

June 22, 2006

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
State House
Annapolis, MD 21401

Dear Mr. President:

In accordance with Article II, Section 17 of the Maryland Constitution, today I have vetoed Senate Bill 1 – *Public Service Commission – Electric Industry Restructuring*.

My consideration of Senate Bill 1 has been comprehensive in nature, including Tuesday's public hearing with members of my Cabinet at which all Marylanders were invited to testify. We heard from dozens of witnesses and listened to more than six hours of testimony. I appreciate everyone who came to Annapolis to testify or sent me correspondence either for or against the bill. This testimony was invaluable in helping me make my decision.

It is essential that substantial relief be made available to our citizens subjected to recent price spikes in the costs of energy, and I am committed to ensuring that this is accomplished in an expeditious manner. Please know there are aspects of this legislation with which I agree, including making the standard offer service permanent, encouraging energy efficiency and conservation, and providing flexibility in the bidding methods used by electricity suppliers to obtain electricity. A comprehensive study of State energy policy is needed, and in fact is currently being conducted by the Public Service Commission (PSC).

I also concur with the concept of enhanced energy assistance to low-income individuals. Accordingly, my Administration has increased financial assistance by 85% in fiscal 2007 over fiscal 2005 to nearly \$127 million, and has extended this service to households with incomes up to 200% of the federal poverty level. This means that a family of four with an income of up to \$40,000 is eligible for energy assistance.

There are, however, negative aspects to Senate Bill 1 necessitating my veto. First, the bill eliminates consumer choice. Specifically, Baltimore Gas and Electric Company (BGE) customers are provided no choice as to whether they want to participate in the rate stabilization plan. Consumers value choice, and, accordingly, view this issue as essential to a balanced legislative remedy. In this respect, you may recall that under the PSC plan more than 134,000 BGE customers (12% of the customer base) chose, over a ten day period from June 5 to June 14, to forego participation in the rate subsidy plan. Yet, under Senate Bill 1, you require everyone to participate, including those 134,000 customers who previously chose to opt out of such a plan.

Second, Senate Bill 1 requires all BGE customers to pay at least \$109 million in interest over ten years. Incidentally, repayment of principle and interest applies to persons who move into the BGE region after June 1 of next year who never receive the benefit of rate deferral, while at the same time persons who obtained the deferral but move out of the area after June 1, 2007 will remain liable for these costs. These persons will likely avoid repayment, thus adding to the "uncollectibles" that will have to be paid by other customers through increased rates.