

.....**PRESS RELEASE**.....
from the 92nd Assembly District



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**Deregulated Electric Market Allows New York's Electric
Generation Plants to Reap over 100% Profits**

*McCullough Research Finds Bizarre Market Clearing Price System Leads to Exorbitant
Profits by New York's 15 Largest Electric Generation Plants*

Assemblymember Richard Brodsky (D-Westchester), Chairman of the Assembly Committee on Corporations, Authorities, and Commissions and Robert McCullough, Managing Partner of McCullough Research, an expert on electric markets in New York State, today released additional data that further quantifies New York's dangerously unfair electric pricing and the huge windfall profits that electricity generators annually take from the pockets of New York state taxpayers.

Assemblymember Brodsky and Robert McCullough previously released a report showing that \$2.2 billion annually was being charged unnecessarily to rate payers because of a process implemented by a private independent group, New York Independent System Operator. That process requires utilities to pay the highest prices for electricity instead of the lowest.

The data released today shows the amount and percentage of these profits that the 15 electric generators are receiving in the market.

"The annual profit, the annual rate of return of investment that each of these generators receives ranges from no less than 31% to as high as 186%," said Assemblyman Richard Brodsky. "These are unconscionable numbers. No other industry has a profit margin averaging anything near these numbers annually. The only reasons for this are the policies of the ISO. This must change."

"A combination of high fuel costs and non-economic bidding practices at the New York Independent System Operator made 2008 a very profitable year for generators in New York," said Robert McCullough.

As Chair of the Assembly Committee on Corporations, Authorities, and Commissions, Assemblyman Brodsky has been investigating the Electricity Market in New York State for the past year. Currently, legislation sponsored by Assemblyman Brodsky abolishes the market clearing price mechanism. The Committee has also held hearings on the issue.

Profit percentages are determined by comparing the capital investment made by the plant's owners to the annual revenue it generates, after all costs are subtracted. The Report sets forth the

return on equity for each of the 15 plants. The chart below shows the profit margins on the assumption that the entire initial investment in each plant is stockholder money (“100% Equity), and on the assumption that half of the capital invested is borrowed money (“50% Equity/50% Debt). Given the debt structure of these generating companies it is much more likely that the equity is 50%, not 100%, but both calculations are made.

PRE-TAX RETURN ON EQUITY OF THE 13 LARGEST ELECTRIC GENERATORS IN NEW YORK STATE		
Electric Generator	50% Equity/50% Debt	100% Equity
AES Cayuga	186%	99%
AES Somerset LLC	112%	61%
Astoria Generating Station	122%	67%
Athens Generating Plant	44%	27%
Bethlehem Energy Center	40%	23%
C R Huntley Generating Station	155%	81%
Danskammer Generating Station	85%	46%
Dunkirk Generating Station	154%	81%
Indian Point 2	51%	28%
Indian Point 3	114%	60%
Nine Mile Point Nuclear Station	102%	54%
R. E. Ginna Nuclear Power Plant	72%	39%
Ravenswood	31%	19%
Weighted Average:	93%	50%