BEFORE THE
PUBLIC SERVICE COMMISSION OF MARYLAND

In the Matter of Alternative Rate Plans or Methodologies to Establish New Base Rates for An Electric or Gas Company	* * * *	Case No. 9618
Application of Baltimore Gas and Electric for an Electric and Gas Multi-Year Plan	* *	Case No. 9645

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INITIAL COMMENTS OF THE
MARYLAND OFFICE OF PEOPLES COUNSEL

DAVID S. LAPP
PEOPLE'S COUNSEL

William F. Fields
Deputy People's Counsel

Juliana Bell
Deputy People's Counsel

Jacob M. Ouslander
Michael F. Sammartino
Mark C. Szybist
Assistant People's Counsels

Maryland Office of People's Counsel
6 Saint Paul Street, Suite 2102
Baltimore, Maryland 21202
(410) 767-8150

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After four years, five rate cases, billions of dollars in net plant additions, and double-digit rate increases, the results of Maryland's experiment with multi-year rate plans ("MRPs") are obvious: MRPs have failed Maryland customers.

Record-high distribution rates are the only tangible customer impact of MRPs. Customers have experienced an average annual rate increase of more than 6 percent. In 2024, the average BGE electric customer will pay $145 more for distribution service than in 2020.[1] The annual distribution costs of BGE gas customers have increased by more than $250.[2] Pepco and Delmarva's customers have fared just as poorly. DPL customers have seen a $97 annual bill increase for distribution service after the first two years of the

[1] Assuming 900 kWh per month.
[2] Based on the averages for BGE gas, BGE electric, DPL and Pepco. *See* Appendix A, Office of People's Counsel*, Maryland's Utility Rates and Charges* (Aug. 2024).

company's MRP. Pepco customers have seen their annual distribution bill increase by $172 after approval of their first MRP.

These rate increases reflect accelerated capital investments as well as increased operations and maintenance ("O&M") spending. BGE's additions to gas and electric plant over its first MRP total more than $2 billion—$600 million of which was more than the Commission's authorized capital budgets. The company's O&M performance did not deliver the decrease in annual O&M expense the company budgeted for its first MRP; rather, the company overspent by more than $100 million.

The rate increases are driven by the structural exclusion of cost containment mechanisms in MRPs. MRPs drastically lower the risk to utilities posed by cost-ineffective operations through the reduction of regulatory lag and the approval of proposed capital projects for revenue requirement purposes. The very design of the MRP—basing rates on utility-proposed budgets of a forecasted three-year plan—incentivizes utilities to "shoot for the moon" and pursue a greater number of capital investments than what would have been pursued under standard ratemaking, which is based on actual spending during a historic test year. The opportunity to reconcile both O&M and capital costs—and recover costs incurred above authorized budgets—substantially lowers utility risks associated with inaccurate forecasting, poor performance, mismanagement, or cost-ineffectiveness. These risks—including reduced profitability for cost-ineffectiveness and cost-disallowances for untimely and unnecessary investments—are instead shifted to customers.

Standard ratemaking allocates these risks to utilities because utilities—and only utilities—can mitigate those risks. But under MRPs, customers are forced to bear those risks. Consequently, customers pay more for a utility's failure to contain O&M costs. and customers pay more over the near- and long-term for exorbitant capital investments.

Such risk-shifting and higher distribution rates might be justified if customers received direct benefits because of the MRP. Yet there is little indication of *any* customer benefits attributable to MRPs. MRPs have not driven improvements in utility reliability performance; utility innovation remains lacking; and MRPs have not moved the needle on Maryland's climate policies. Rather, while operating under MRPs, utilities have pursued the same traditional utility investments they have always used to grow rate base—only on a much larger scale.

The utilities that have participated in Maryland's MRP pilot bear the burden to show—with quantified, objective data—the public interest benefits that can be attributed to MRPs. To date, as these comments detail below, the only lesson learned from Maryland's MRP Pilot is that MRPs benefit the private interest of utility shareholders at the expense of the public interest. It is time to end the pilot.

I. The MRP construct harms the public interest.

The purpose of public utility regulation is to ensure that utilities perform in the public interest. Rates are the means for affording utilities "just compensation" for that performance.[3] The revenue requirement's purpose is to assure utilities have a sufficient

[3] U.S. Const. amend V.

opportunity to be compensated for meeting their performance obligations, including a "fair return" on the capital they invest. A "fair return" is one that considers the risks that a utility faces and aligns its opportunity for profit with the returns of competitive businesses that face similar risks and so compete for the same capital. [4] While the Commission may issue orders or mandates to advance specific goals—i.e. improving utility performance or specific types of investments—those goals must be met through rates that are sufficient, but no more than sufficient, to provide "a reasonable return on the fair value of the public service company's property used and useful in providing service to the public."[5]

MRPs must be evaluated for consistency with the purposes of public utility regulation—to ensure that utilities perform in the public interest and earn a return that is "fair" to both investors and customers. Maryland's experience shows that MRPs fail this test because they substantially reduce utility risks without providing corresponding reductions in customer costs or increases in customer benefits. Nor do MRPs improve utility performance with respect to public policy goals. Rather, they perversely incentivize utility performance that does not align with the public interest. Below we explain, first, how MRPs inappropriately reduce utility risk, and second, how that reduction fails to yield tangible customer benefits—but does produce ever-increasing rate burdens.

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[4] *Missouri ex. Rel. Southwestern Bell Tel. Co. v. Pub. Serv. Comm'n of Mo.,* 262 U.S. 276, 290 (1920) (Brandeis, J. concurring).

[5] Md. Code Ann., Pub. Util. Art. § 4-101(3) (defining "just and reasonable rate" as a rate that will result in "a reasonable return on the fair value of the public service company's property used and useful in providing service to the public").

A. MRPs lead to excessive utility spending and shift the risk of that spending to customers.[6]

MRPs encourage excessive capital spending that increases utility profits and drives up customer rates. By creating a framework allowing for unlimited proposals for capital spending with regulatory review and approval of proposed investments *before* they are made, MRPs increase the level of capital spending and dramatically reduce the utility's risk of cost disallowances. Prior approval effectively creates a rebuttable presumption of a project's prudency. Further, MRPs remove the constraining effect that regulatory lag has on capital investments by enabling utilities to begin earning a return on the costs of investments contemporaneous to when the investments are made. And, with the opportunity to reconcile capital spending that exceeds forecasted spending, utilities are held harmless—and benefit—if adjustments to their capital workplans increase costs. Without any limits on how many projects a utility can propose or how much a utility may spend, MRPs encourage utilities to present bloated capital investment plans that exceed what is sufficient or necessary to serve customers safely and reliability.

Pepco's first MRP exemplifies this sort of investment bloat. In Case No. 9655, the Commission chose to remove $223.9 million of Pepco's proposed capital spending from inclusion in MRP base rates. The following are illustrations of project budgets the Commission removed from Pepco's proposal:

- 69kV Feeder Rebuilds where the company's costs had increased "without a reasonable explanation" thereby raising "significant questions as to the

[6] Unless otherwise noted, specific information in this section relating to Pepco and BGE's MRP 1 performance is derived from the annual information filings for MRP 1 Rate Years 1–3 submitted by each utility.

cost-effectiveness of this program and whether it should continue;[7]

- Certain substation projects for which the Commission "was not sufficiently confident in Pepco's load forecasting, consideration of alternatives, and cost-benefit considerations to allow recovery of such substation construction costs during the MRP";[8] and

- IT and real estate investments due to concerns about the accuracy of the company's forecasts.[9]

Yet, notwithstanding the Commission's reductions, Pepco added $675 million in electric plant to its rate base over the course of its MRP. Similarly, although the Commission reduced BGE's proposed MRP 1 gas and electric rate bases by $231.5 million and $427.4 million respectively,[10] BGE still added more than $1.3 billion to electric plant and $1.1 billion to gas plant over the duration of the MRP.

Maryland's MRP construct also de-risks a utility's ability to recover exceedances in both operations and maintenance ("O&M") and capital costs. Under historic test year ratemaking, recovery for O&M expense is determined based on the costs incurred during the test year adjusted for known and measurable changes. Utilities cannot recover costs that exceed the fixed O&M expense amount. But Maryland's MRP construct allows utilities to reconcile projected and actual spending, insulating utilities from the risk that they will be unable to recover increased O&M expense. This effectively ensures complete cost recovery, even for cost-ineffective operations.

[7] Order No. 89868 at 85
[8] Order No. 89868 at 94.
[9] Order No. 9868 at 73.
[10] Order No. 89678, Development of Awarded Revenue Requirement attachment.

BGE's O&M performance in its first MRP (covering 2021-23) illustrates this trend. The gas and electric O&M budgets approved by the Commission were lower than the company's O&M spend in 2020.[11] However, the company's actual O&M spend during the MRP was far higher: $69.9 million higher for electric and $50.6 million higher for gas. As a result, rather than realizing the benefits of the reduced O&M spend the Commission authorized, BGE customers are instead reimbursing the company—through the MRP reconciliation rider—for the vast majority of the amount it overspent.[12]

The opportunity for reconciliation provides another incentive for utilities to increase capital investments beyond what they normally pursue under standard ratemaking. Absent the opportunity for reconciliation, utilities adjust their capital budgets when faced with emergent circumstances. With reconciliation, utilities have no reason to to adjust for new circumstances because they can recover both planned and unplanned expenditures in their entirety, leading to higher rates for customers.[13]

Both BGE and Pepco's MRPs exemplify this learning. In BGE's first MRP, the company exceeded the Commission's approved electric capital investment budget each year, for a cumulative total overspend of $475.6 million. For gas, BGE exceeded its approved capital investment budget by a cumulative total of $123 million. In a disturbing

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[11] BGE's 2020 actual O&M spend was $452.3 million for electric and $235.7 million for gas. *See* Case No. 9645, Exhibit 22A Vahos Rebuttal, Company Exhibit DMV-3E and DMV-3G. The average annual O&M spend for MRP 1 approved by the Commission was $440.2 million for electric and $226.8 million for gas.

[12] In Order No. 90948, the Commission authorized BGE to recover reconciliation funding for Rate Years 1 and 2 totaling $52.1 million for electric and $21.7 million for gas. BGE is currently seeking to recover an additional $78.9 million for electric for its Rate Year 3 reconciliation and $73.3 million for gas..

[13] *See* Case No. 9692, OPC Ex. 41A (Alvarez/Stephens Direct) at 25:1 – 26:2 (discussing how, in 2022, BGE overspent on discretionary projects despite exceeding its major storms budget).

trend, the company's gas and electric capital spend for each year exceeded the *proposed* MRP budgets that were reduced by Order No. 89678.[14] Similarly, Pepco exceeded its forecasted MRP 1 capital spend by $51.8 million, also surpassing—in each year—the proposed budgets that the Commission reduced. Not only have both utilities sought to—and, for Rate Years 1 and 2, been allowed to—recover the cost of these exceedances through the reconciliation riders, customers will be paying the company a return on these excess investments over the coming decades.

In short, the reconciliation mechanism insulates utilities from the negative consequences of ineffective project management and inaccurate project cost forecasting, and rewards utilities for spending in excess of what was approved. This opportunity for additional cost recovery—unavailable through standard ratemaking—is yet another factor that underlies the excessive capital investment plans proposed in each MRP proceeding and the commensurate growth in rate base.

The operative effect of the MRP construct is to increase utility cash flow and transfer from utility shareholders to utility customers risks investor-owned utilities experience under standard ratemaking for imprudent investment decisions and poor project management. Ratepayers lose the guardrails that limit imprudent and excessive spending and encourage cost-effective operations. Like standard ratemaking, MRPs are just another cost recovery mechanism. Unlike standard ratemaking, the design of the MRP construct encourages utility behaviors antithetical to the public interest and

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[14] In MRP 1 Rate Year 1, BGE's actual capital spend was $90,000 less than the authorized budget.

prioritizes the pecuniary interests of monopoly utilities over the interests of the customers they serve.

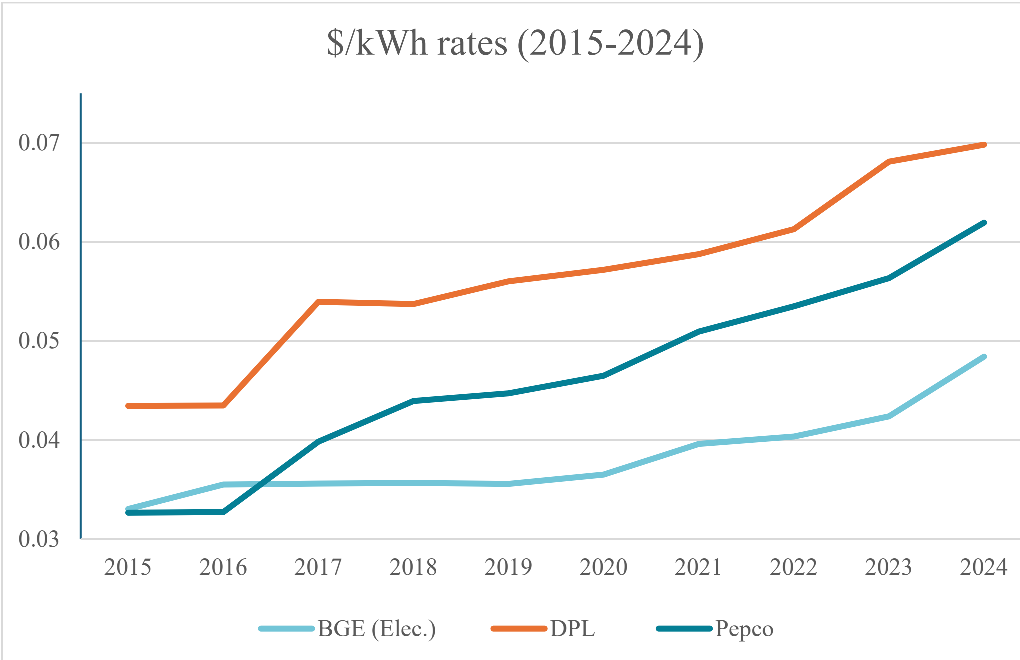
B. Customers are worse off under MRPs.

Measuring whether MRPs increase or reduce costs and improve utility performance relative to standard utility ratemaking would be a fraught task, as it would require comparing actual MRP outcomes to counterfactual or hypothetical outcomes based on assumptions of how a utility would have operated under standard ratemaking. Further, MRPs are not tethered to any performance metrics or goals. For example, as was the case before MRPs, utility reliability benchmarks are determined as part of a separate proceeding involving an independent review of utility reliability proposals.[15] The capital investment plans considered for the development of utility reliability targets are presented and discussed independently of multi-year rate plan proceedings. Corrective actions and investments required to maintain compliance with those targets are also addressed as part of that proceeding. This process was in place before the advent of MRPs and does not depend on MRP based rates. Thus, it would be impossible to measure any reliability improvements attributable to MRPs, and any attribution of reliability benefits to them would likewise require assumptions or hypotheticals.

What we do know—without the need for hypotheticals—is that there is little indication of improved performance and cost-effectiveness in actual MRP outcomes, even as rates have increased significantly under MRPs. As OPC's recent rates report

[15] *See,* Case No. 9353, *Review of Annual Performance Reports on Electric Service Reliability Filed Pursuant to COMAR 20.50.12.11.*

shows, the cost recovery enabled by MRPs underlies significant increases in gas and electric rates for *each* of the utilities operating under multi-year rate plans.[16] Figure 1 illustrates how electric rates have increased since 2015–2024.



On a percentage basis, BGE's electric rates have increased by 26 percent since approval of its first MRP. DPL's rates have increased by 14 percent since approval of its first MRP. And Pepco's rates have increased by 22 percent since its first MRP. BGE's gas rates, not illustrated in Figure 1, have increased by 43 percent since approval of BGE's first MRP. Table 1, below, compares the pre-MRP average annual percentage rate increase to the average annual rate increase post-MRP.

[16] *See* Appendix A, Office of People's Counsel, *Maryland's Utility Rates and Charges* (Aug. 2024).

Table 1

	Average Annual Rate Increase (2006-2020)	Average Annual Rate Increase under MRPs
BGE Electric	3.27%	5.01%
BGE Gas	6.51%	8.25%
DPL	5.20%	5.35%
Pepco	4.92%	7.46%

For each utility, MRPs have accelerated the pace of rate increases at levels well above the rate of inflation.[17]

These MRP-driven rate increases come at a time when Marylanders are already overburdened by high energy costs. In 2020, the average net energy burden[18] for households at or below 200 percent of the federal poverty level was 12 percent.[19] As of 2023, for the counties served by utilities operating under multi-year rate plans, the average energy burden for houses with monthly income up to 200 percent of the federal poverty line is 13.6 percent.

In contrast to the burden of high rates Maryland customers are paying under the MRPs, Exelon's shareholders have done quite well. As Exelon's Summer 2024 investor presentation states, BGE, DPL, and Pepco's MRPs—as well as MRPs in other jurisdictions—drive the path to achieving the corporation's 5-7 percent annualized

[17] *Maryland's Utility Rates and Charges* at 29, 34.
[18] "Energy burden" refers to the percentage of one's monthly take home pay required to cover energy costs. Households with 6% or greater energy burdens are considered high energy burden households; severe energy burdens are those that exceed 10 percent of income. *See* American Council for an Energy-Efficient Economy, *How High Are Household Energy Burdens? An Assessment of National and Metropolitan Energy Burden Across the United States* at 3 (Sept. 2020), https://www.aceee.org/sites/default/files/pdfs/u2006.pdf
[19] Office of People's Counsel, *Maryland Low-Income Market Characterization: September 2022 update*.

earnings growth target.[20] Exelon states that its expected $18.5 billion growth in rate base over the next four years will "be 100% recovered through alternative regulatory mechanisms."[21] BGE, DPL, and Pepco comprise more than 30 percent of Exelon's rate base. From 2021 through 2023, BGE, DPL, and Pepco paid out $2.3 billion in common stock dividends to its only shareholder, Exelon.[22] Over the same period, Exelon paid out more than $4.2 billion in dividends to its shareholders.[23]

Maryland's experience with MRPs shows that customers bear a greater burden with no appreciable benefit. The utilities have not shown that precipitous MRP-driven increases in customer rates have led to *any* improvements in the quality-of-service utilities provide—much less improvements that are commensurate with the rate increases customers are bearing. And, as discussed below, MRPs have not brought Maryland any closer to achieving any specific policy goals, including greenhouse gas emissions reductions. Rather, Maryland's MRP experiment shows that MRPs benefit the private interests of utility shareholders over the public's interest in affordable rates.

II. MRPs do not produce the benefits the Commission anticipated.

Order No. 89226 identified several benefits of implementing MRPs: shortening the cost recovery period; ensuring more predictable rates and gradual rate increases; decreasing stakeholder burdens; improving transparency; and equitably distributing risks

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[20] Exelon Corporation, *Summer 2024 Investor Meetings* at 22, https://investors.exeloncorp.com/static-files/8b26ab69-e0b4-4d49-9d13-34a551265684.

[21] *Id.* at 11

[22] Exelon Corporation, *Form 10-K* (Feb. 21, 2024) at 136 (BGE, $908 million), 146 (Pepco, $983 million), 151 (DPL, $423 million), https://investors.exeloncorp.com/static-files/170e5ea8-217e-407c-b3c2-374ae69f987f

[23] *Id.* at 118 ($1.497 billion in 2021, $1.334 billion in 2022, and $1.433 billion in 2023).

between utilities and customers.[24] These claimed benefits largely are reflected in the six topics the Commission seeks parties to address through their comments filed in this proceeding.

As will be discussed below, experience shows that MRPs have fallen well short of producing benefits, including those benefits the Commission identified when it authorized MRPs.

A. MRPs have not advanced State policy objectives.

With respect to the achievement of State policy objectives, the Commission should evaluate the performance of the MRP utilities under their respective multi-year plans using the general objectives provided in State law. Public Utilities Article sections 7-801 and 7-802 require the Commission to align electric system planning with State policy objectives in a cost-effective manner:

- Section 7-801 states that it is a "goal of the State" that the electric system, "in a cost-effective manner," support the State's policy goals concerning greenhouse gas reduction, renewable energy, the reduction of electricity imports, and achieving resiliency, efficiency, and reliability.

- Section 7-802 requires the Commission to report to the General Assembly on "electric system planning processes and implementation" that promote eleven specified policy goals and "any other issues the Commission considers appropriate."

- Section 7-804 requires the Commission, on or before July 1, 2025, to "adopt regulations or issue orders to implement specific policies for electric system planning and improvements in order to promote the State's policy goals" under section 7-802.

[24] Case No. 9618, Order No. 89226 at 53–54.

These policies provide a useful summary of the State's policy goals by which the Commission can evaluate the MRP pilot, with the utility carrying the initial burden of showing State goals have been advanced. If they can make that showing, the Commission should determine whether the utility's actions were uniquely enabled or supported by the MRP. If the Commission finds the utility could not have taken the actions it took outside of the MRP, the Commission should—consistent with section 7-801—determine if the utility's actions to advance State policy objectives were taken in a "cost-effective manner."

