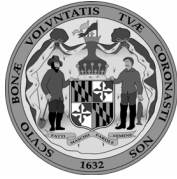


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CHAIR

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BONNIE A. SUCHMAN



PUBLIC SERVICE COMMISSION

August 15, 2024

In the Matter of Alternative Rate Plans or
Methodologies to Establish New Base Rates
for an Electric Company or Gas Company

BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND

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CASE NO. 9618

Application of Baltimore Gas and Electric
Company for an Electric and Gas Multi-Year
Plan

CASE NO. 9645

NOTICE

In Order No. 89226,¹ the Public Service Commission of Maryland (“Commission”) evaluated alternative forms of ratemaking and found that a properly constructed multi-year rate plan (“MRP” or “MYP”)² can result in just and reasonable rates and yield several benefits such as shortening the cost recovery period, providing more predictable revenues for utilities and more predictable rates for customers, spreading changes in rates over multiple years, and decreasing administrative burdens on regulators by staggering filings over several years.³ Subsequently, on February 4, 2020, the Commission issued Order No. 89482 (also in Case No. 9618), which

¹ Order No. 89226, *Re Exploring the Use of [and] In the Matter of Alternative Rate Plans or Methodologies to Establish New Base Rates for An Electric Company or Gas Company*, PC51 and Case No. 9618, slip op. (Aug. 9, 2019). Maillog No. 226375.

² As discussed in previous orders, parties have used the acronyms MYP and MRP to refer to multi-year rate plans. This Notice uses the terms interchangeably.

³ Order No. 89226 at 54.

established a framework for a pilot program for the Maryland utility that would be the first to file an MRP application and volunteer to serve as the “Pilot Utility.”⁴

The Commission found that undertaking a pilot would allow it an opportunity to evaluate the use of MRPs in a controlled manner with minimal administrative burden and limited regulatory uncertainty for the initial utility seeking a Pilot MRP.⁵ The Commission further determined that after gaining valuable experience with implementing the Pilot MRP, the Commission would promulgate regulations to ensure the orderly consideration of MRPs statewide.⁶

In a letter filed with the Commission on March 5, 2020, Baltimore Gas and Electric Company (“BGE” or “Company”) expressed its willingness and desire to serve as the Pilot Utility.⁷ On May 15, 2020, BGE formally filed its MRP application as the Pilot Utility.⁸ BGE filed a three-year MRP application requesting approval of electric and gas base distribution rates to be effective January 1, 2021 through December 31, 2023. On December 16, 2020, the Commission approved BGE’s first MRP application authorizing the Company to increase its electric and gas distribution rates for each of the years of the MRP, with offsets.⁹ Specifically, BGE’s authorized revenue increase for 2021 was \$59.3 million for electric and \$53.2 million for gas (but there was no increase in customer bills due to the offsets); for 2022, the Commission authorized an additional revenue increase of \$39.2 million for electric and \$8.9 million for gas; for 2023, \$41.4 million for electric and \$11.8 million for gas.¹⁰

⁴ Order No. 89482 at 1-2.

⁵ *Id.*

⁶ *Id.*

⁷ Maillog No. 228461.

⁸ Maillog No. 230267.

⁹ Order No. 89678 at 1.

¹⁰ *Id.* at 1-2.

Having now completed its final rate year of the pilot MRP, BGE in accordance with Order No. 89482, filed with the Commission its Final Reconciliation,¹¹ which is scheduled for evidentiary hearings beginning October 8, 2024.¹²

Since BGE has completed the first MRP as the Pilot Utility, the Commission initiates this Pilot MRP Lessons Learned proceeding as contemplated in Order No. 89482 to allow the Company, Staff, the Maryland Office of People's Counsel ("OPC"), other stakeholders, and/or interested persons to submit information and comments on how BGE's first MRP has fared relative to the goals and potential benefits discussed in Order No. 89226.

