

U.S. District Court Sides With PPL, Invalidating Maryland Order Subsidizing Power Plant Construction

PPL Corporation

A U.S. District Court judge in Maryland on Monday (9/30) invalidated a Maryland Public Service Commission order subsidizing development of new natural-gas-fired generation in the state.

The PSC order, issued April 12, 2012, required utilities to enter into long-term power supply contracts with CPV Maryland, LLC, a developer chosen by the PSC to build a gas-fired power plant in Maryland. PPL generating and marketing companies joined other merchant generators in filing a lawsuit seeking to block the action.

“We’re pleased with the U.S. District Court’s decision, which upholds the integrity of competitive generation markets,” said Robert J. Grey, executive vice president, general counsel and secretary for PPL Corporation.

The PSC order required Maryland-based public utilities to enter into long-term contracts with a developer that essentially would guarantee that the developer would receive subsidized energy and capacity prices when it sells its output, giving it an unfair advantage over other generators and allowing it to bid in artificially low prices into PJM’s annual capacity auction.

PPL has long argued that state programs that subsidize power plant development ultimately wind up costing consumers more, create barriers to future investment and unnecessarily shift the financial risk of new construction from developers to ratepayers. The company believes in allowing well-structured, properly regulated competitive markets to work and send price signals to developers, instead.

Because of competitive markets, gas-fired generation is being built in PJM without state subsidies, and there are ample supply resources in the wholesale electricity market to meet the state’s and region’s energy needs.

PPL’s generating and marketing companies argued that the PSC order was unconstitutional because it infringed on the Federal Energy Regulatory Commission’s exclusive authority to regulate the wholesale sale of electricity in interstate commerce. In its ruling, the U.S. District Court agreed.

PPL Corporation, with 2012 revenues of more than \$12 billion, is one of the largest companies in the U.S. utility sector. The PPL family of companies delivers electricity and natural gas to about 10 million customers in the United States and the United Kingdom, owns more than 18,000 megawatts of generating capacity in the United States and sells energy in key U.S. markets. More information is available at www.pplweb.com.

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