Order No. 89226 does not anticipate that MRPs alone will advance State policy objectives. The order generally concludes that "one or more forms of [alternative forms of regulation] *may* be helpful, *if carefully* implemented, in facilitating the achievement of the States ambitious goals . . . ."[25] Of the five alternative forms of regulation the Commission investigated in PC 51 and Case No. 9618, only performance-based ratemaking and surcharges and riders directly tied utility cost-recovery to the achievement of discrete performance or policy goals.[26] Ultimately, however, the Commission rejected those options in favor of MRPs—a form of cost-of-service ratemaking that is at best agnostic to State policy objectives.[27]

The only real connection between State policy and MRPs is that in Order No. 89638, the Commission authorized utilities to propose performance incentive

[25] Order No. 89226 at 52–53 (emphasis added).
[26] In addition to MRPs, the Commission also evaluated the use of future test years and formula rates.
[27] Order No. 89226 at 53–54.

mechanisms ("PIM") in MRPs.[28] Yet, the Commission's order also authorized utilities to file PIMs in conventional base rate cases.[29] MRPs thus do not afford a unique ability to accommodate or support PIMs that is lacking in standard historic-test year ratemaking.

Given the lack of any logical, practical, or legal connection between MRPs and the advancement of State policy objectives, it is not surprising that MRPs have, in fact, *not* advanced State policy objectives. *First*, MRPs have proven to be an unwieldy and inappropriate forum for the proposal of new policy proposals, like the electrification plans that BGE and Pepco proposed in Case Nos. 9692 and 9702 respectively. As the Commission stated in striking BGE's plan, "it is prudent and consistent with past precedent for the Commission to consider major new policy proposals in a separate docket rather than in a base rate case, where the parties and the Commission are required to address a multitude of issues in a constrained time frame."[30]

Second, while BGE proposed a number of PIMs in its second MRP in the name of reducing greenhouse gas emissions, the Commission rejected them all. The Commission expressed "deep concern[s]" regarding how the structure of the PIMs related to "the value that the proposed PIMs are projected to provide to ratepayers."[31] Moreover, the Commission found the PIMs failed to accelerate policy goals beyond the utilities' capability.[32] Additionally, BGE's PIMs could just as well have been proposed in a

[28] Order No. 89638 at 12.
[29] Case No. 9618, Order No. 89638 at 12.[30] Case No. 9692, Order No. 90755 at 9–10.
[30] Case No. 9692, Order No. 90755 at 9–10.
[31] Case No. 9692, Order No. 90948 at 209.
[32] Case No. 9692, Order No. 90948 at 209 ("Those programs therefore fail the second requirement of Order No. 89638 of accelerating the policy goal beyond the utility's capabilities. Where the primary

conventional rate case, not the MRP structure. Thus, not only have MRPs failed to achieve results that advance State policy goals, but the Commission itself found that the utilities' *attempts* to do so through the MRP were inadequate.

Finally, assuming *arguendo* that MRPs have encouraged capital investment that has contributed to the advancement of State policy objectives, they have not done so "in a cost-effective manner," consistent with PUA § 7-801. As detailed in Section I.A, MRPs fail to promote cost-effective utility spending. While operating under MRPs, utilities have proposed excessive capital budgets and spent well above their capital budgets while pursuing conventional infrastructure investments—i.e., system performance and capacity expansion—that are not tied to advancing specific state policy aims.

* * *

In sum, using MRPs to set rates and review proposed utility investments has done little, if anything, to advance Maryland's policy objectives, including those set forth in PUA §§ 7-801 and 7-802. There is no evidence that MRPs have improved system reliability and resiliency or reduced greenhouse gas emissions. Instead, we see that utilities have increased spending on distribution feeders, substations, pipes, and capacity expansion—all conventional utility investments that grow rate base and increase profits.

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mechanism for meeting a policy goal is the investment of more capital or other ratepayer funds, rather than new approaches or efficiencies that are not currently incentivized by traditional ratemaking, such a goal is within the utility's capabilities for purposes of Order No. 89638.").

B. Neither customers nor the State have benefited from reductions in regulatory lag.

The Commission requests that parties answer "whether the potential shortened cost recovery period was achieved and its impact on customers and other aspects of the rate making process such as cost disallowance."[33] Reducing regulatory lag—the time between when costs are recovered after being incurred—enables utilities to recover costs contemporaneous to when their incurred. While MRPs have shortened the cost recovery period, that accelerated recovery has encouraged utilities to make unnecessary capital investments that drive-up customer rates. There is no evidence that reducing regulatory lag afforded any customer benefit.

1. Reduced regulatory lag contributes to excessive rates by encouraging utilities to make unnecessary capital investments.

In standard ratemaking, regulatory lag is a mechanism of constraint—utilities must wait until a subsequent rate change to begin recovering the costs of investments made after the most recent rate case, when that investment has proven useful to customers. Relative to an MRP, utilities are less inclined to pursue capital investments that are not cost-effective, since they must postpone recovery on those investments until the filing of their next rate case and face a prudence review.

MRPs, however, include forecasted additions to plant in base rates, thereby allowing utilities to recover the costs of new capital investments contemporaneous to when they are incurred.[34] By significantly reducing the period of regulatory lag, utilities

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[33] *See* Md. Pub. Serv. Comm'n., *Notice* at 3, Case Nos. 9618 and 9645 (Errata dated Aug. 15, 2024) (ML# 311808).
[34] Order No. 89226 at 13.

obtain cost recovery between the time the investment is made and when the asset is used to serve customers. Under MRPs, this faster recovery combines with the freedom utilities have to propose—without any risk except potentially to their credibility—capital projects at a level far above what the utility would pursue under standard ratemaking, including projects that are premature, inappropriate, or not cost effective. Stated otherwise, reductions in regulatory lag increase the likelihood that utilities—logically pursuing their private interests—will be over-aggressive in increasing their capital expenditures, to the point they are no longer cost-effective.

Outside of regular adjustments to rate base, utility profitability is driven by how well costs are controlled. As utility costs rise, the earned rate of return falls; as utility costs lower, the earned rate of return increases.[35] Accordingly, regulatory lag incentivizes a utility to improve cost-effectiveness by enabling it to earn a higher rate of return. If a utility struggles to contain costs, however, the utility's resulting rate of return lowers the utility's profitability. Reducing the period of regulatory lag lessens the reward for containing costs and reduces the penalty for cost-ineffectiveness. This allowance for cost-ineffectiveness encourages utilities to maximize other opportunities to boost profitability, mainly through increases to rate base.

In sum, regulatory lag protects consumers because it forces utilities to constrain capital spending. It is a feature rather than a bug of standard ratemaking because it helps contain costs by discouraging excessive utility investment. The reductions in regulatory

[35] Order No. 89226 at 19.

lag with MRPs weaken an important consumer protection, to the benefit of utility's shareholders.

2. Reduced regulatory lag does not enable utilities to better advance State policy.

Utilities may claim that the mitigation of regulatory lag—the main reason for the establishment of the MRP pilot—induces them to advance State policy objectives in a way they would or could not, outside of an MRP. The apparent argument is that without an MRP, investors might hesitate to provide capital for policy-advancing investments because the Commission may deny cost recovery. According to this theory, MRPs de-risk such investments by providing contemporaneous recovery, along with relative certainty that the utility will keep what it recovers.

But at least as much security for investors can be obtained by a utility's seeking Commission approval for innovative, policy-advancing investments outside of a rate case. Indeed, this is the way that such investments—from the installation of smart meters to the development of EV charging stations and other EV incentives—have historically been proposed and approved in Maryland, and OPC is unaware of any instance in which a utility has struggled raise capital for such investments.

C. MRPs fail to ensure stable and affordable rates.

Order No. 89226 identifies rate predictability as a potential "benefit" of MRPs.[36] MRPs have, in fact, made rates more predictable; customers can see the extent to which their rates will increase in subsequent years. But residential customers, are less concerned

[36] Order No. 89226 at 54.

with rate predictability than with how rates will impact their monthly bill. In that sense, MRPs are no better at assuring predictable rates than rates set under standard ratemaking. Customer bills will always fluctuate due to changes in energy costs, seasonal weather patterns, and individual consumption habits. With an MRP, a residential customer may know how much their distribution rate will change over the next three years, but such information is of little import given the month-to-month variability in factors that affect the customer's monthly bill.

Residential customers benefit most from stable rates. Yet as Maryland's experience shows, MRP rates are hardly stable. In each of BGE, Pepco, and Delmarva's MRPs, distribution rates have risen annually. From the customer's perspective, there is no difference between a yearly rate increase resulting from an MRP and a yearly rate increase resulting from standard ratemaking.

Furthermore, under both MRP and standard ratemaking, the bill stabilization adjustment mechanism ("BSA") is used to adjust distribution rates on a monthly basis to ensure utilities earn no more and no less than the target revenue per customer. [37] These regular adjustments to customer distribution rates inject an additional degree of variability to customer rates that further undermines the purported benefit of rate "predictability" MRPs provide.

From the utility's perspective, predictable rates mean predictable revenues, and the Commission cited revenue predictability as another potential benefit of MRPs. Yet, the

[37] Order No. 90445 at 10–11.

BSA already assures revenue predictability for rates set in both standard ratemaking and MRPs. In accepting DPL's bill stabilization adjustment in Case No. 9618, the Commission explained that the BSA serves an important role in mitigating revenue fluctuations and ratemaking volatility.[38] Indeed, given the impact of the BSA, MRPs are no better than standard ratemaking at assuring predictable utility revenues.

D. MRPs increase stakeholder burdens compared to standard ratemaking.

MRP litigation is far more resource-intensive than litigating a standard rate case, requiring parties to review more complex applications and undertake significant discovery under a compressed timeframe. After a utility's first MRP, each subsequent MRP requires parties to review five years of actual and planned expenditures: the utility's actual investments during the first two years of the prior MRP must be reviewed for prudency, while three years of forecasted capital investments for the company's pending MRP are reviewed for contemporaneous recovery in going-forward rates. The scope of this review far exceeds that which is typical in a standard rate case—a review of additions to plant during the timeframe between the prior rate case and the end of the historic test year[39]— but under MRPs parties have only three more months than they do in a standard rate case.[40]

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[38] Order No. 90445 at 23.
[39] See Case No. 9692, OPC Ex. 41A (Alvarez-Stephens Direct) at 40; Case No. 9702, OPC Ex. 32A (Alvarez-Stephens Direct) at 29.
[40] PUA § 4-204(b)(2)(ii) (authorizing the Commission to extend the 180-day rate suspension period set for standard rate cases "up to an additional 90 days if the filing is for an alternative form of ratemaking").

As shown in each MRP, the proposed utility capital plans are ambitious, comprising hundreds of projects that stakeholders must individually sort through *before* determining what discovery may be necessary. And the constrained discovery timeframe requires parties to expedite their review of these materials, thereby imposing a significant burden at the immediate outset of the rate case. Meanwhile, the prudence review for the first two years of the prior MRP requires parties to review thousands of projects, work orders, timecards, and accounting records for comparison with information used for the Commission's initial approval. As Staff witness Valcarenghi candidly stated in Case No. 9692, "it's a lot of work."[41]

Staff's request that the Commission postpone consideration of Pepco's MRP—due, in part, to the burden of reviewing BGE's MRP—exemplifies the heavy logistical and resource burdens that MRPs impose on parties.[42]

A meaningful evaluation of future capital investments necessarily entails consideration of a utility's short-, medium-, and long-term distribution plans. But injecting a comprehensive review of a utility's proposed distribution system plan would introduce additional complexity to an MRP case that requires stakeholders to expend additional resources. There are significant informational asymmetries that must be overcome for any distribution system planning review to be meaningful. Each utility also has its own distribution system planning process and capabilities,[43] requiring stakeholders

[41] Case No. 9692, Tr. 1616:7–8 (Valcarenghi).
[42] Case No. 9702, ML# 303315, Office of Staff Counsel Request for Postponement (June 2, 2023).
[43] Order No. 90777 at 9.

to first develop a basic familiarity through discovery with the utility's planning process before ever being able to assess whether the results of that process are reasonable. Then, voluminous discovery is required to evaluate how a proposed project fits into the utility's future plans. The complexity of this analysis makes it difficult to conduct an appropriate prudence review of distribution investments in the compressed timeframes of an MRP case.

Furthermore, unlike a standard rate case that concludes with the Commission's final order, MRPs require ongoing stakeholder engagement well after the final order is issued. For example, parties must review utility annual information filings, with only 90 days afforded for discovery *and* comments. Parties must also litigate post-rate case reconciliation proceedings, which impose *additional* discovery burdens.

No evidence demonstrates that the administrative burdens imposed by MRPs are lighter than standard ratemaking burdens. Rather, experience shows that MRP cases have *increased* administrative burdens for stakeholders. Having participated in five MRP base rate cases and reviewed annual information filings and project lists filed by each MRP utility, OPC's experience is that MRPs are far more resource-intensive and burdensome than standard rate cases. The expanded scope of an MRP rate case entails additional personnel and consultant hours that vastly exceed that of the standard base rate case. Although to date OPC has not performed a detailed analysis, based on our continuing experience we believe litigating annual utility standard rate cases is more efficient than any gains possible through MRPs.

E. The transparency benefits of MRPs are illusory.

Given that MRPs are forward looking, there is no dispute that as a general matter MRPs afford stakeholders greater insight into utility planning than standard ratemaking. In practice, however, these increases in transparency are largely illusory and have yielded few tangible benefits that outweigh the detrimental impacts to customers.

1. Increased transparency is not meaningful when utilities have discretion to change their capital investment priorities during an MRP.

The opportunity for stakeholders to review utility capital investment plans in advance is indeed an improvement in transparency. Unlike standard ratemaking, stakeholders have the opportunity evaluate the work that a utility plans to complete and, if warranted, to recommend appropriate adjustments.

But such transparency means little when the stakeholder review has little impact on the work a utility actually chooses to perform. The MRPs give utilities discretion to deviate from their proposed capital plans that were subject to stakeholder and Commission review. The Commission has repeatedly emphasized that its review of a capital plan proposed in an MRP is not a prudence review. Rather, the proposed project list serves "as a guide for prudency" with respect to "the individual projects the utility *elected* to construct and the actual costs of the individual projects with the final reconciliation is performed."[44] Just as with standard ratemaking, the utility "remain[s]

[44] Order No. 89678 at 96 (emphasis added).

responsible for determining how much it needs to spend, how best to spend in order to satisfy is obligations to provide safe, affordable, and reliable electric service[.]"[45]

There is some sense in utilities retaining such discretion with respect to projects necessary to ensure system safety and reliability, as the utilities are best positioned to determine the necessary work that should be prioritized. But with respect to more discretionary capital investments, such discretion renders hollow the transparency benefits that advanced review of utility capital plans provide. For instance, in Case No. 9702, AOBA witness Bruce Oliver testified that more than half of Pepco's capital expenditures for Rate Years 1 and 2 of the company's first MRP represented significant and material deviations from the capital budgets and project list that stakeholders and the Commission reviewed in Case No. 9655.[46] There is little benefit to having multiple "bites at the apple" to review and challenge utility capital investments if that first "bite" is not meaningful.[47]

2. The actual transparency afforded by advanced review of forecasted capital plans is limited.

As noted above, MRP rate cases require stakeholders to review five years of utility capital investments. This expansive scope of spending and project review limits the transparency improvements the MRP affords.[48]

First, the MRP's advanced review process limits the ability of parties to consider

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[45] Order No. 89868 at 68.
[46] Case No. 9702, AOBA Exhibit 9 (Direct Testimony of Bruce R. Oliver) at 14:3-18.
[47] Case No. 9702, OPC Reply Br. at 11–12.
[48] Case No. 9692, OPC Exhibit 42A (Alvarez/Stephens Surrebuttal) at 11, line 15 through p. 12, line 8.

long-term utility goals and cost-effective alternatives available for achieving those goals. MRPs provide only a three-year window into the utility's plans. MRPs do not require utilities to provide additional visibility into the longer-term plans underlying the proposed MRP investments, and the utilities do not provide it. The resulting lack of context for proposed programs limits the Commission's capacity to ensure that utilities' short-term plans align with long-term plans, and that long-term plans are pursued cost-effectively and not piece-meal.

Second, the utilities limit transparency by heavily curating the information they provide in MRP filings. Those filings provide general program descriptions and budget projections, and largely consist of brief, high-level explanations for hundreds of projects that give the Commission only a limited view of the utility's short-term spending plans. Just as in a standard rate case, stakeholders must engage in significant, burdensome discovery to attempt to understand the context, justification, and reasonableness of the utility's planned investments.[49]

In any event, the information provided through discovery is often insufficient or piecemeal. In Case No. 9645, the Commission noted that "there is significant room for improvement with regard to the transparency of the stakeholder-engaged planning process[.]"[50] In Case No. 9655, the Commission found that "asymmetries of information impeded parties' ability to fully evaluate and respond to Pepco's proposal," and expressed

[49] Even the business case presentations utilities provide to support certain projects have proven insufficient to demonstrate the necessity of a given project without additional discovery.
[50] Order No. 89678 at 104–105.

frustration with the difficulty stakeholders had in evaluating the information provided by the utility. The Lessons Learned proceeding conducted in 2022 resulted in some improvements to the minimum filing requirements of the initial MRP application, but in the two MRP rate cases that followed, stakeholders still found wanting the transparency of the information provided in the MRP application and in discovery.[51]

Even with the utilities providing too little information and context to fully evaluate their plans, it has been an extraordinary challenge for parties and the Commission to review the volume of information that is provided in the highly constrained MRP timeframe. Assessing forecasted capital investments requires analysis of a utility's grid operations, the technologies it employs, and its approach to system planning and asset management.[52] Such analysis requires reviewing of thousands of pages of discovery and exhibits— parties are forced to pick and choose what they review—thereby increasing the likelihood that imprudent investments evade scrutiny and be included in customer base rates.

Injecting a comprehensive review of a utility's distribution system investment plan into the context of a rate case shortchanges the quality of that review and increases the risk that customer rates may include the costs of unnecessary, premature, or imprudent projects. Moreover, the Commission established separate proceedings for purposes of

[51] *E.g.,* Case No. 9692, OPC Reply Br. at 4–6; Case No. 9702, OPC Initial Br. at 15–16, OPC Reply Br. at 15, AOBA Initial Br. at 8–9.
[52] Case No. 9645, OPC Exhibit 41A at 36, lines 6–8.

assessing utility distribution system planning[53] and reliability planning.[54] As exemplified by the significant capital spending authorized for recovery through MRP base rates, injecting into a rate case a review that is properly conducted in a separate docket leads to harmful ratemaking outcomes for customers.

3. Advanced approval of utility expenditures in an MRP narrows the scope of prudency review and increases the burden of demonstrating imprudence.

The transparency benefits advanced review affords are eclipsed by the reduced likelihood that imprudent investments within those plans may be disallowed. In a conventional base rate case, the prudency review of a utility's expenditures covers both the utility's decision to undertake certain programs and projects and its execution of those programs and projects. In an MRP, by contrast, the Commission first approves programs and projects for purposes of inclusion in a utility's revenue requirement, then reviews the execution of those programs and projects for purposes of prudency years later,[55] with the approved MRP capital investment plan serving as "a guide for prudency."[56] Under this construct, prudency in planning is detached from prudency in execution, and the scope of prudency review is effectively narrowed to the former.

Approval of a utility's forecasted plan substantially increases other parties' burden to show that approved programs and projects were imprudent and reduces the risk of

[53] Case No. 9665, Order No. 91256 at 10–11 (July 30, 2024) (establishing annual technical conference hearing for distribution system planning).
[54] *See generally* Case No. 9353, *Review of Annual Performance Reports on Electric Service Reliability Filed Pursuant to COMAR 20.50.12.1*
[55] Order No. 90948 at 2.
[56] Order No. 89482 at 24.

disallowance, relative to standard ratemaking where there is no pre-approval. In a ratemaking construct, what customers gain from potentially greater stakeholder transparency is outweighed by the consequences of ever-increasing base distribution rates driven by bloated utility investment plans—and the fact that the Commission can take other measures to increase transparency while using time-tested standard ratemaking.

F. MRPs have not improved utility innovation.

Innovation means a "new method, idea, or device," or "the introduction of something new."[57] Although innovation is often characterized as invariably beneficial, what is new is not necessarily in the public interest. For innovation to have public interest value, it must serve a purpose or end that has such value. With respect to regulated utilities, innovation has value to the extent that it leads to improved utility performance in areas that the General Assembly or the Commission has recognized as being in the public interest, such as system reliability or the reduction of greenhouse gas emissions.

In competitive businesses, innovation is driven by competition. Firms develop new products or services—or as is often the case today, new ways of selling existing products or services—to gain market share. For monopoly utilities—which already have 100 percent of their markets—innovation is driven by the opportunity for higher profits through the expansion of rate base. The question before the Commission in this proceeding is whether the MRP structure has motivated the State's electric utilities to

[57] Merriam-Webster; *available at* https://www.merriam-webster.com/dictionary/innovation.

innovate in ways that further the objectives on which the Commission has requested comments in this proceeding.