In adopting the use of an alternative form of ratemaking, the Commission determined that such methodology may be helpful to facilitate the achievement of the state's goals regarding electrification, renewable development, pipeline replacement, development of new customer solutions, grid resiliency, and other state goals.¹³ In this Pilot MRP Lessons Learned proceeding, the Commission solicits comments from BGE, Staff, OPC, and other interested stakeholders or affected parties on various topics to include, but not limited to, the following:

- (1) what, if any, appreciable improvements in state policy objectives have been achieved under the MRP compared to traditional ratemaking;
- (2) whether the potential shortened cost recovery period was achieved and its impact on customers and other aspects of the ratemaking process such as cost disallowance;
- (3) whether rate predictability was achieved and its impact relative to traditional ratemaking;

¹¹ Maillog No. 309241.

¹² Maillog No. 309149.

¹³ Order No. 89226 at 52-53.

- (4) whether administrative burdens actually decreased on the Commission and other stakeholders;
- (5) whether greater transparency into capital spending and improvements in system reliability have been realized compared to standard ratemaking; and
- (6) whether more utility innovation and equitable risk distribution have been achieved relative to traditional ratemaking.

Additionally, the Commission recognizes that in Case No. 9692, BGE's second MRP application filed February 17, 2023 and approved December 14, 2023, OPC raised several important issues regarding MRPs and whether they are in the best interest of ratepayers and other stakeholders, and whether they are in the public interest in general, consistent with the Public Utilities Article ("PUA"), *Annotated Code of Maryland*, § 7-505.¹⁴ The Commission indicated in Order No. 90948 that while Case No. 9692 proceeded as an MRP, it did so with the understanding that a lessons-learned proceeding would follow the completion of the Pilot MRP (BGE's first MRP) to address the critical issues raised by OPC.¹⁵ In this Pilot MRP Lessons Learned proceeding, the Commission requests that parties opine on the issues raised by OPC and provide any comments or recommendations for improvements with the implementation of MRPs should the Commission proceed with promulgating MRP regulations.

The lessons learned review under Order No. 89482 was primarily intended to address the Pilot MRP.¹⁶ However, the Commission invites all parties and stakeholders to file comments

¹⁴ Order No. 90948 at 10.

¹⁵ *Id.* at 12.

¹⁶ In Order No. 89482 at 13, the Commission noted that Staff's proposal suggested that in the case of multiple utilities being approved for MRPs, there should be a lessons learned review for each utility after its initial MRP. In order to address other MRP lessons learned proceedings from Case Nos. 9655 and 9681, Staff is directed to consult with BGE, OPC and the other MRP-utilities and to comment whether the procedural schedule as proposed herein is sufficient to consider the other MRP-utilities' lessons learned.

addressing the topics highlighted in this Notice as well as other pertinent topics that may inform and enlighten the Commission concerning the future of MRPs in Maryland. The Commission intends to utilize this proceeding as a complete analysis of MRP-impacts on the companies, all classes of customers, the State’s economy, and environment and energy policy goals.

Any party wishing to submit comments in response to this Notice must e-file comments pursuant to the schedule listed below, addressed to Andrew S. Johnston, Executive Secretary, Maryland Public Service Commission, William Donald Schaefer Tower, 6 St. Paul Street, 16th Floor, Baltimore, Maryland 21202, and reference “Case No. 9618” and/or “Case No. 9645” in the subject line. The Commission encourages the parties to use its “eFile” system to submit the electronic version of the filing. Details of the “eFile” system can be found on the Commission’s website, www.psc.state.md.us.

Party Filings / Procedure	Filing Date
Initial comments from BGE and other intervenors must be filed by	September 16, 2024
Public comments must be filed by	September 30, 2024
Reply comments must be filed by	October 4, 2024
Evidentiary hearings will be conducted beginning on	October 15, 2024
Briefs by all parties must be filed by	December 13, 2024

By Direction of the Commission

/s/ Amanda Best

Amanda Best
Deputy Executive Secretary