



Summary:

CPV Maryland Motion Requesting Long-Term Contracts

On July 6th, 2009, in Case No. 9117, CPV Maryland, LLC (“CPV”) filed a Motion asking the Maryland Public Service Commission (“Commission”) to order one or more of its jurisdictional utilities (“IOUs”) to enter into 20-year agreement(s) to buy power from CPV’s Commission-approved 640 MW combined-cycle natural gas-fired generating station under development in Charles County, Maryland (“St. Charles” or “Project”). To negotiate these agreements, CPV will share its actual cost data on an “open book” basis with the Commission and the IOUs, and will be paid for its power based on that actual cost data.

If the Motion is granted, CPV then can move forward, build the Project, and provide the following benefits to the State:

- Based on the assumptions in a report requested by the Commission at the direction of the Maryland Legislature, the Project will significantly reduce the capacity charges that all Maryland ratepayers pay resulting in a decrease of \$150-\$400 million per year in ratepayers’ overall power costs.
- The Project’s location in the Southwest Mid-Atlantic Area Council will reduce the so-called “congestion charges” that ratepayers presently are required to pay due to the shortage of transmission capacity and the lack of in-State generation.
- The Project will begin to reverse the State’s increasingly alarming reliance on out-of-state resources and contribute to State and regional electric service reliability. Today, Maryland imports 30% of its electricity.
- Ordering that power be purchased from CPV by means of a long-term contract would allow the Commission to shift away from Maryland’s ratepayers and to CPV virtually all the risks of building the facility (including construction and operating cost overruns, construction and completion delays, and performance penalties such as those due to mechanical breakdowns, and failure to be available when called upon to deliver power).
- A long-term power contract with CPV would be a good start in protecting Maryland ratepayers from the short-term price volatility associated with the wholesale markets on which the State largely relies , and over the long term would undoubtedly provide ratepayers with lower and more certain prices than would be the case were the utilities to rely solely on the spot market or short-term contracts.
- The Project will bring significant long-term economic benefits to the State and County, including:
 - State revenue generated through sales tax from the purchase of Project equipment during 2009-2012 is estimated to be approximately \$4 million.
 - The Project will create on average approximately 175-200 construction jobs over a 26 month period, and employ as many as 350-400 employees at the peak of construction. State and County personal income tax revenues attributable to construction alone will be approximately \$2.4 million and \$1.5 million per year, respectively.

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- In order to operate, the Project will create approximately 25 permanent full-time, well-paid jobs, and pay out approximately \$27 million in operating wages over a twenty (20) year period, that in turn will result in further State tax contributions.
 - The Project expects to provide approximately \$97 million directly to the County over 20 years through payments-in-lieu-of-taxes, and in the form of connection fees, water and sewer user fees, local income taxes and the sale of reclaimed water.
- As the cleanest natural gas project in Maryland, the Project will contribute materially to improving the State's overall air quality because, among other things, it will displace considerably less clean power from in-state and out-of-state coal fired sources; it will emit virtually no sulfur dioxide ("SO₂"); and it will utilize state-of-the-art controls to minimize the emission of nitrogen oxides ("NO_x"), volatile organic compounds ("VOCs"), carbon monoxide ("CO") and particulate matter ("PM"). As a result, the Project's SO₂, and NO_x emissions will be considerably lower than those of a typical coal power plant, by approximately 99.8% and 99.2%, respectively, and lower than those of a typical oil-fired power plant by 99.8% and 98.8%, respectively. The Project will emit approximately half the greenhouse gases of a new similarly-sized coal plant.

It is a fact that since the collapse of the credit markets, it is impossible to finance and construct projects like St. Charles without long-term contracts. This economic imperative results only from the increasingly conservative and rigorous financing conditions that will for the reasonably foreseeable future be imposed on large capital projects, but also from the PJM Interconnection, LLC market structure itself. Bottom-line: unless it secures the long-term contract necessary to support its financing, the Project will not be built as planned, and none of its benefits to the State will ever be realized.

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