The answer is clearly "no." There is no indication that utility innovation has improved because of MRPs. As a threshold matter, it is not clear what sort of "innovation" the Commission envisioned MRPs would foster, as Order No. 89226 provided no benchmarks. The Commission has repeatedly and correctly held that consideration of novel and innovative policy proposals in the context of a rate case is inappropriate.[58] Indeed, to the extent the resilience investment and climate solutions programs BGE and Pepco have proposed for their MRPs are the sort of innovation MRPs were intended to foster, the fact that the Commission rejected each of those programs indicates a clear view that the ratemaking process is not a vehicle for developing new utility policies.

Utility innovation is fostered in a number of ways that do not involve ratemaking or depend on accelerated cost recovery. Since 2008, the EmPOWER program has enabled utilities to propose and develop different approaches to improving energy efficiency. The Commission has administered pilot programs exploring the use of battery energy storage

[58] Case No. 9692, Order No. 90755 at 9–10 ("[I]t is prudent and consistent with past precedent for the Commission to consider major new policy proposals in a separate docket rather than in a base rate case, where the parties and the Commission are required to address a multitude of issues in a constrained time frame. . . Neither stakeholders nor the Commission should be limited to the strict statutory timeline of a rate case in submitting and evaluating those plans."); Case No. 9702, Order No. 91048 at 14 ("The Commission continues to agree that it is prudent and consistent with Commission precedent to consider major policy proposals in a separate docket rather than a base rate case where the parties and the Commission must address a myriad of issues in a compressed time frame.")

systems,[59] the accommodation and expansion of transportation electrification,[60] and alternative forms of rate design such as time-of-use rates.[61] None of these programs require utilities to operate under an MRP, and recovery of capital costs related to these programs is all but assured, provided the utility's pilot is prudently managed.

A review of BGE, DPL, and Pepco's MRPs evidences little "utility innovation." Rather, utilities are pursuing conventional safety, reliability, and capacity expansion investments at an accelerated pace.

III. MRPs are not necessary to improve utility performance and ensure adequate utility compensation.

The Commission's primary mechanism for utility cost recovery is standard, historic-test-year ratemaking. As the Commission explains, "the [historic-test-year] evaluates the costs incurred by the utility in a recent 12-month period and serves as a reference period for developing the utility's costs for the prospective period when rates will be effective."[62] Capital cost recovery is limited to prudent investments that are "used and useful"—currently serving customers.[63] Stated otherwise, standard ratemaking sets rates based the costs utility has *actually incurred*, rather than costs a utility *anticipates* or would like to incur in the future.

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[59] *See, e.g.,* Case No. 9619, Energy Storage Pilot Program; Case No. 9715, Maryland Energy Storage Program.
[60] *See, e.g.,* Case No. 9478, *In The Matter of the Petition of the Electric Vehicle Work Group for Implementation of a Statewide Electric Vehicle Portfolio*; Case No. 9696, *Baltimore Gas and Electric Company's Application for an Electric School Bus Pilot Program.*
[61] *See, e.g.,* PC44 – Rate Design Workgroup, Commission Letter Order dated November 28, 2017 (pilot programs that offer Time of Use rates).
[62] Case No. 9618, Order No. 89226 at 6.
[63] PUA § 4-101.

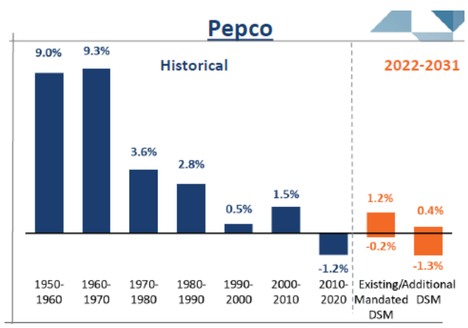
Accordingly, under standard ratemaking, utilities—rather than customers—bear risks from imprudent and excessive capital investment, inaccurate cost forecasting, and poor operations management. This allocation of risk is appropriate, given that the utilities are the entities with the tools to mitigate those risks. The possible disallowance of previously incurred capital costs imposes a heavy economic penalty on utility shareholders. The possibility that a regulator may impose such a penalty by denying cost recover for capital investments deemed not used or useful or imprudently incurred encourages utilities to moderate capital spending and focus on less risky projects.[64] Moreover, standard ratemaking incentivizes economically efficient behavior by allowing utilities to increase their rate of return by reducing operational costs. In short, standard ratemaking rewards utilities for prudent investment and cost-effective management, while disincentivizing risky investment and poor management.

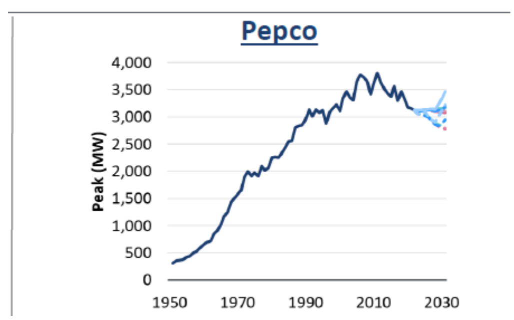
History shows that, over the past one hundred years, standard ratemaking has served both investors and utilities well. Since the early 1920s, utilities operating under the standard ratemaking construct have been able to meet challenges posed by necessary service expansions to serve new customers and accommodate rapid advances in technology and consumption habits.[65] Maryland's utilities have had little difficulty attracting the capital necessary to finance their investments. And shareholders have

[64] Case No. 9692, OPC Ex. 41A (Alvarez-Stephens Direct) at 34.
[65] Case No. 9702, OPC Ex. 32A (Alvarez-Stephens Direct) at 20:7 –21:7, Figure 2.

reaped benefits from the assurance that sound management and prudent investment will be profitable.[66]

The utility's historical success in meeting customer needs over decades of significantly higher growth demonstrates standard ratemaking's ability to bring benefits to customers and investors alike. Pepco's historical data analyzed in the PSC's electrification study, for example, shows how standard ratemaking accommodated Pepco's need to address rapid electric growth—as much as nine times greater than recent Brattle's projections through 2031:[67]





We are unaware of any evidence that utilities generally or Maryland utilities specifically had any problems with access to capital during these periods of rapid growth, nor any theory as to why standard ratemaking somehow will inhibit utilities from accessing capital for the much smaller rates of growth anticipated in the coming years.

[66] *See generally,* Edward Jones, *Investing in the Utilities Sector* (Aug. 5, 2024), https://www.edwardjones.com/sites/default/files/acquiadam/2023-06/investing-in-the-utilities-sector.pdf.
[67] *An Assessment of Electrification Impacts on the Maryland Electric Grid*, The Brattle Group for the Maryland Public Service Commission at 100-01 (Dec. 19, 2023), https://www.psc.state.md.us/wp-content/uploads/Corrected-MDPSC-Electrification-Study-Report-2.pdf.

CONCLUSION

No evidence demonstrates that MRPs have provided any appreciable benefits to Maryland. MRPs have not improved utility performance. MRPs have not advanced state policy goals. And MRPs have not led to any innovations that advance the public interest. Instead, MRPs have driven historically high distribution rates while reducing the risks to the utility of underperformance and excessive investment. Ratemaking mechanisms serve a singular, limited purpose: ensuring appropriate cost recovery for expected utility performance. The Commission has other avenues for establishing utility performance obligations and reviewing utility plans. Maryland's experiment with MRPs has failed customers and enriched utility shareholders. The Commission should terminate the MRP pilot.

Respectfully submitted,

DAVID S. LAPP
PEOPLE'S COUINSEL

William F. Fields
Deputy People's Counsel

/electronic signature/
Jacob M. Ouslander
Michael F. Sammartino
Mark C. Szybist
Assistant People's Counsel

Maryland Office of People's Counsel
6 St. Paul Street, Suite 2102
Baltimore, MD 21202
(410) 767-8150

Sept. 16, 2024

Appendix A

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Maryland's Utility Rates and Charges

Explanation and data on utility bills, rates, and charges, and how—and why—they have changed over time.

June 2024

OPC
Office of People's Counsel
State of Maryland

Table of Contents

About This Report

- This report has information about current and historic rates and charges of the major Maryland electric and gas utilities. It includes dozens of figures illustrating and comparing rates and charges and how they have changed over time.
- The report appendix has current and historic rate and charge information organized alphabetically by utility. The information is also available on OPC's website and will be periodically updated.
- All figures and charts in this report show only rates and charges under the standard tariffs for residential customers. Rates and charges for other customer classes or non-standard options (such as time-of-use rates) for residential customers will be different.
- Rates shown in this report are intended to illustrate general rate trends. The rates are based on standard residential rate schedules. Reported rates may vary slightly from rates as they appear or appeared on customer bills because they reflect an annual weighted average, do not incorporate certain surcharges or reconciliations, or because they are not adjusted for temporary riders, including changes for tax benefits from the Tax Cuts and Jobs Act of 2017 and related credits being passed through to customers ahead of schedule.
- Rates shown for Pepco reflect the Public Service Commission's June 10, 2024, order, and Baltimore Gas and Electric rates for 2024-2026 are based on a Commission order that is subject to a rehearing request.

Glossary

- ***Capital expenditure:*** Dollars a utility spends on projects and equipment that replace or expand the utility's infrastructure. Capital expenditures go into the utility's "rate base" (see below) with the Public Service Commission's approval.
- ***Delivery charges:*** The charges for delivering gas or electricity to your home, including the monthly customer charge and the distribution rate charge that depends on energy usage. Sometimes referred to as "distribution" charges.
- ***Distribution rate:*** The rate that is multiplied by the amount of gas or electricity the customer consumes each month to determine the volumetric component of the delivery charges.
- ***Monthly customer charge:*** A monthly fixed charge on customer bills that makes up the other main portion of the delivery charges.
- ***Rate base:*** The total dollar amount of the utility's capital investments that have not yet been paid for by customers. Utilities receive a return, including profit, that is based on rate base size and that is recovered from customers in their delivery charges.
- ***Supply charge:*** A charge for the physical energy the customer consumes, measured in therms for gas and kilowatt-hours for electricity. Also called the "commodity" charge.
- ***Utility infrastructure:*** The pipes, towers, wires, computers, and other equipment and infrastructure that the utility needs to deliver gas or electricity to customers.

Key Findings

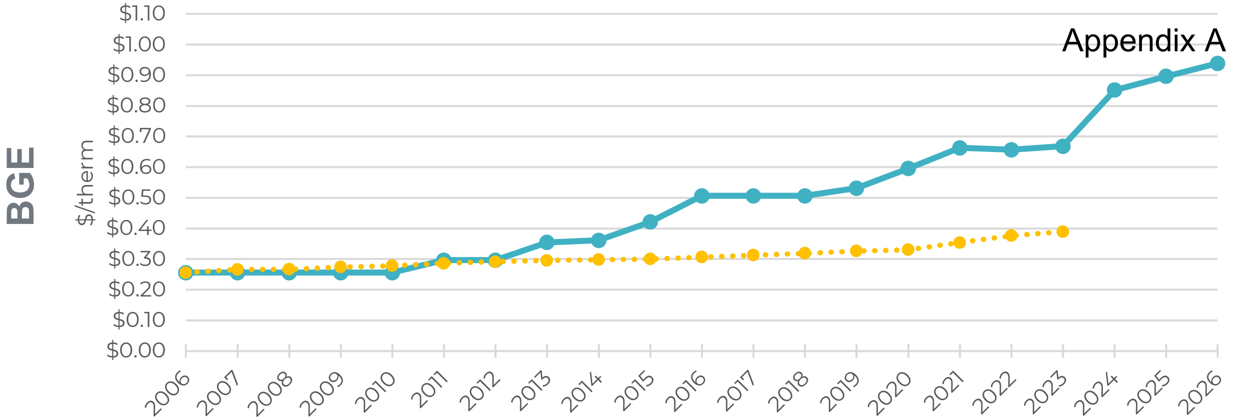
GAS UTILITY FINDINGS

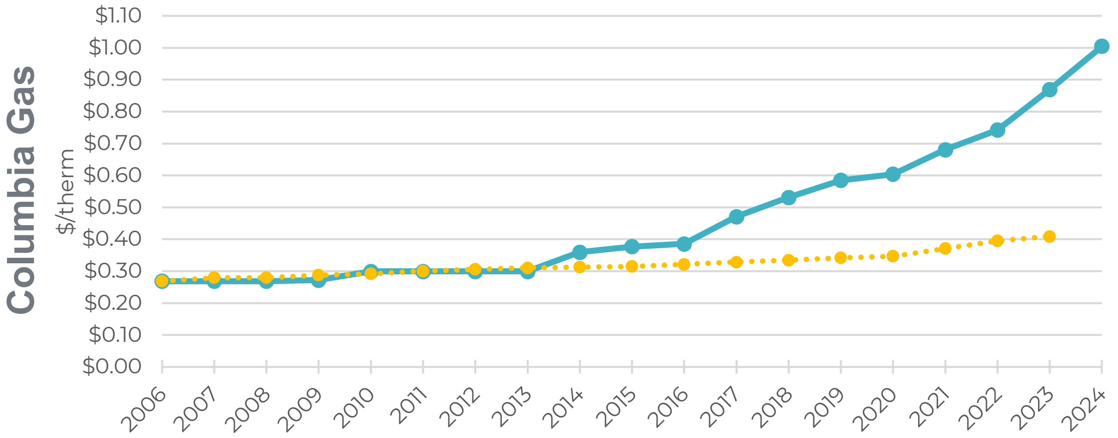
Current and Historic Distribution Rates

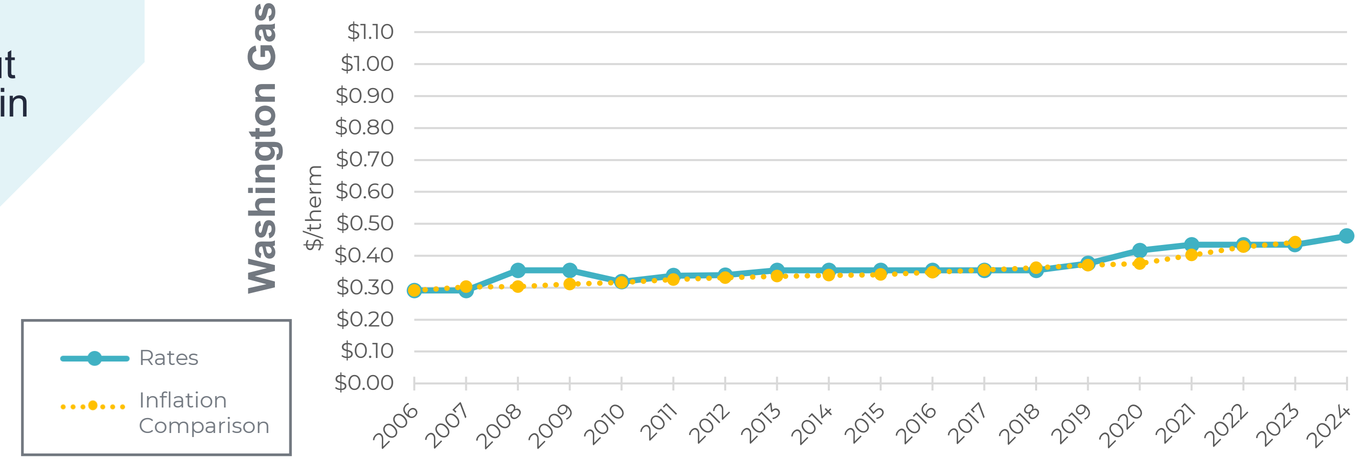
Baltimore Gas & Electric (BGE) rates have more than ***tripled*** since 2010, increasing from 26 cents/therm to 85 cents/therm in 2024, exceeding the rate of inflation by a factor of nearly three. Under a recent Commission order, rates will rise to 94 cents/therm in 2026.

Columbia Gas rates increased at about ***3.5 times*** the rate of inflation, increasing from 30 cents/therm in 2010 to $1.00/therm in 2024.

Washington Gas rates increased at about the rate of inflation, from 32 cents/therm in 2010 to 46 cents/therm in 2024.





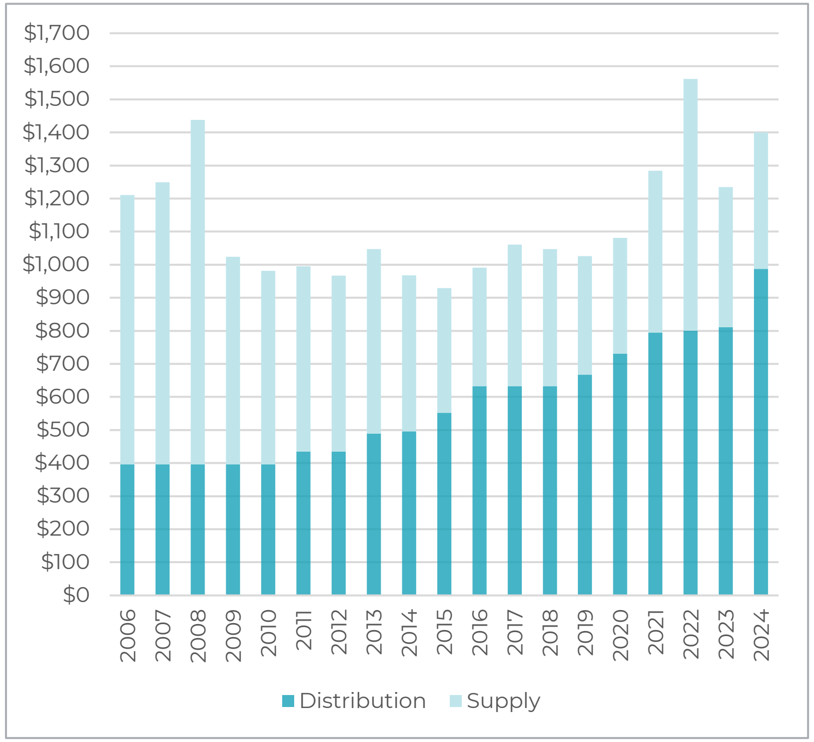


GAS UTILITY FINDINGS

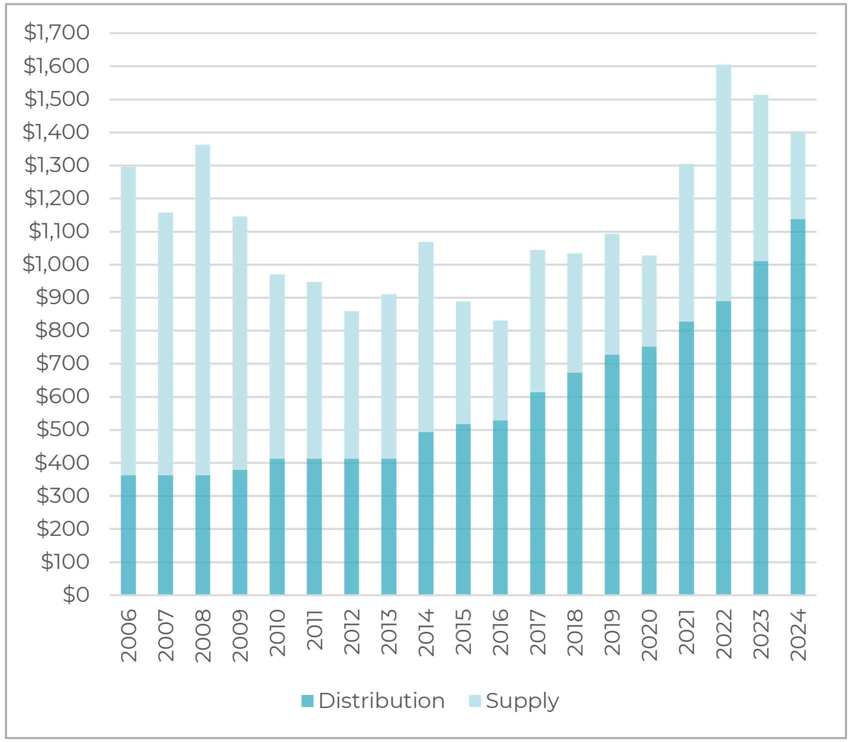
Reductions in Gas Supply Costs Have Masked the Effect of BGE and Columbia Gas Delivery Cost Increases

Absent substantial increases in delivery costs after 2010, declining gas supply (commodity) costs would have lowered overall customer gas bills.

