent System Operator to direct market participants that underpaid for transmission service due to a software error to refund others that were overcharged.

The glitch in January 2008 led to incorrect day-ahead prices and reportedly cost some market participants millions of dollars in extra charges.

NYISO has been holding meetings with market participants to discuss whether refunds are appropriate for the software error. FERC directed the ISO to hold the meetings to determine if refunds are "feasible," but utilities filing with FERC on Monday said the refunds are clearly feasible, and FERC should issue an order now.

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Day-ahead markets for delivery Jun 3 (\$/MWh)

ERCOT	Index	Change	Range	Deals	Volume	Avg \$/Mo
On-peak						
ERCOT, North	34.96	0.26	33.95-37.00	49	2,850	35.14
ERCOT, Houston	37.90	2.35	37.00-39.25	33	1,900	36.74
ERCOT, West	33.00	3.98	33.00-33.00	N.A.	N.A.	30.20
ERCOT, South	37.94	2.46	37.25-39.00	18	1,000	36.97

Off-Peak						
ERCOT, North	22.75	1.04	22.00-24.00	38	2,525	22.70
ERCOT, Houston	22.73	0.90	22.15-23.25	14	725	22.94
ERCOT, West	22.50	12.50	22.50-22.50	N.A.	N.A.	14.83
ERCOT, South	22.75	1.00	22.00-23.75	11	550	22.50

Southeast	Index	Change	Range	Deals	Volume	Avg \$/Mo
On-peak						
VACAR	41.00	-1.00	41.00-41.00	N.A.	N.A.	40.67
Southern, into	36.11	-0.41	35.00-36.75	7	350	36.17
Florida	41.50	-2.50	41.50-41.50	N.A.	N.A.	43.67
TVA, into	34.00	-1.00	34.00-34.00	N.A.	N.A.	34.67
Entergy, into	31.50	-0.50	31.50-31.50	N.A.	N.A.	32.17

Off-Peak						
VACAR	21.50	-1.50	21.50-21.50	N.A.	N.A.	22.00
Southern, into	20.00	-1.25	20.00-20.00	N.A.	N.A.	20.58
Florida	20.25	-2.00	20.25-20.25	N.A.	N.A.	21.67
TVA, into	16.00	-1.50	16.00-16.00	N.A.	N.A.	16.83
Entergy, into	17.00	-2.00	17.00-17.00	N.A.	N.A.	18.75

West	Index	Change	Range	Deals	Volume	Avg \$/Mo
On-peak						
COB	26.28	0.86	25.00-27.50	16	400	26.87
Mid-C	23.75	-0.09	22.75-26.95	163	5,225	24.93
Palo Verde	30.36	2.17	28.00-31.50	39	1,400	30.04
Mead	30.95	2.20	29.25-31.50	8	200	30.90
Mona	28.00	0.75	28.00-28.00	N.A.	N.A.	28.92
Four Corners	30.25	2.75	30.25-30.25	N.A.	N.A.	29.58
NP15	30.75	0.25	30.75-30.75	N.A.	N.A.	31.75
SP15	29.50	0.50	29.50-29.50	N.A.	N.A.	30.00

Off-Peak						
COB	4.57	-4.72	1.60-6.00	26	875	8.74
Mid-C	4.76	-3.57	0.50-8.00	161	5,450	8.02
Palo Verde	9.00	-4.49	9.00-9.00	N.A.	N.A.	13.59
Mead	10.04	-5.50	8.00-12.00	16	450	14.86
Mona	9.00	-4.00	9.00-9.00	N.A.	N.A.	12.08
Four Corners	8.19	-6.03	7.00-10.00	10	300	13.14
NP15	11.00	-7.00	11.00-11.00	N.A.	N.A.	16.50
SP15	10.00	-6.00	10.00-10.00	N.A.	N.A.	14.67

Northeast	Index	Change	Range	Deals	Volume	Avg \$/Mo
On-peak						
Mass Hub	39.50	0.75	39.50-39.50	N.A.	N.A.	39.08
N.Y. Zone-G	47.75	-2.25	47.75-47.75	N.A.	N.A.	47.17
N.Y. Zone-J	54.00	1.00	54.00-54.00	N.A.	N.A.	51.50
N.Y. Zone-A	33.25	0.25	33.25-33.25	N.A.	N.A.	33.08
Ontario*	30.50	0.50	30.50-30.50	N.A.	N.A.	28.83

Off-Peak						
Mass Hub	28.50	1.00	28.50-28.50	N.A.	N.A.	28.50
N.Y. Zone-G	26.50	0.50	26.50-26.50	N.A.	N.A.	25.83
N.Y. Zone-J	27.00	0.50	27.00-27.00	N.A.	N.A.	26.67
N.Y. Zone-A	20.25	0.25	20.25-20.25	N.A.	N.A.	20.75
Ontario	13.00	9.00	13.00-13.00	N.A.	N.A.	8.42

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uses in making comparisons.

The Atlantic hurricane season runs from June 1 through November 30.