BGE



Columbia Gas

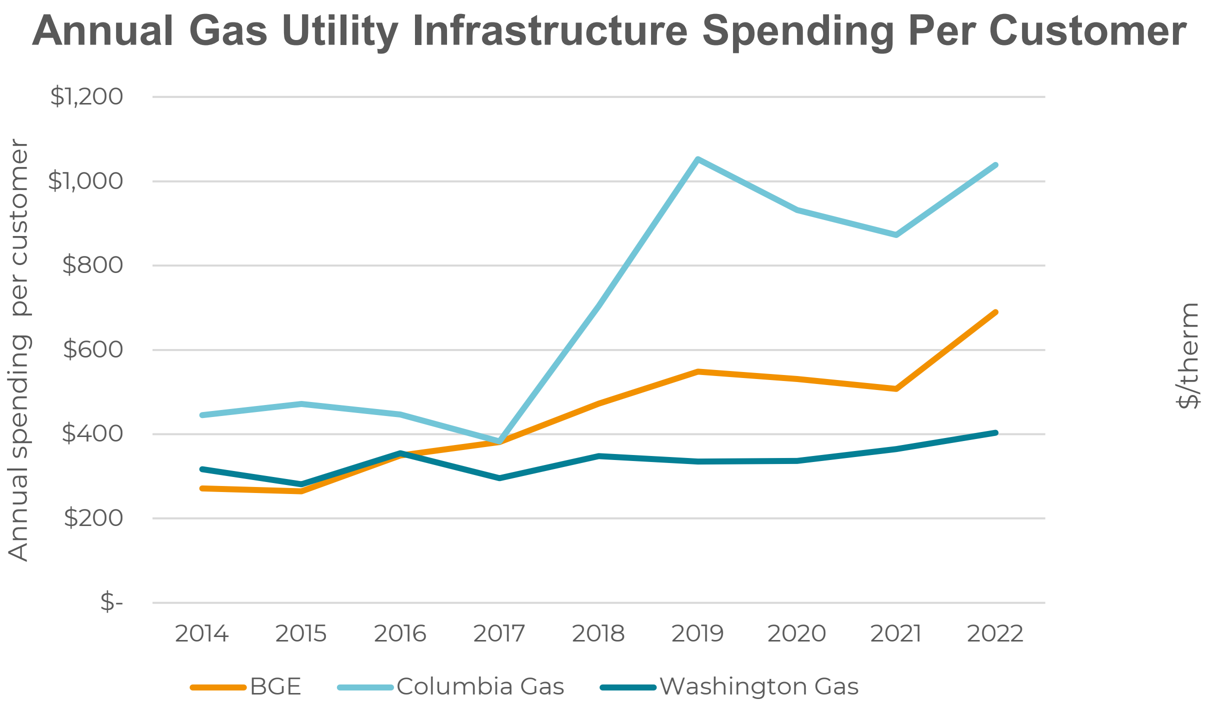


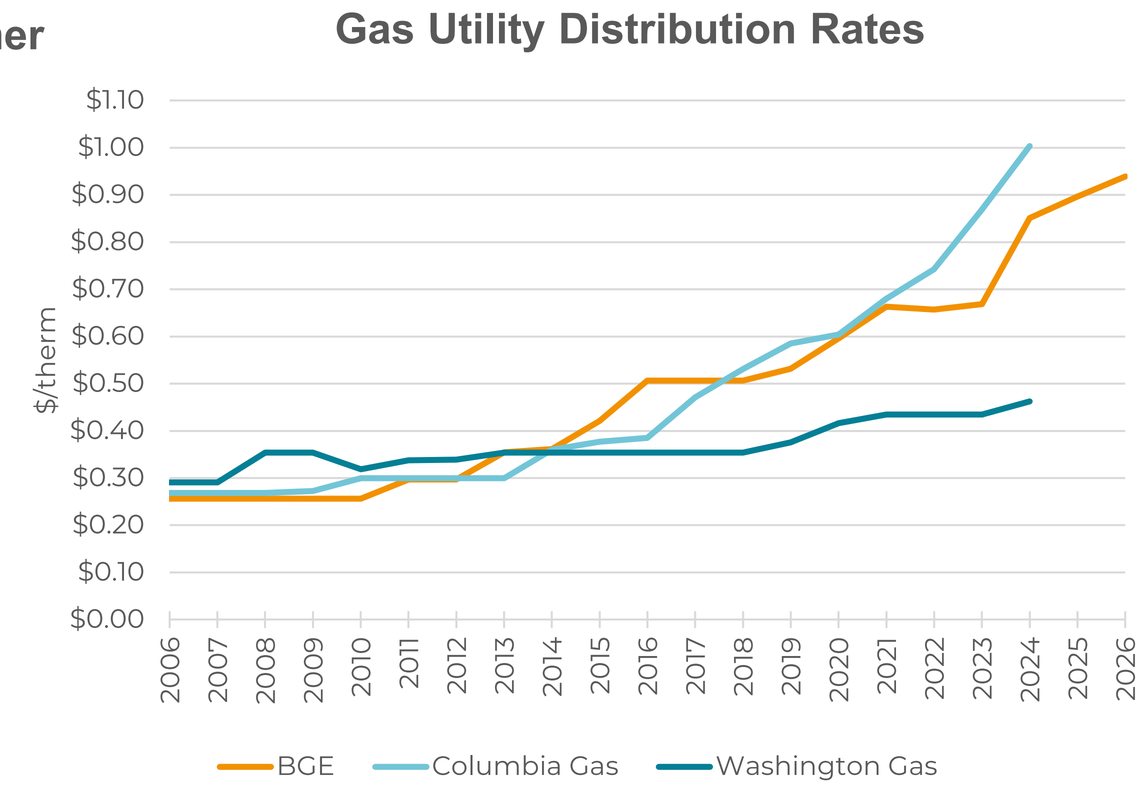
Calculations are based on gas usage of 940 therms per year.

GAS UTILITY FINDINGS

Washington Gas' distribution rates are about half of BGE's and Columbia Gas' rates due to its slower pace of infrastructure spending

Washington Gas' pace of spending on capital gas infrastructure has been much slower than BGE and Columbia Gas. From 2019 to 2022, on average Washington Gas annually spent $360/customer on gas infrastructure, while BGE spent $570/customer and Columbia Gas spent $974/customer.





GAS UTILITY FINDINGS

Summary comparison of current distribution rates

Utility	Fixed Monthly Charge		Distribution Rate (per therm)*		
	2010	**2024**	**2010**	**2024**	**Yearly Average % Increase**
Washington Gas	$10.20	$11.85	$0.3853	$0.4621	**1.9%**
BGE	$13.00	$15.55	$0.2561	$0.8513	**8.7%**
Columbia Gas	$10.97	$16.25	$0.2994	$1.0039	**9.3%**

Appendix A

ELECTRIC UTILITY FINDINGS

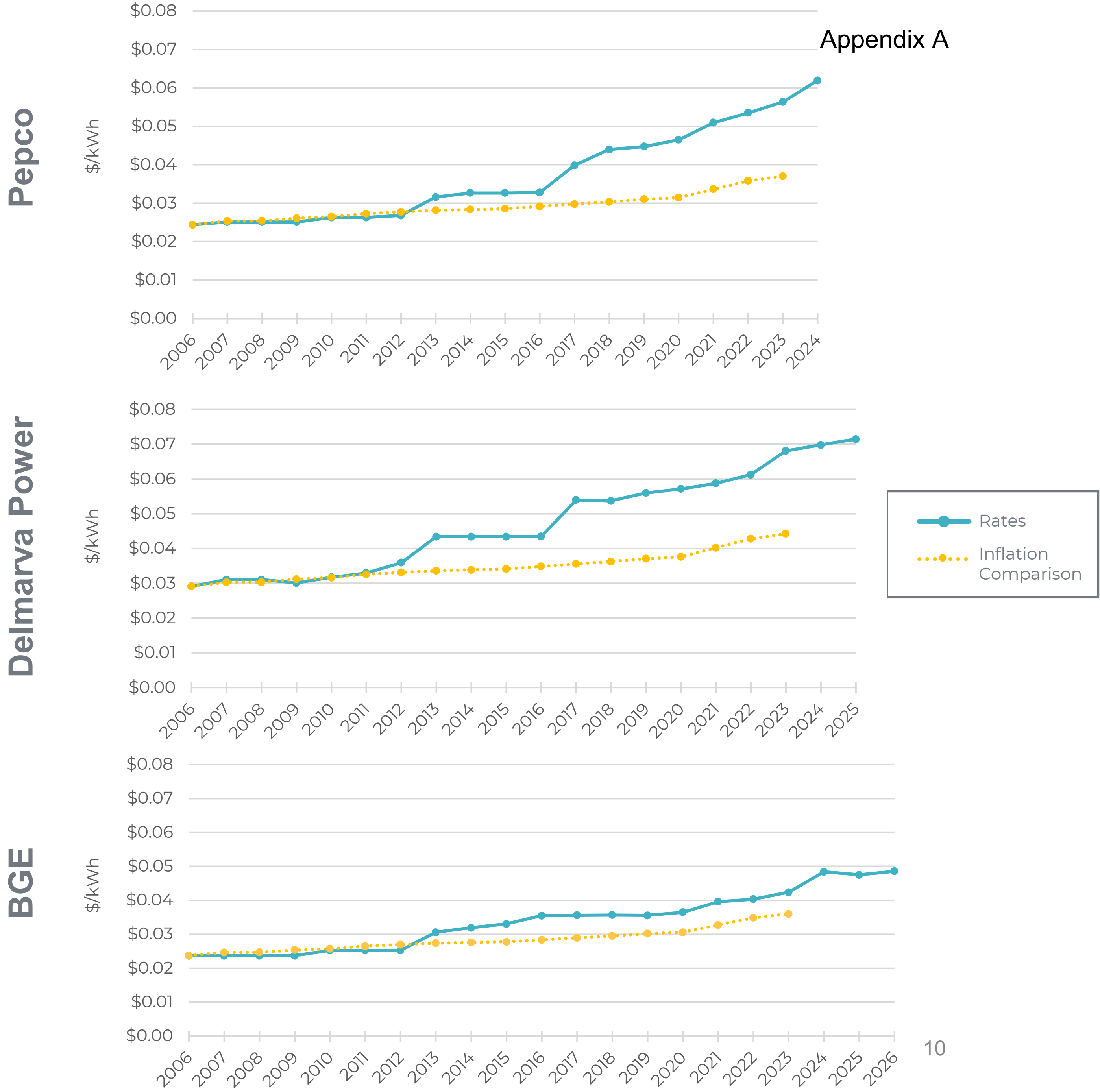
Distribution Rate Increase Highlights, 2010-2024

The three Exelon utilities' rates have increased substantially and well above inflation rates:

Pepco rates have increased from 2.6 cents/kWh to 6.2 cents/kWh.

Delmarva Power rates have increased from 3.2 cents/kWh to 7.0 cents/kWh.

BGE electric rates have increased from 2.5 cents/kWh to 4.6 cents/kWh.



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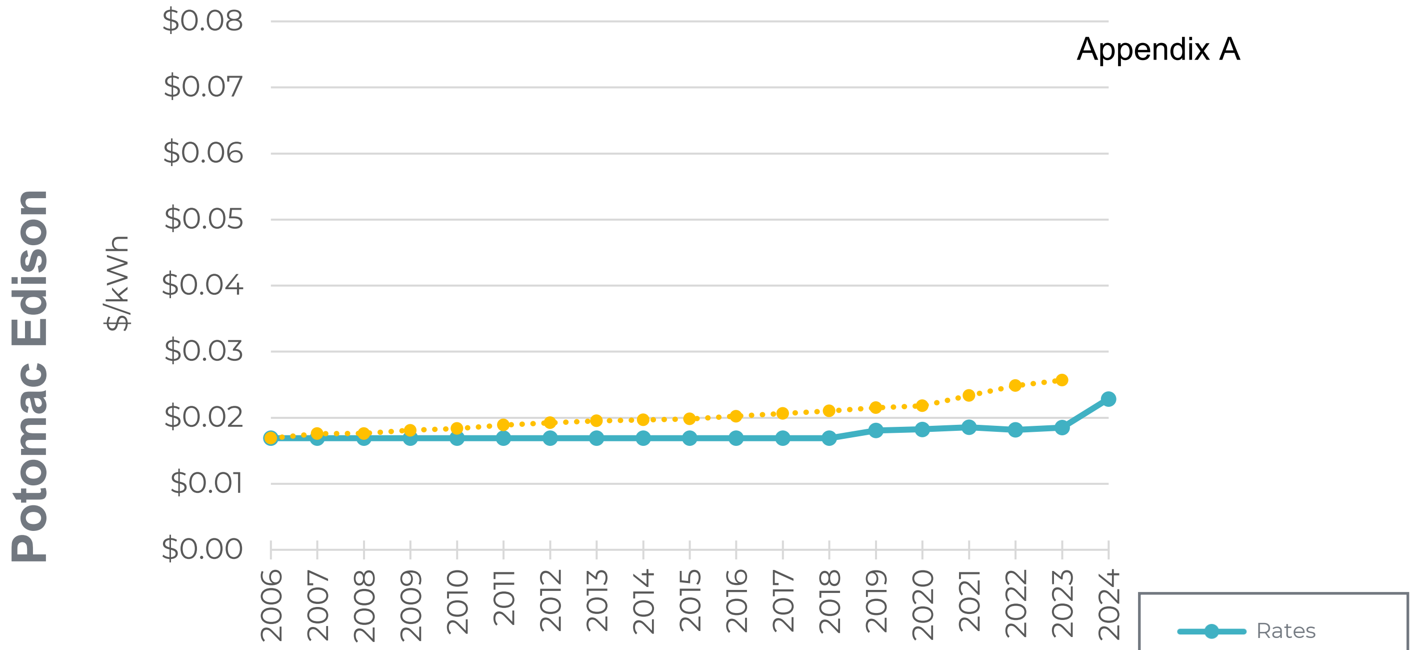
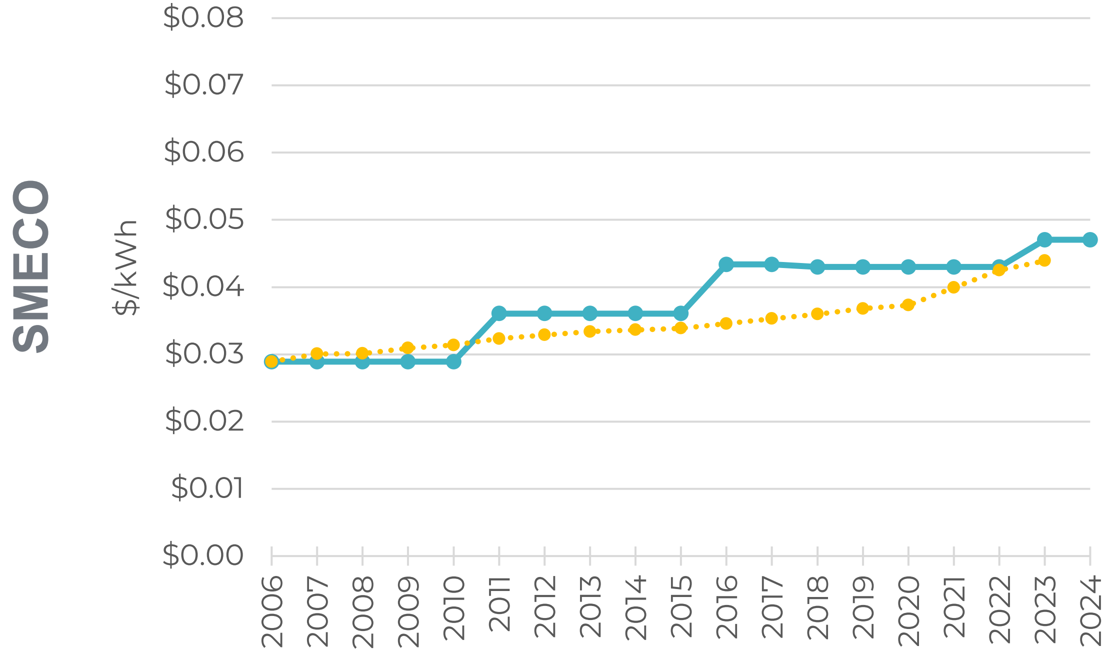
ELECTRIC UTILITY FINDINGS

Distribution Rate Increase Highlights, 2010-2024

Potomac Edison's distribution rates have stayed stable and are currently substantially less than BGE, Pepco, and Delmarva Power.

Distribution rates for SMECO, a cooperative and the State's fourth largest electric utility, have increased slightly faster than the rate of inflation.





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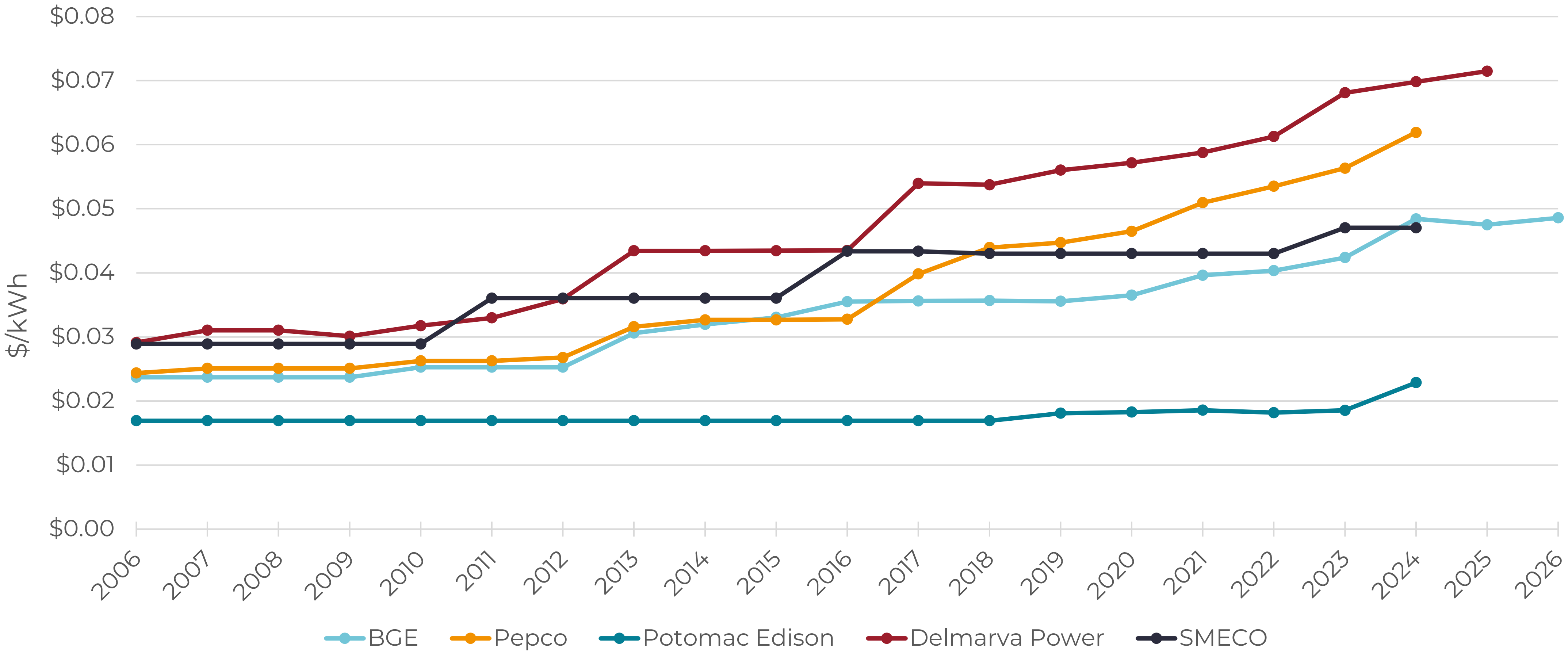
ELECTRIC UTILITY FINDINGS

Summary comparison of current distribution rates

Utility	Fixed Monthly Charge		Distribution Rate (per kilowatt hour)*		
	2010	**2024**	**2010**	**2024**	**Yearly Average % Increase**
Potomac Edison	$5.00	$6.00	$0.0169	$0.0229	**2.3%**
SMECO	$8.60	$9.50	$0.0289	$0.0470	**3.6%**
BGE	$7.50	$9.30	$0.0253	$0.0459	**4.6%**
Delmarva Power	$6.00	$9.19	$0.0317	$0.0698	**6.0%**
Pepco	$6.65	$8.44	$0.0263	$0.0618	**6.4%**

ELECTRIC UTILITY FINDINGS

Summary comparison of distribution rates



Accelerated cost recovery helps drive rate increases

Maryland has in place two forms of accelerated cost recovery mechanisms

Strategic Infrastructure Development and Enhancement Plan (STRIDE) law

Enacted in 2013, covering the costs of gas pipe replacement work

Multi-Year Rate Plans

Adopted by the Public Service Commission in 2020, covering all utility costs

Accelerated cost recovery helps drive rate increases

STRIDE

- BGE, Washington Gas, and Columbia Gas—Maryland's largest gas utilities—have taken advantage of the STRIDE program.
- Washington Gas has made the least progress in its STRIDE program and has consistently not accomplished the work it has planned to complete.*
- STRIDE program costs are recovered through the STRIDE surcharge until they are moved into regular rates at the time of a rate case, helping to drive up distribution rates.
- BGE performed gas pipe replacement work under STRIDE until 2024. Under a recent PSC order, the company now is performing its gas pipe replacement work under its multi-year rate plan, which provides the same accelerated cost recovery benefit to the utility as the STRIDE law.

* *See* Public Service Commission Order No. 90099 (March 2, 2022) (stating that "the company has overpromised and under delivered" on its STRIDE plans).

Accelerated cost recovery helps drive rate increases

Multi-Year Rate Plans

- The term “multi-year rate plan” is shorthand for an approved schedule of rate changes (typically increases) that provide accelerated cost recovery for projected utility spending.
- Multi-year rate plans cover future years, usually three years, while standard ratemaking under rate cases can occur frequently or many years apart. (Maryland utility Potomac Edison went almost 25 years—from 1994 to 2018—without a rate increase.)
- Maryland’s three utility subsidiaries of the Chicago-based Exelon Corporation—BGE, Pepco, and Delmarva—have had multi-year rate plans.
- BGE’s current multi-year plan runs through 2026, and Delmarva Power's runs through 2025. In a recent order, the Public Service Commission rejected the second two years of Pepco’s proposed three-year multi-year rate plan.

Accelerated cost recovery helps drive rate increases

The STRIDE and multi-year alternative rate mechanisms have shifted the risks of utility overspending to customers and increased customer rates.

Standard rate case

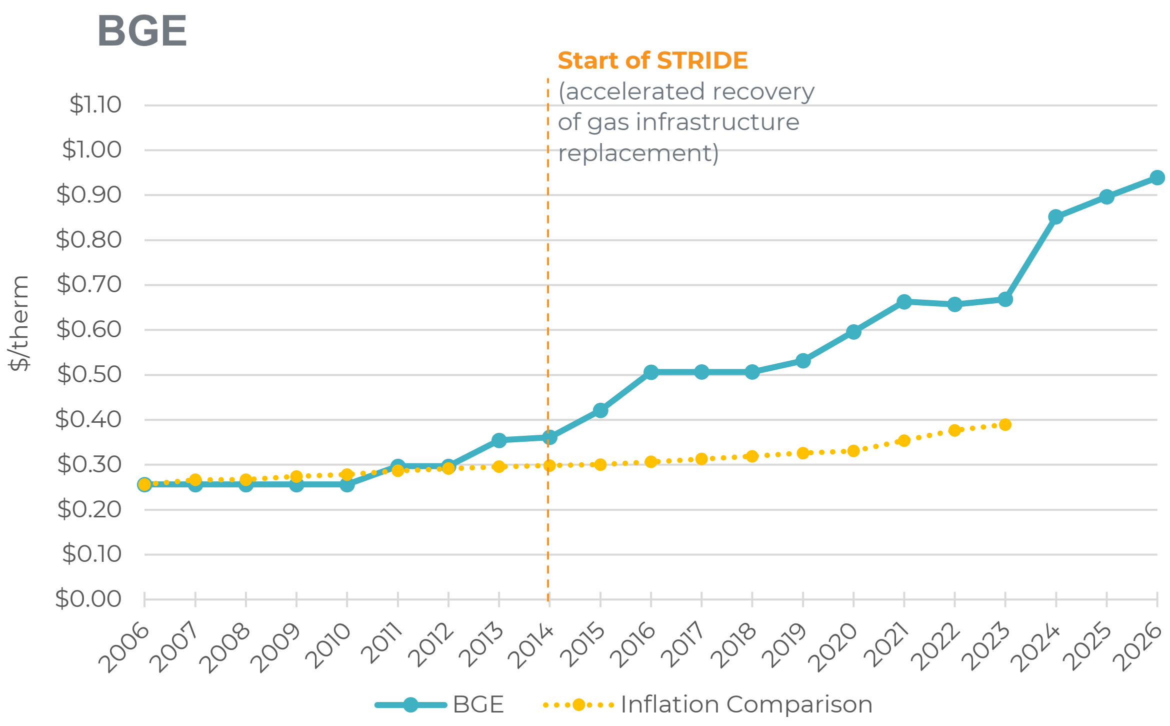
- Rates are based on the utility's actual spending in a past year that is close in time to the filing of the rate case.
- By using actual costs to set rates, the Public Service Commission (PSC) can assess how reasonable the company's spending was when determining rates.
- Recovery for capital investments generally starts after the capital projects are used and useful—i.e., placed into service—for customers and the utility has filed a rate case.
- Utilities are free to file rate cases as frequently or infrequently as they want based on their assessment of how their investors are faring from current rates.

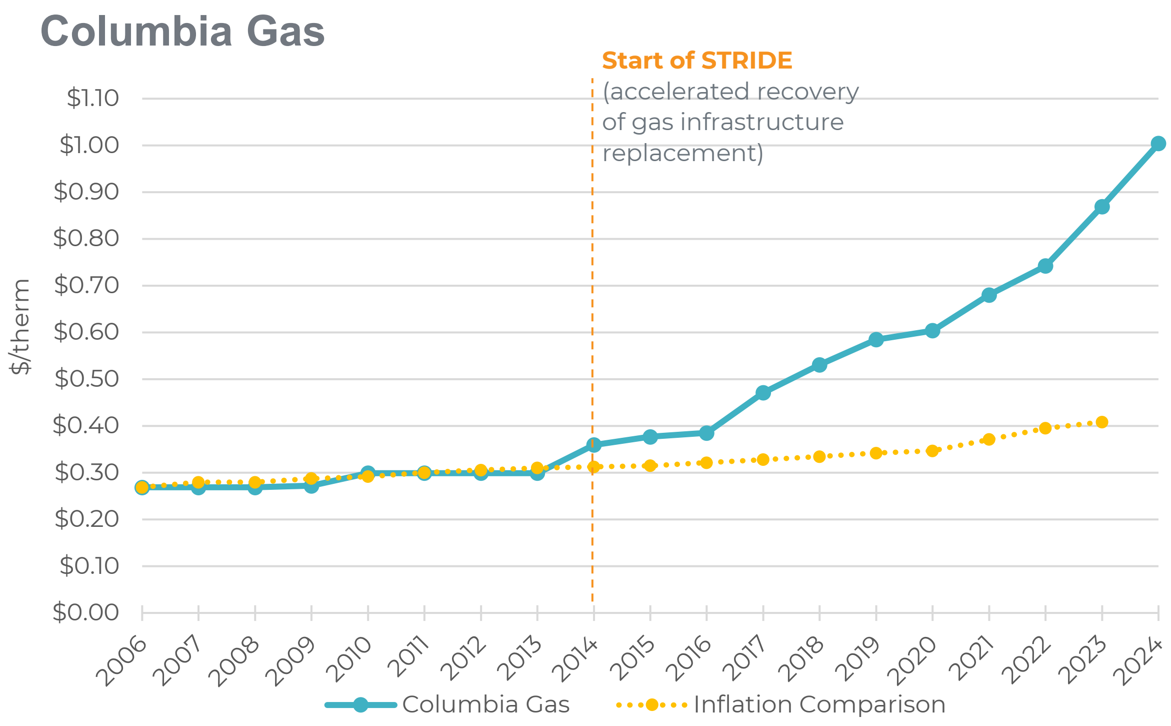
Alternative "multi-year" ratemaking

- Rates are based on projected utility capital investment spending over a future period, with the utility retaining flexibility to change its capital investment plans.
- Utilities charge customers for project costs *before* those projects are used to serve customers.
- Allows utilities to recover any overspending from customers, thereby shifting the utility's risk from its investors to its customers.
- The faster rate recovery and lowering of utility risk promotes higher levels of spending.

Accelerated cost recovery helps drive rate increases

STRIDE programs went into effect in 2014, leading to immediate rate increases for BGE and Columbia Gas customers.

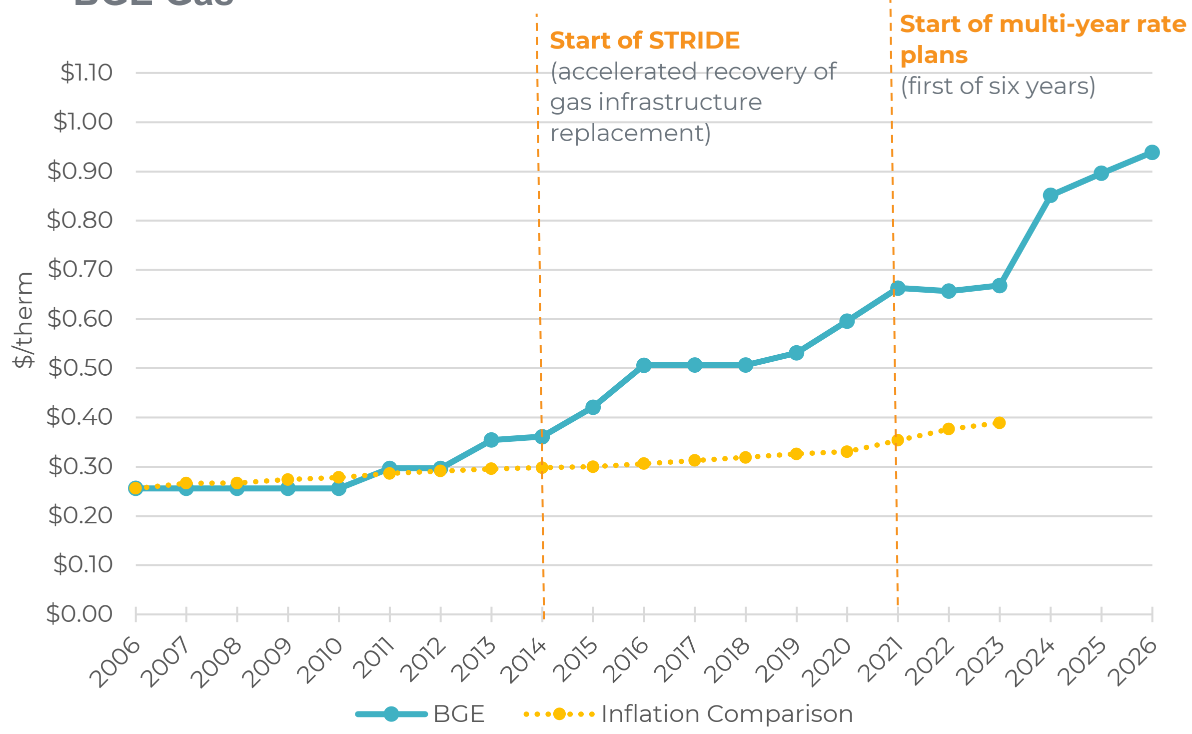




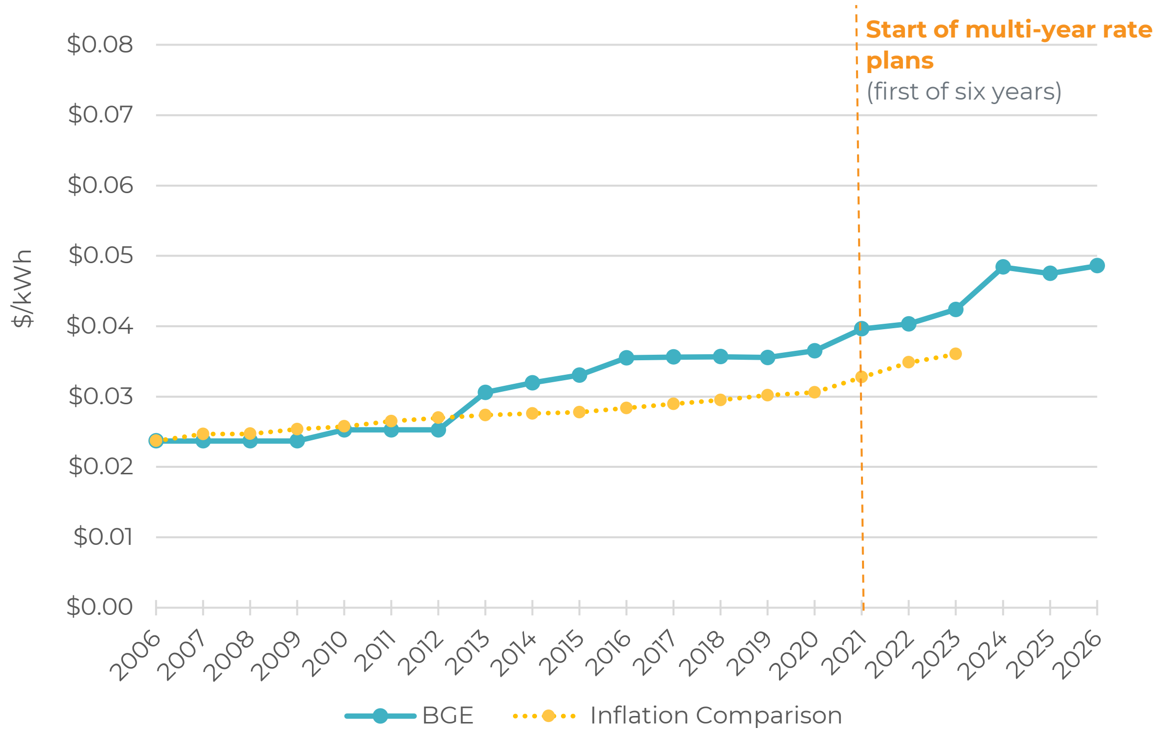
Accelerated cost recovery helps drive rate increases

Each of the Exelon utilities' rates increases following PSC approval of their **multi-year rate plans**.

BGE Gas



BGE Electric



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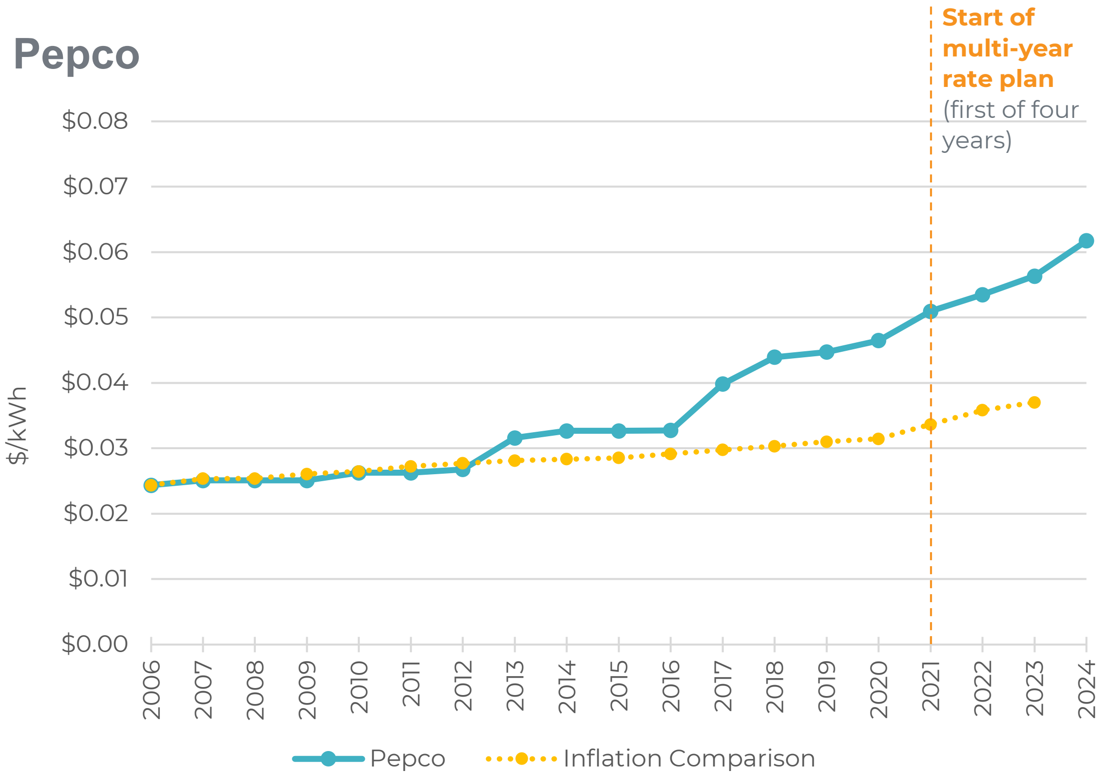
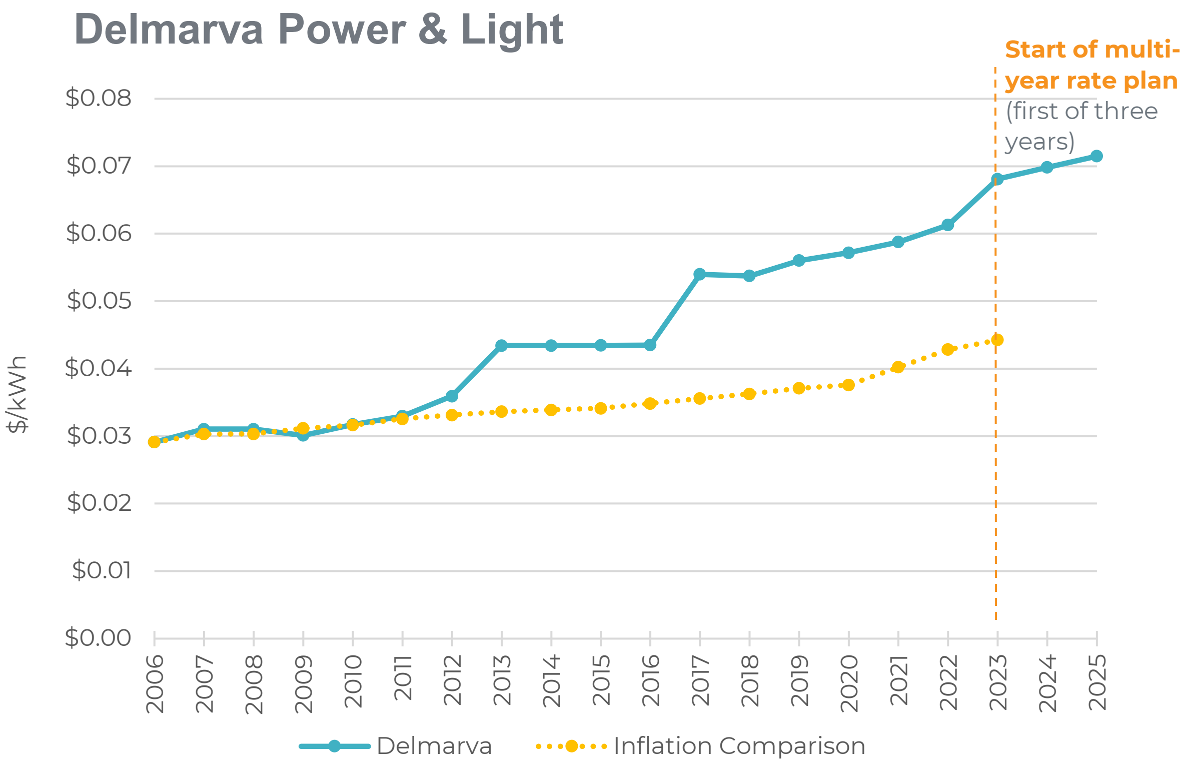
Accelerated cost recovery helps drive rate increases

Each of the Exelon utilities rates increases following PSC approval of their **multi-year rate plans**.