The forecasters based this on a revised outlook for El Nino, part of the push-pull work of the El Nino/Southern Oscillation that has an opposing effect, La Nina, which in recent months has shifted to neutral. El Nino is marked by a warming of equatorial Pacific Ocean waters that can lead to conditions that prevent the formation of tropical storms.

"We believe that there is a slightly greater chance of a weak El Nino developing this summer/fall than there was in early April," CSU forecaster William Gray said. "El Nino conditions would likely increase levels of vertical wind shear and decrease Atlantic hurricane activity."

Landfall probabilities are also down, with chances of a major hurricane hitting the US coast at 48%, compared with an average in the last century of 52%.

The chance of a major hurricane making landfall on the East Coast or on the oil- and gas-intensive Gulf Coast, where major oil and gas infrastructure is located, are both 28%, compared with long-term averages of 31% and 30%, respectively. — *Staff Report*

Long-term deals touted... from page 1

long-term contracts to provide power to Baltimore Gas and Electric residential and small commercial customers who do not choose other retail suppliers. The contracts would be for power from the 10 generation plants located in Maryland that are owned by Constellation, including the 1,700-MW Calvert Cliffs nuclear plant. The plants, which total nearly 5,300 MW, were once owned by BGE and regulated by the PSC until the state restructured its electricity market more than a decade ago. They are now operated as merchant plants.

"This would resolve the largest piece of the reregulation issue for BGE, which is the existing BGE plants. This would be a game-changer," Rosapepe said in an interview.

The proposal does not resolve the issue of new plants, but a bill that would place all new generation under regulation passed the Senate last session, and Rosapepe and others are confident it will pass next year. "It's the next step along the path of taking back our energy future," he said. Maryland lawmakers and Governor Martin O'Malley are concerned that Maryland imports more than 30% of its power at high prices, while the power from the existing plants is sold to others in the wholesale market.

The proposal is consistent with O'Malley's priorities as detailed in a letter from his chief of staff to Constellation discussing a settlement agreement that would reduce rates under the EDF transaction, Rosapepe and Pipkin said in the letter.

The proposal, which was developed by Jeff Hooke, an investment banker who is chairman of the Maryland Tax Education Foundation, is a simple answer to the issue, Rosapepe said. "The PSC has the authority to order long-term contracts, and it could be negotiated in a couple of weeks," he said.

Hooke said in an interview that the EDF proposal to purchase 49.99% of Constellation's nuclear operations for \$4.5 bil-

lion has a value of about \$10 a share, or about \$2 billion in total shareholder value. "Constellation has offered [only] \$36 million in a charitable contribution in Maryland as part of the EDF transaction. That's quite a huge differential and it strikes us as an unfair balance between the state and a commercial operation," Hooke said.

Hooke has calculated the estimated savings to BGE ratepayers from the long-term contract proposal to be about 10%. Constellation would lose about \$230 million in revenue a year, and it could cause the EDF deal to be renegotiated since Calvert Cliffs' earnings would fall about 40% under the long-term contract.

"It seems impractical to reverse deregulation by asking BGE to pay \$2 billion to get its old plants back. But if the state and the PSC could accomplish the same savings to ratepayers by entering into long-term contracts with set rates, it's the same as if the plants were under regulation again," Hooke said.

Giving Constellation a maximum rate of return for the plants is unusual in the US, but not overseas, Hooke said. "It would immediately lower costs to customers," he said.

Hooke also recommended that the \$1.1 billion fee Constellation Energy paid to MidAmerican Energy Holdings for terminating an offer from that company in favor of the EDF bid. At 22% the fee is excessive, Hooke said. The normal termination fee is about 4%, he said.

"While it doesn't look like Constellation will challenge the termination fee, the PSC or a major stockholder could file a lawsuit and would have a reasonable chance of getting a portion of it back," Hooke said.

The long-term contract proposal would reduce Constellation Energy's profits by some degree, but only a slight amount, Hooke said. "They will bellyache, say it's too onerous and there is no precedent, but it would solve Constellation's problems, and the price of their stock would go up," he said. EDF would get what it wants, which is access to the US nuclear market and customers would get some rate relief, he said. "There has to be some equity in these deals at some point," Hooke said. — *Mary Powers*

CFTC chief decries staff shortages... from page 1

10.4% above the \$161 million that would be allocated under the Obama administration's budget proposal.

Gensler said CFTC employs roughly 500 employees, equivalent to the staff base in 1975. At the same time, the futures industry has evolved dramatically, with trading volumes rising fivefold over the last 10 years and futures and options contracts expanding more than sixfold.

He said the commission's enforcement program is at its lowest levels since 1984 with some 122 employees — well below the 167-employee peak.

Gensler said the shortfall in employees is forcing the agency to make "difficult tradeoffs," such as only periodically performing compliance audits — rather than annually — of every designated contract market and derivatives clearing organization.

On May 7, the Obama administration proposed an 8.8% uptick for the CFTC's fiscal 2010 funding to \$160.6 million and another \$2 million to its \$148 million budget for fiscal 2009. With