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Utility bill basics: rates and charges

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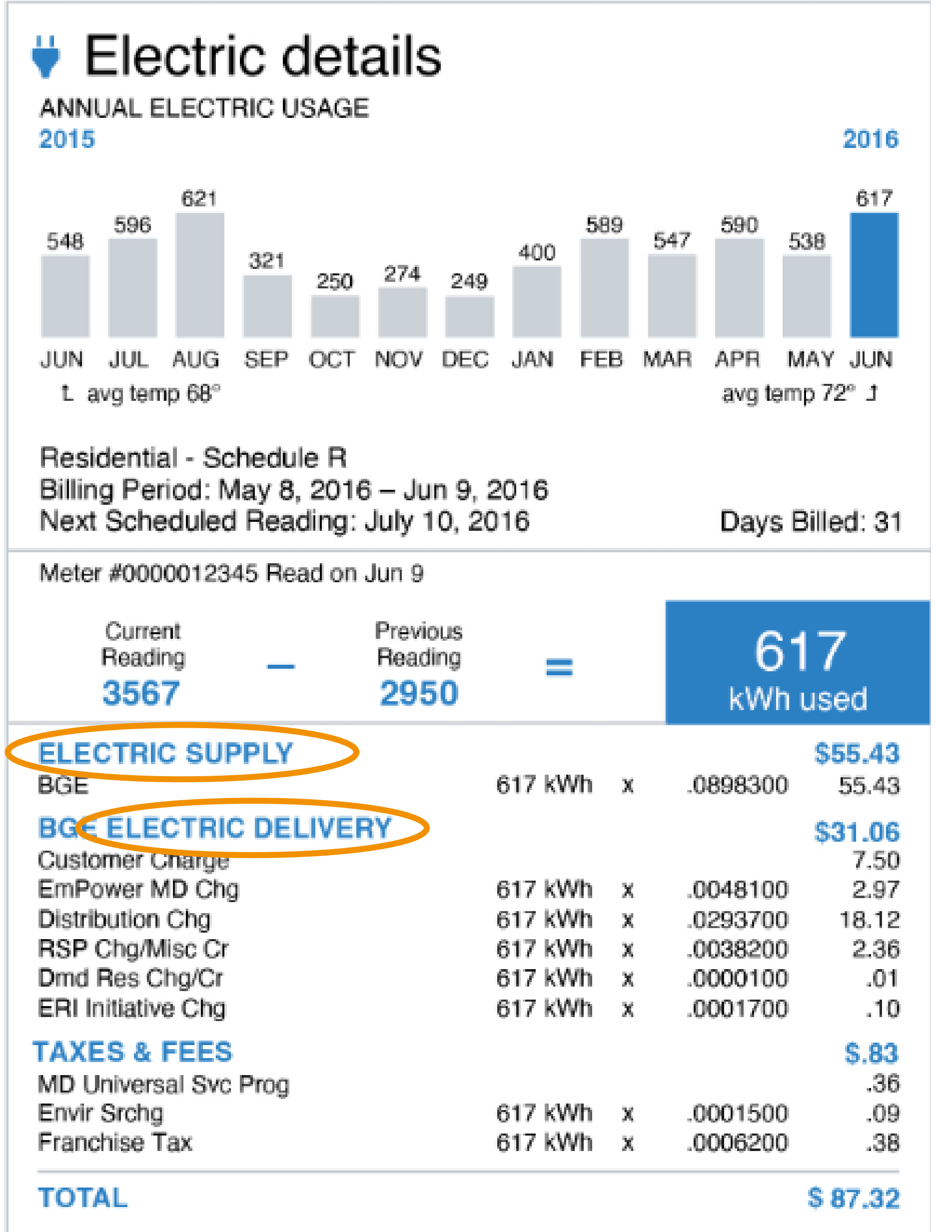
Electric and gas utility bills include charges for two primary categories of services:

DELIVERY SERVICE
(or distribution service)

&

SUPPLY SERVICE
(or commodity service)



Electric details

ANNUAL ELECTRIC USAGE

2015 — 2016

JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
548	596	621	321	250	274	249	400	589	547	590	538	617

avg temp 68° — avg temp 72°

Residential - Schedule R
Billing Period: May 8, 2016 – Jun 9, 2016
Next Scheduled Reading: July 10, 2016 — Days Billed: 31

Meter #0000012345 Read on Jun 9

Current Reading 3567 – Previous Reading 2950 = 617 kWh used

ELECTRIC SUPPLY				**$55.43**
BGE	617 kWh	x	.0898300	55.43
BGE ELECTRIC DELIVERY				**$31.06**
Customer Charge				7.50
EmPower MD Chg	617 kWh	x	.0048100	2.97
Distribution Chg	617 kWh	x	.0293700	18.12
RSP Chg/Misc Cr	617 kWh	x	.0038200	2.36
Dmd Res Chg/Cr	617 kWh	x	.0000100	.01
ERI Initiative Chg	617 kWh	x	.0001700	.10
TAXES & FEES				**$.83**
MD Universal Svc Prog				.36
Envir Srchg	617 kWh	x	.0001500	.09
Franchise Tax	617 kWh	x	.0006200	.38
TOTAL				**$ 87.32**

Delivery Service Charges

The delivery charges on customer bills include costs of the utility's "rate base"	The "rate base" comprises the utility's outstanding (not yet fully paid for) capital expenditures.
The utility's profit largely depends on the size of its rate base	The rate base grows with additional capital spending and shrinks as capital assets are depreciated. The larger the rate base, the larger the utility's profits.
Customers also pay operational costs in the utility's distribution charges	Operational costs include most of the utility's personnel costs and the utility's tax responsibility for the profit component of its rate of return, and any local taxes.
Delivery charges include the utility's profit and cost of debt—in combination often called the utility's "rate of return" or "weighted average cost of capital"	The "rate of return" or "weighted average cost of capital" is a percentage that is multiplied by the rate base to determine an annual level of return.

Supply Service Charges

- The utility's supply charge—sometimes called standard offer service, a fuel charge, or commodity charge—is for the cost of the gas or electricity you use.
  - The amount of gas used (the gas molecules) is measured in therms.
  - The amount of electricity used is measured in kilowatt hours (kWhs).
  - Utilities procure gas and electricity through competitive procurements regulated by the Public Service Commission, and the costs are passed through to customers with a small administrative fee.
    - Click to learn more about gas supply procurement.
    - Click to learn more about electricity supply procurement.
  - Commodity costs can go up and down with the market, lowering or raising your overall bill.

Other surcharges

Your utility bill also includes surcharges that add to your bill.

Here are explanations of some of those surcharges:

STRIDE surcharge

- Gas companies may have a “STRIDE” surcharge. The STRIDE surcharge is an additional charge for distribution service related to replacement of old infrastructure. What you pay in the STRIDE surcharge is eventually added into the overall delivery service charges.
- Click to learn more about STRIDE.

EmPOWER surcharge

- This surcharge supports programs to promote energy efficiency, such as rebates for energy-efficient appliances, home energy audits, and related programs.
- Click to learn more about programs through EmPOWER that can benefit you.

Local taxes

- While distribution charges cover the utilities’ tax obligation related to their profits, local taxes may be included as a separate line item on your bill.

Delivery Service

This report primarily focuses on the costs of delivery service.

Utility delivery service charges are set by the Public Service Commission in rate cases.

Rate cases are months-long litigated proceedings where parties put on evidence and make legal arguments about the justness and reasonableness of proposed rate changes.

OPC represents the interests of residential customers in utility rate cases.

Delivery costs

Delivery costs are recovered with two different charges on customer bills

1. A **distribution rate,** which is a volumetric charge that is calculated based on how much gas or electricity the customer uses; and

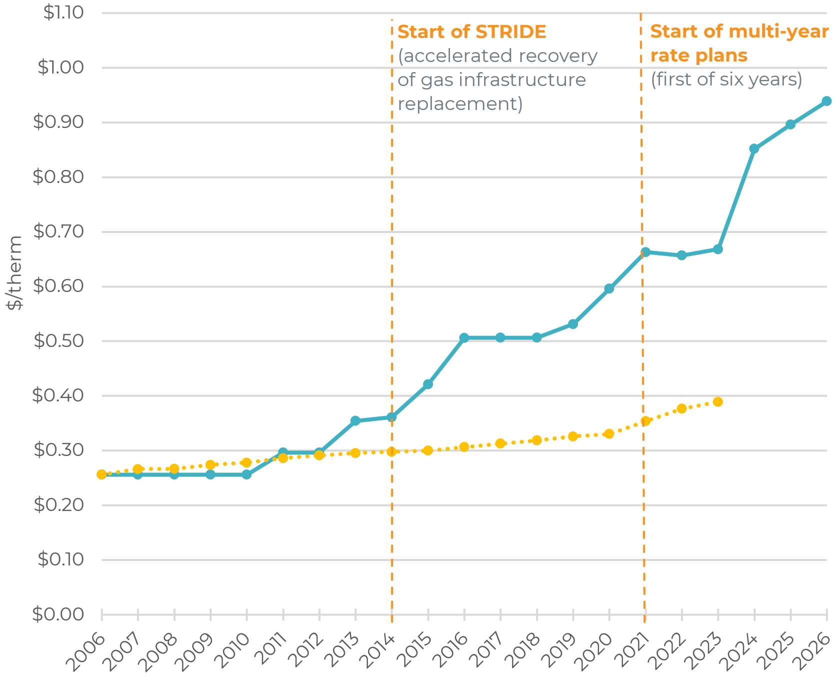
2. A fixed **monthly customer charge**, which is a flat monthly fee each residential customer pays regardless of how much gas or electricity the customer uses.

Gas Utility Rates and Charges

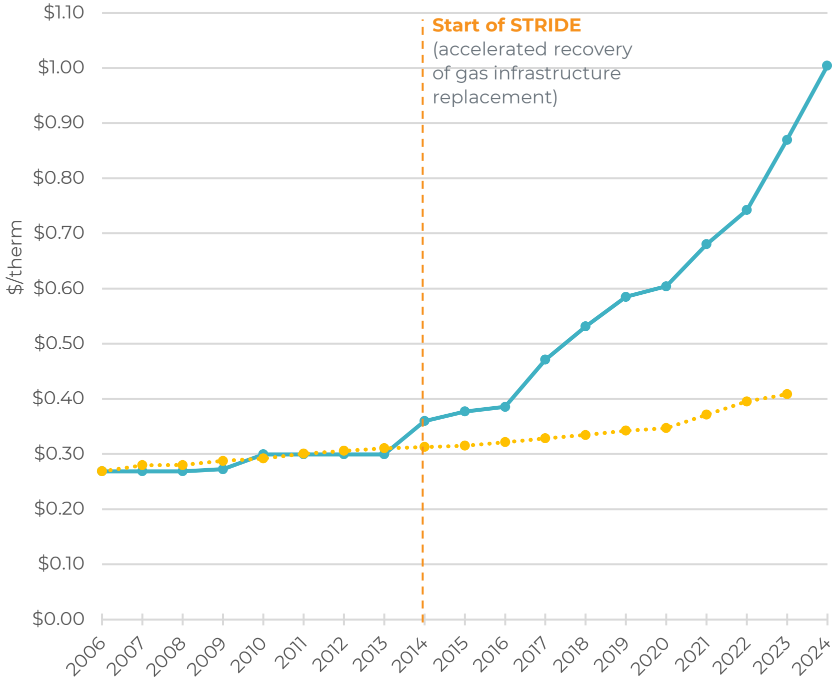
GAS UTILITIES

Distribution Rate Changes, Compared to Inflation

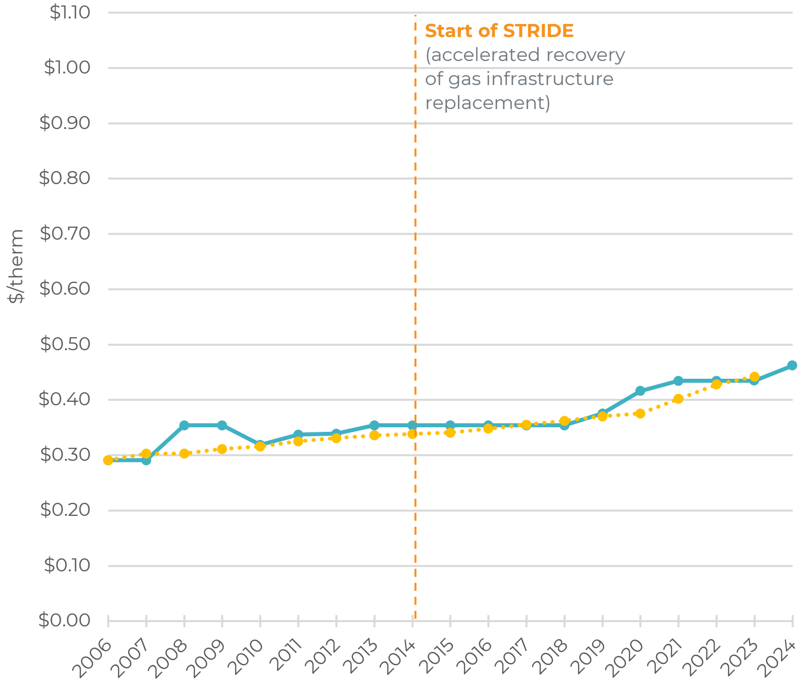
BGE



Columbia Gas



Washington Gas

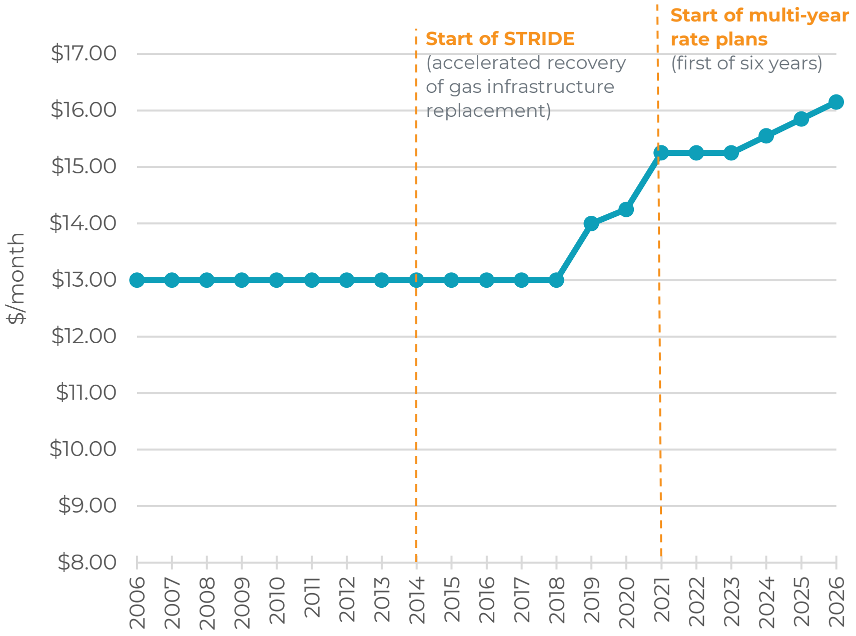


Distribution Rate Change   Inflation Comparison

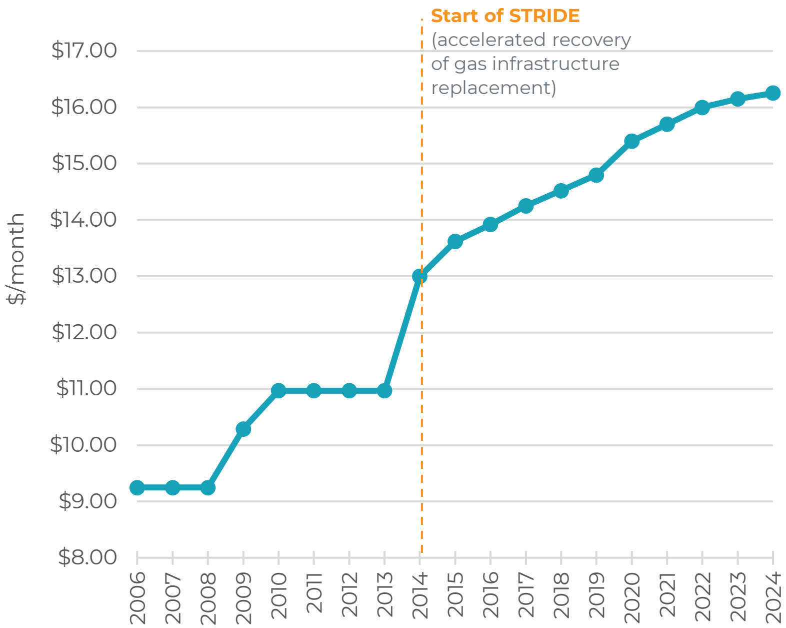
BGE's figures for 2024-2026 are pending a request for rehearing of its most recent rate case.

GAS UTILITIES
Monthly Customer Charge

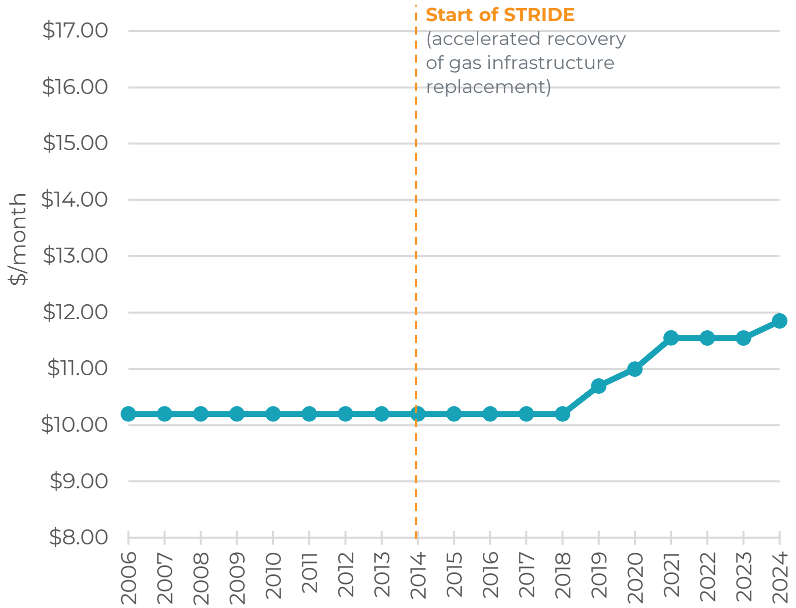
BGE



Columbia Gas



Washington Gas

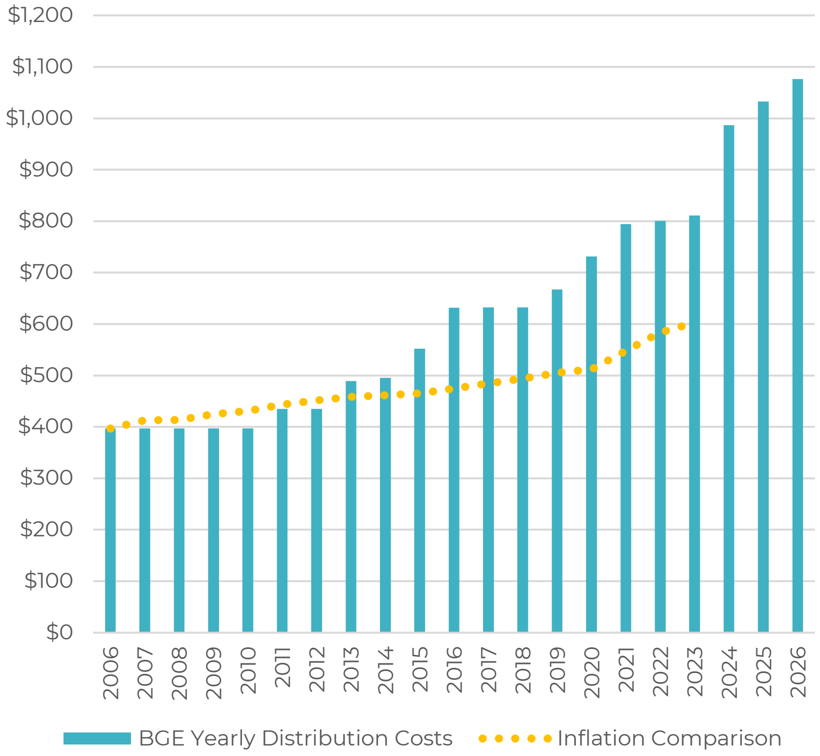


The STRIDE surcharge is not included in any of the charts in this report. In rate cases, prudently incurred STRIDE costs included in the surcharge are incorporated into utility base rates and are reflected in the distribution rate and customer charges. BGE's figures for 2024-2026 are pending a request for rehearing of its most recent rate case.

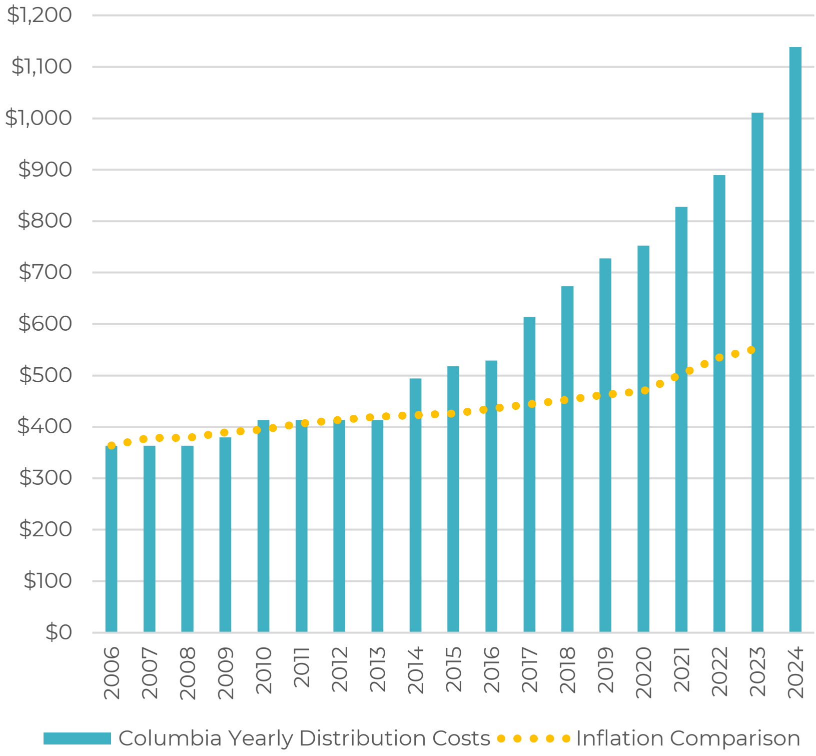
GAS UTILITIES

Total Delivery Charges

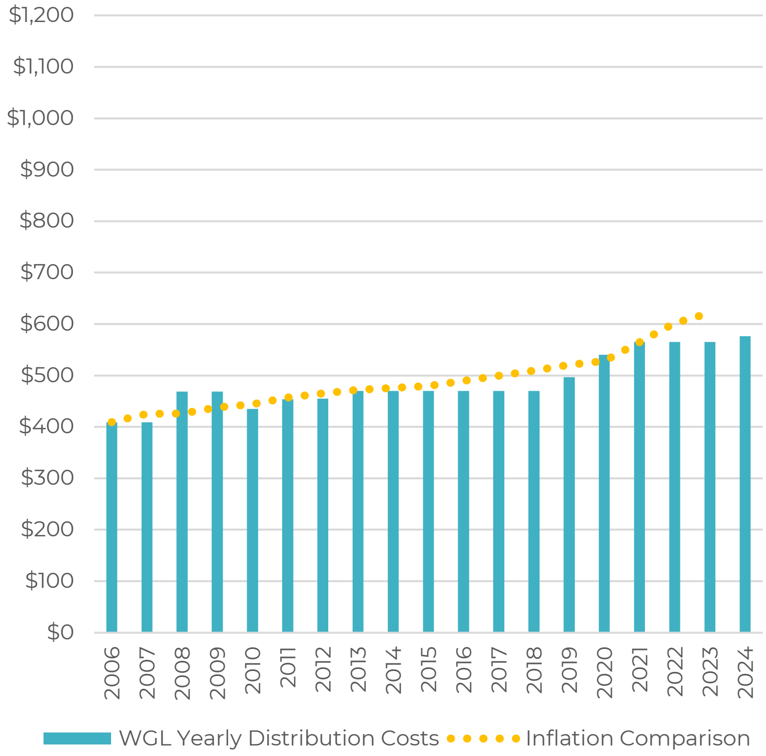
BGE



Columbia Gas



Washington Gas

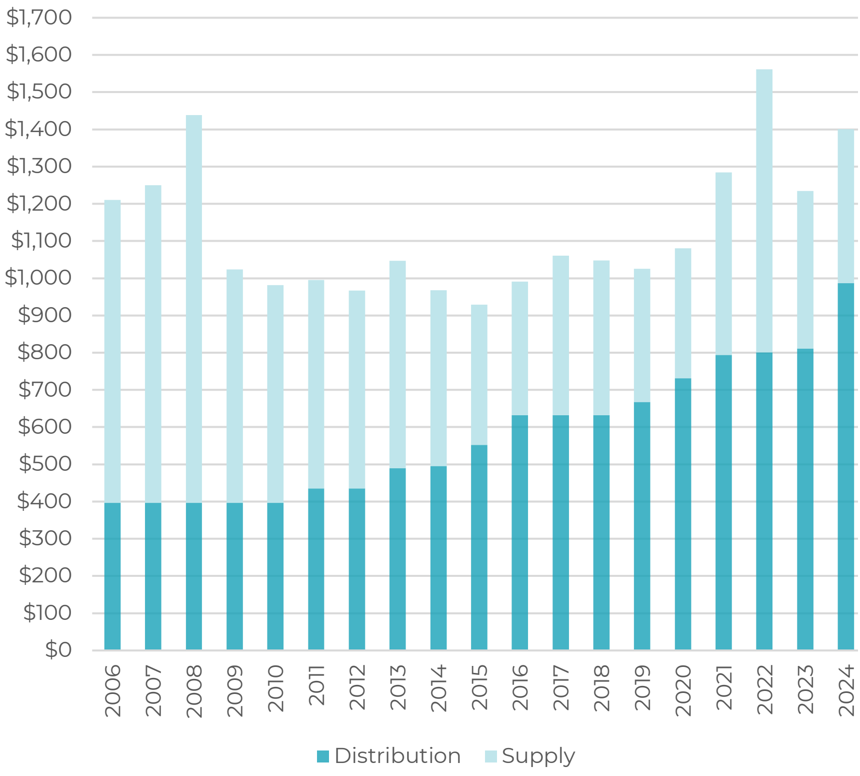


**Delivery charges are based on a customer using 940 therms/year. BGE's figures for 2024-2026 are pending a request for rehearing of its most recent rate case.*

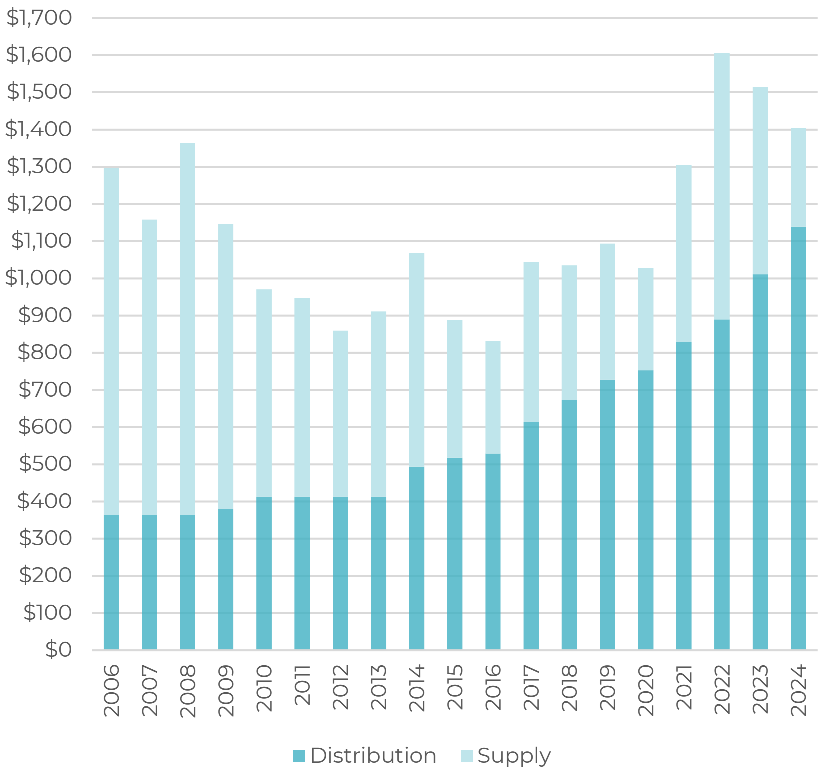
GAS UTILITIES

Total Bill: Delivery Plus Supply Charges

BGE



Columbia Gas



Washington Gas

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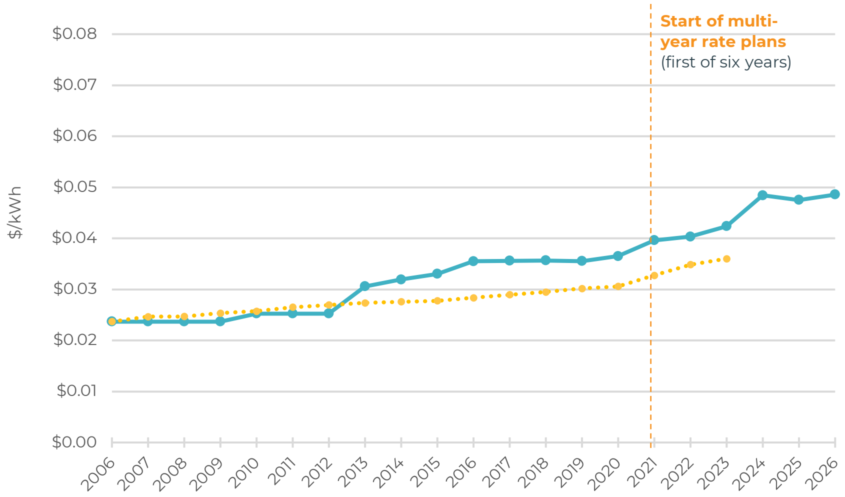
**Delivery charges are based on a customer using 940 therms/year.*

Electric Utility Rates and Charges

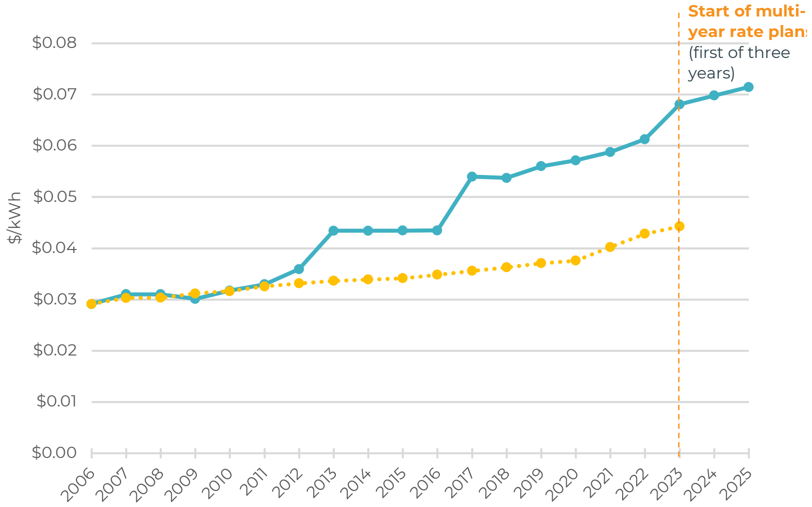
ELECTRIC UTILITIES

Distribution Rate Changes Compared to Inflation

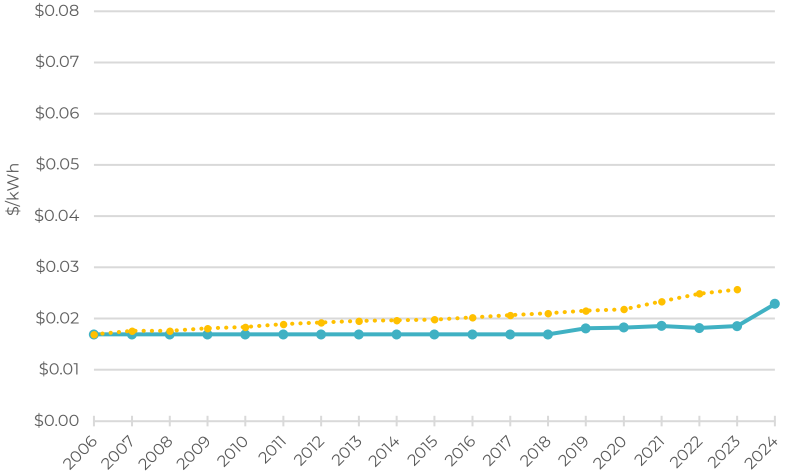
BGE



Delmarva



Potomac Edison

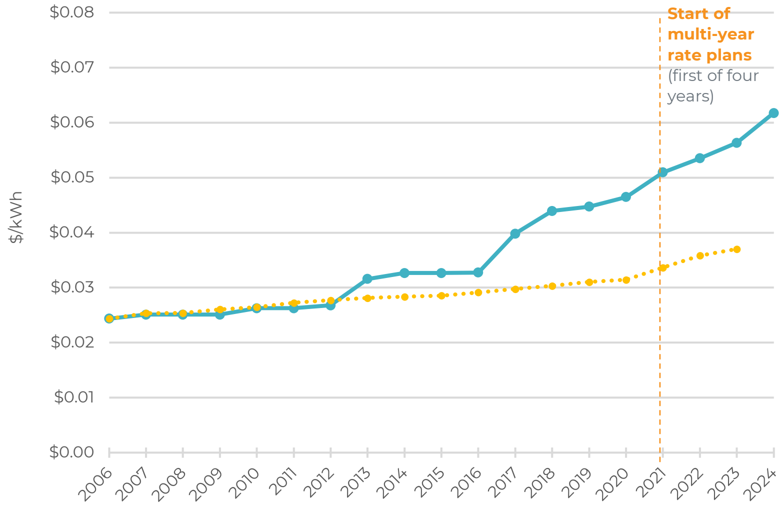


BGE's calculations for 2024-2026 are pending a request for rehearing of its most recent rate case.

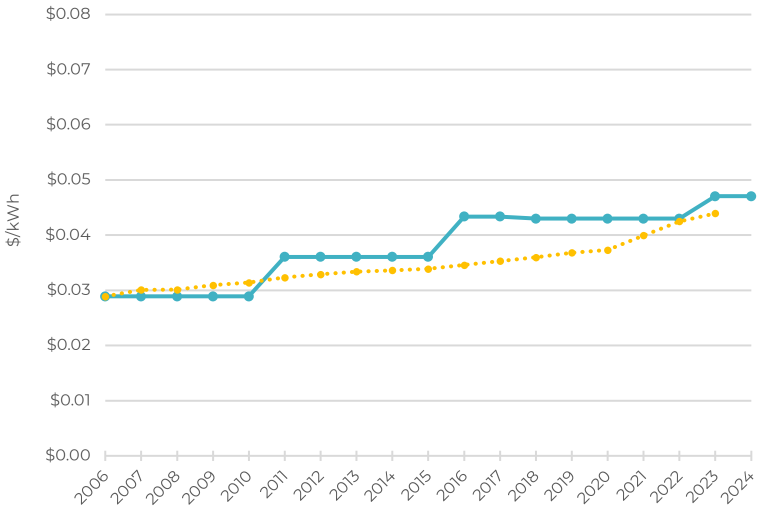
Distribution Rate Change

Inflation Comparison

Pepco



SMECO



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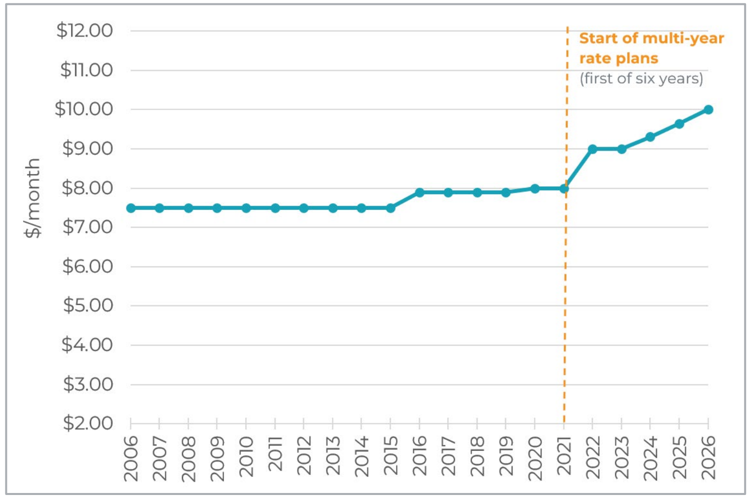
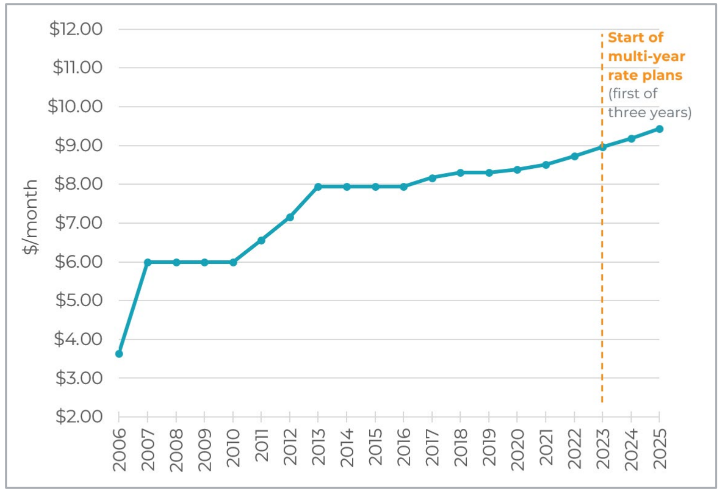
ELECTRIC UTILITIES

Monthly Customer Charge

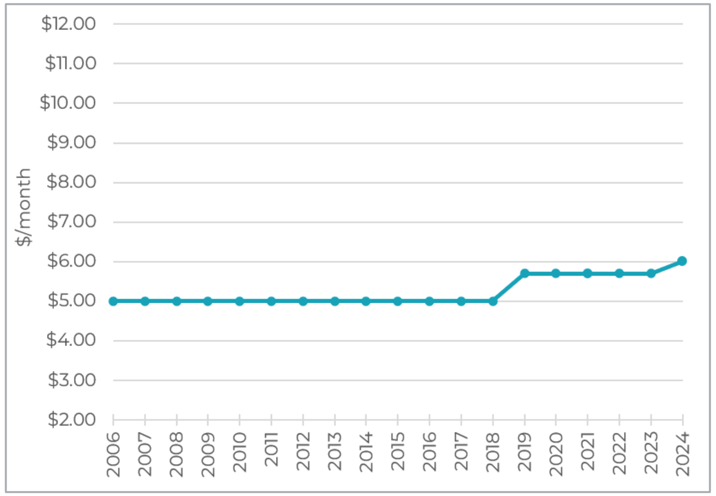
BGE



Delmarva

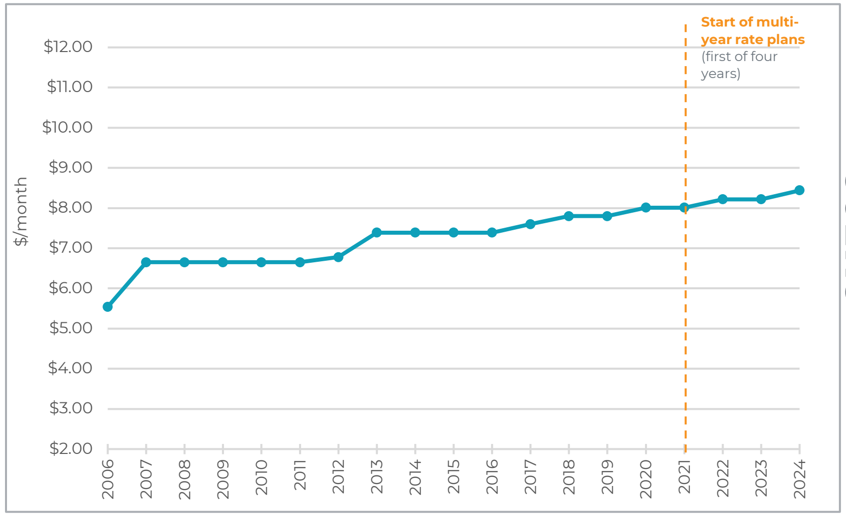


Potomac Edison



BGE's figures for 2024-2026 are pending a request for rehearing of its most recent rate case.

Pepco



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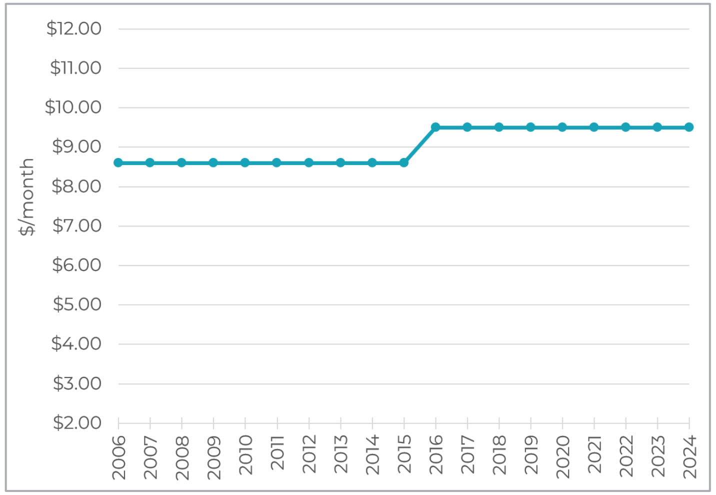

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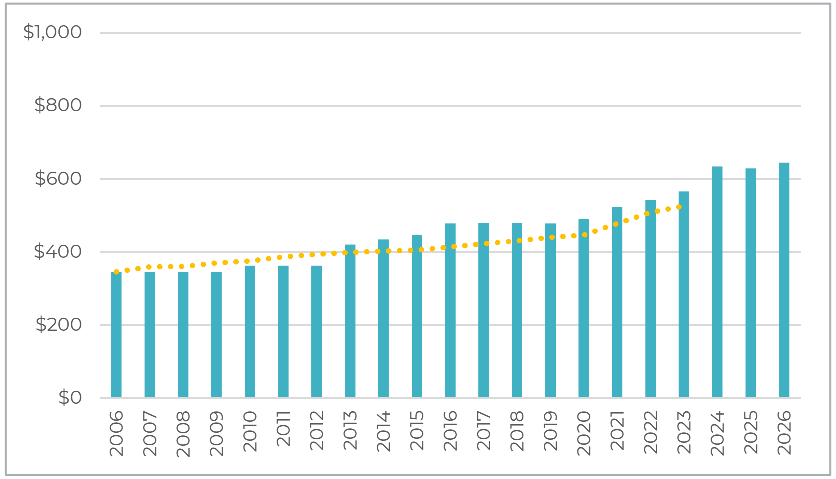
ELECTRIC UTILITIES

Total Delivery Charges

BGE



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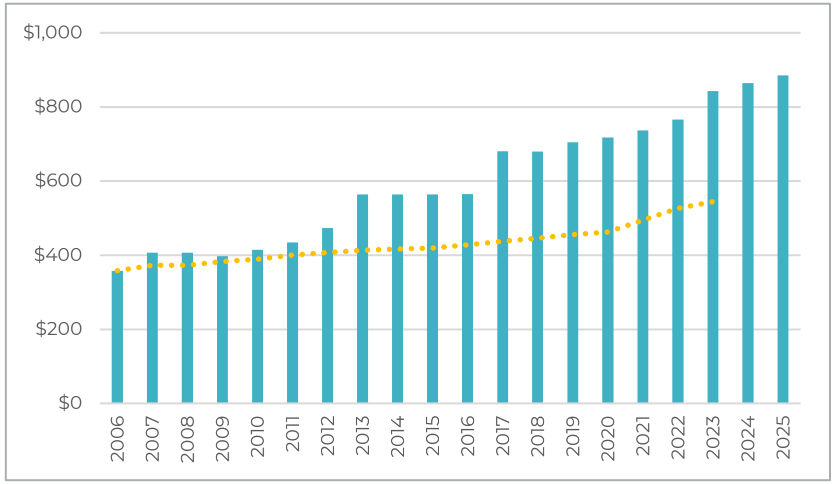

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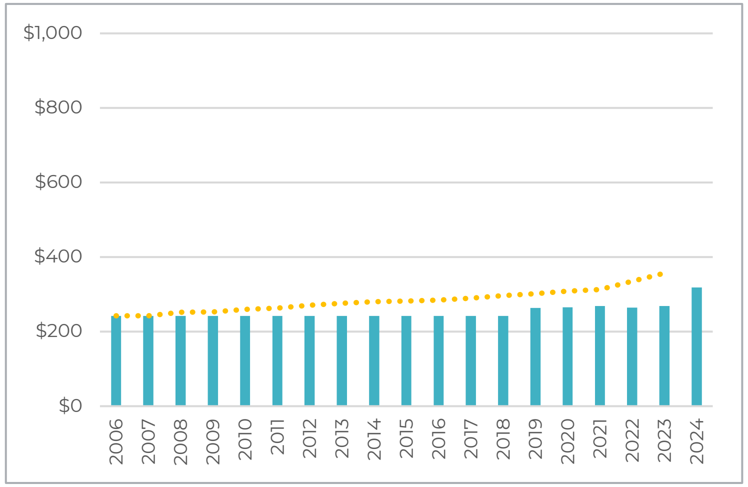
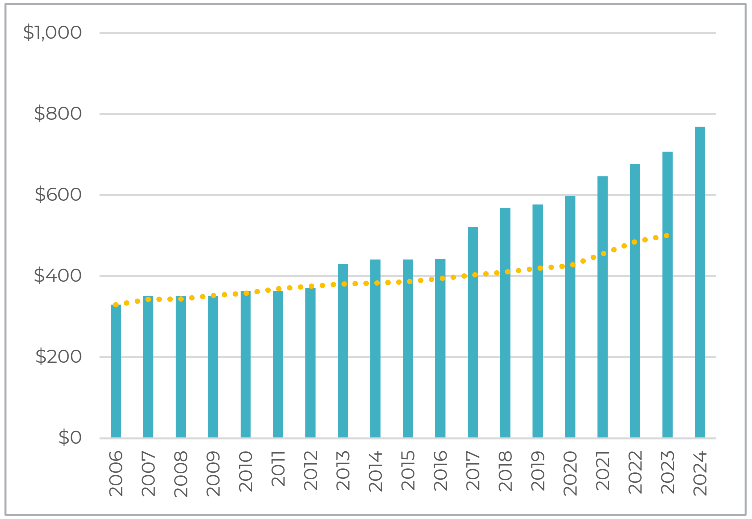


Distribution Costs

Inflation Comparison

Based on 900 kWh/month usage. BGE's figures for 2024-2026 are pending a request for rehearing of its most recent rate case.

Pepco



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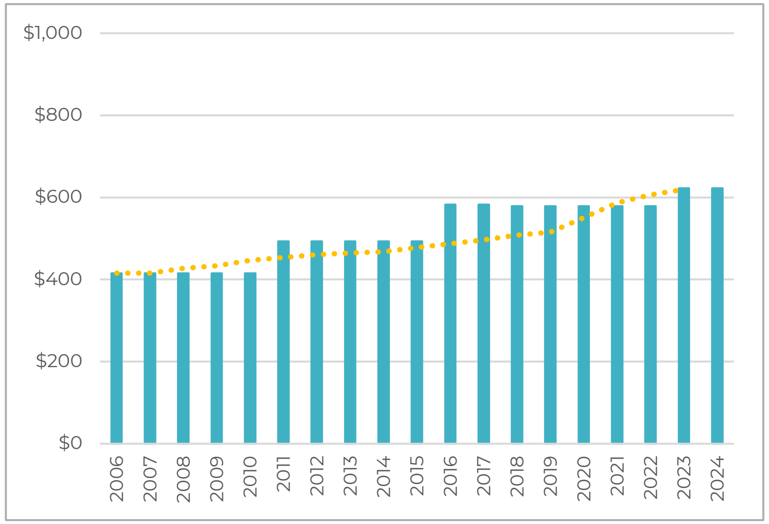

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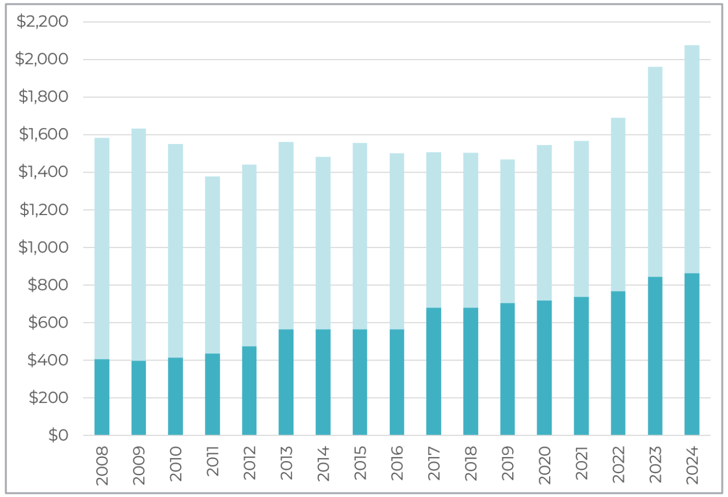
ELECTRIC UTILITIES

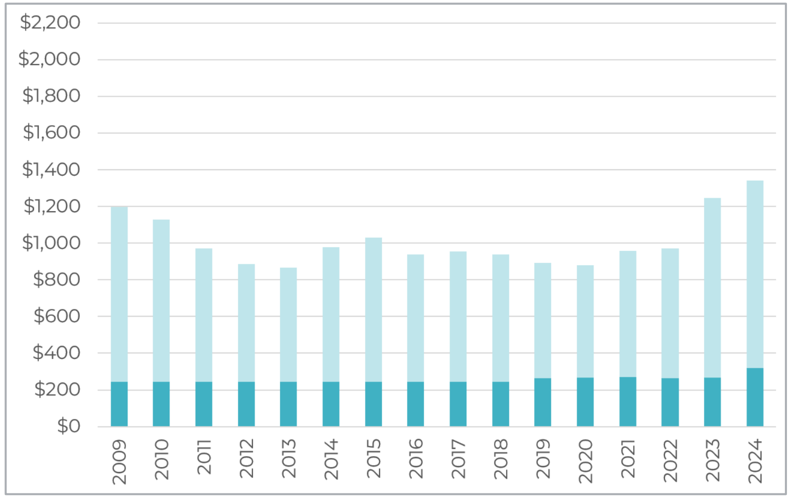
Total Bill: Delivery Plus Supply Charges

BGE

Delmarva



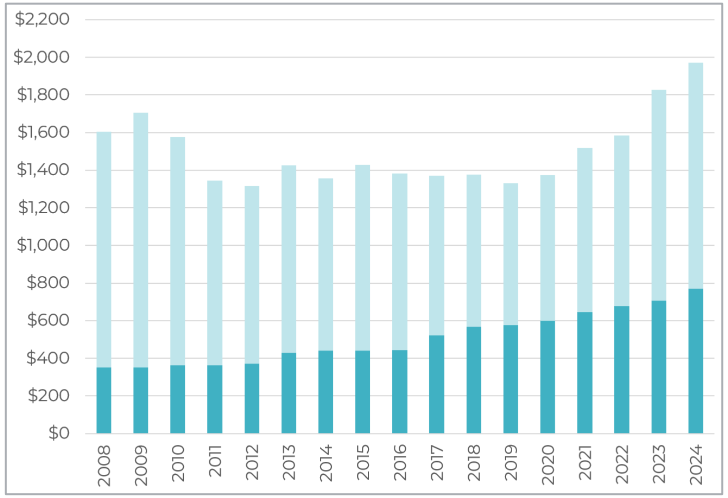
Potomac Edison



Delivery

Supply

Pepco



SMECO

**Based on 900 kWh/month usage. BGE's figures for 2024-2026 are pending a request for rehearing of its most recent rate case.*

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Recommendations

The Public Service Commission should permanently end its 2020 multi-year rate plan pilot program as inconsistent with the public interest.

The Maryland General Assembly should repeal the STRIDE law or, at the very least, substantially modify the law consistent with the Maryland Commission on Climate Change's recommendations, as in the proposed Ratepayer Protection Act of 2024 (SB 548/HB 731).

The Public Service Commission should require utilities to provide uniform disclosures—understandable to the public—of historic and existing rates and proposed rate changes.

Appendix

Appendix A

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Baltimore Gas and Electric

Baltimore Gas and Electric

BGE, a subsidiary of Illinois-based Exelon Corporation, is a combined electric and gas utility. BGE serves approximately 1.3 million electric customers and 700,000 gas customers in Baltimore City, Baltimore County, and Anne Arundel County, most of Howard, Carroll and Harford Counties, and parts of Prince George's, Montgomery and Calvert Counties.

BGE's last rate case was in 2023 and was a multi-year rate case. The Public Service Commission order in the case was issued on Dec 14, 2023. You can access the order and the case here. As of the beginning of May 2024, OPC's request for rehearing of the Commission's order—its request for the Commission to change certain aspects of its Dec. 14, 2023, order—remains pending before the Commission.

BGE

Current rates

Electric and gas bills include two primary categories of charges: *distribution charges* and *supply charges*. These categories of charges and additional charges are explained here. The distribution rate covers most of the average customer's distribution costs. In 2024, the volumetric rate makes up 81 percent of distribution costs for the average BGE gas customer and 82 percent of distribution costs for the average BGE electric customer.

Gas Service

Volumetric distribution rate: $0.8513/therm

Customer charge: $15.55/month

Supply cost: $0.3786/therm (May 2024)

EmPOWER surcharge (electric): $0.00925/kWh

Electric Service

Volumetric distribution rate: $0.04842/kWh

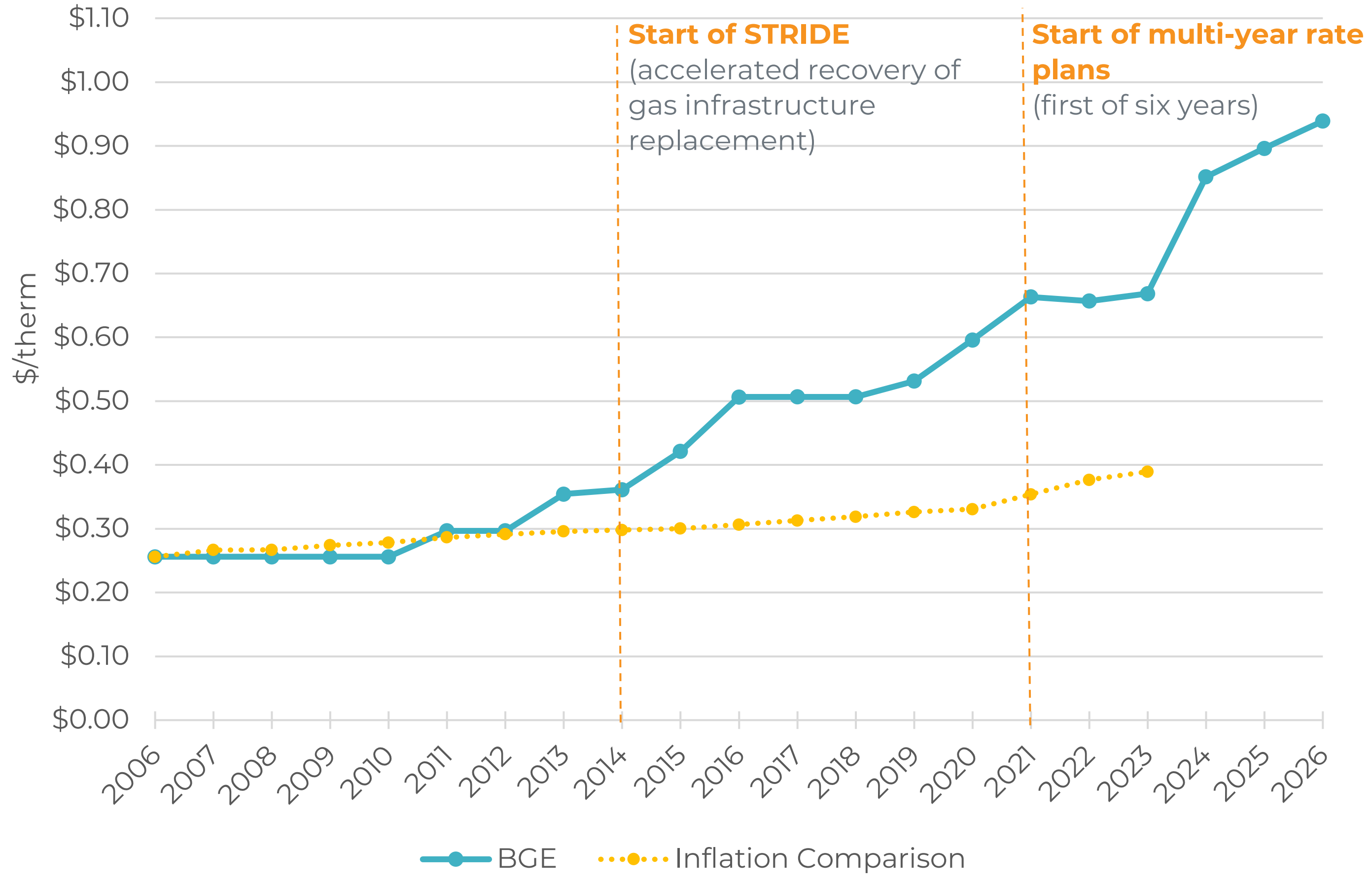
Customer charge: $9.30/month

Supply cost: $0.10361/kWh (February 2024)

EmPOWER surcharge (gas): $0.0646/therm

BGE

Gas Delivery Costs: Distribution Rate

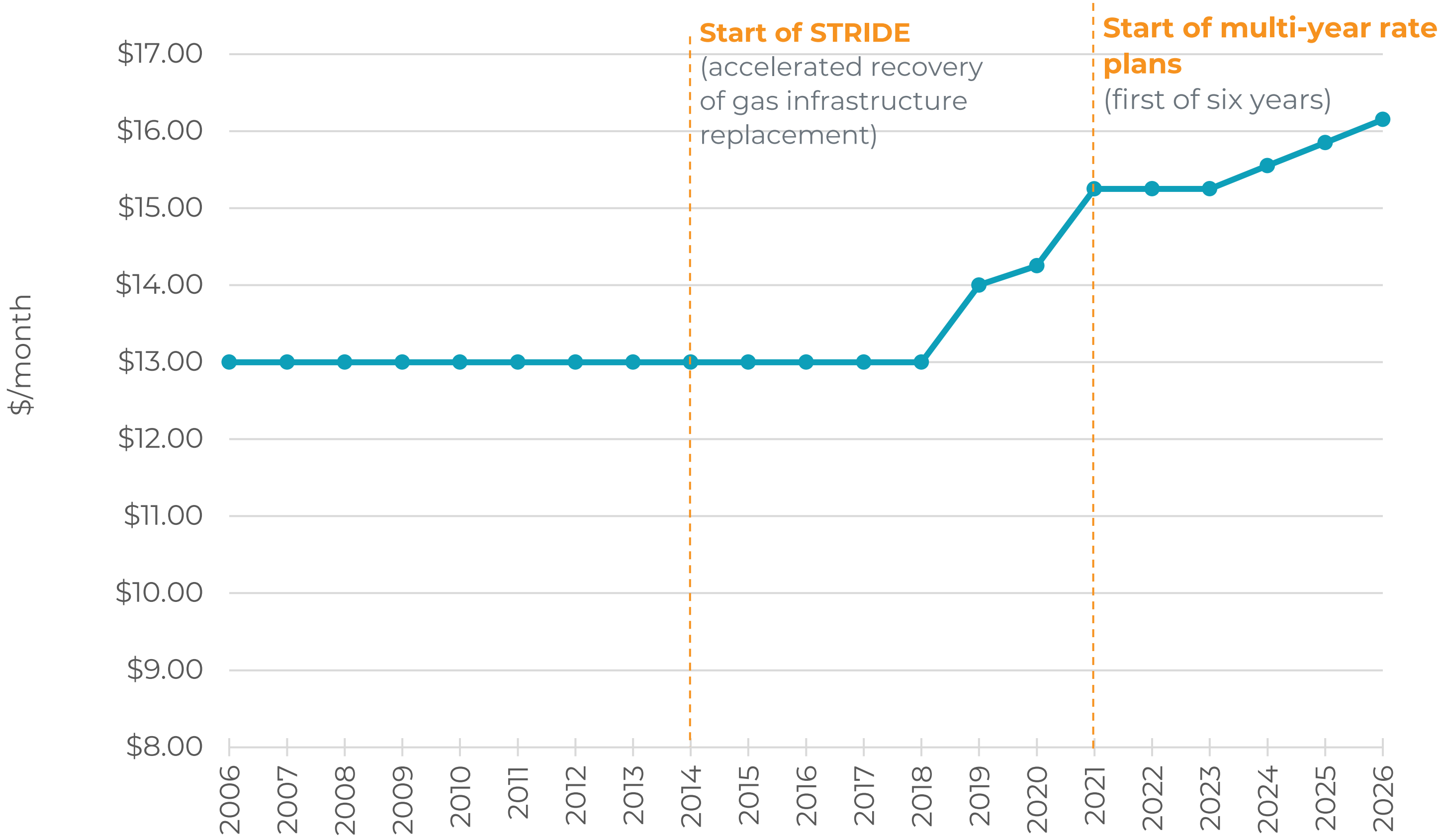


BGE's figures for 2024-2026 were approved as part of BGE's second multi-year rate plan, which is pending OPC's request for rehearing.

The STRIDE surcharge is not included in this chart. In rate cases, prudently incurred STRIDE costs included in the surcharge are incorporated into utility base rates and reflected in the volumetric and customer charges. Click here for more information about STRIDE.

BGE

Gas Monthly Customer Charge



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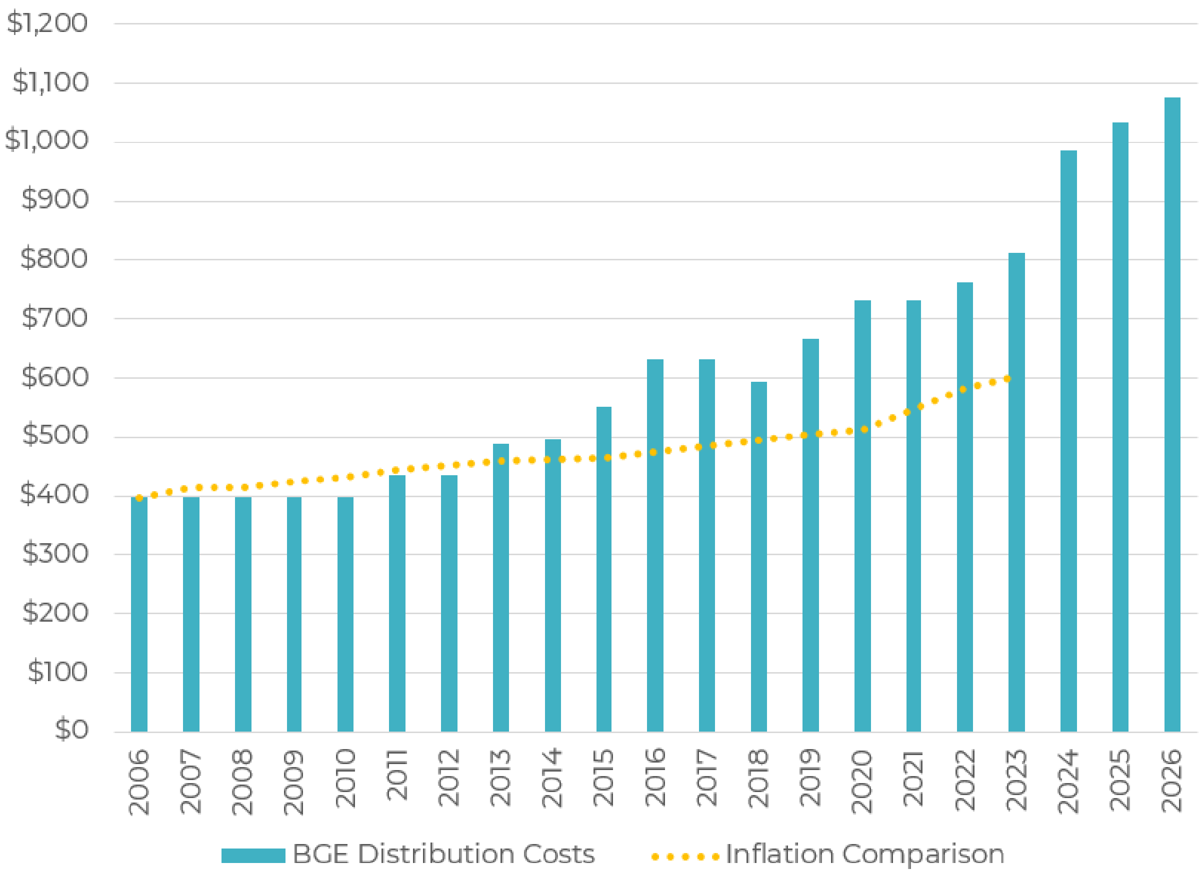
The STRIDE surcharge is not included in this chart. In rate cases, prudently incurred STRIDE costs included in the surcharge are incorporated into utility base rates and reflected in the volumetric and customer charges. Click here for more information about STRIDE.

BGE

Gas Total Annual Delivery Charges

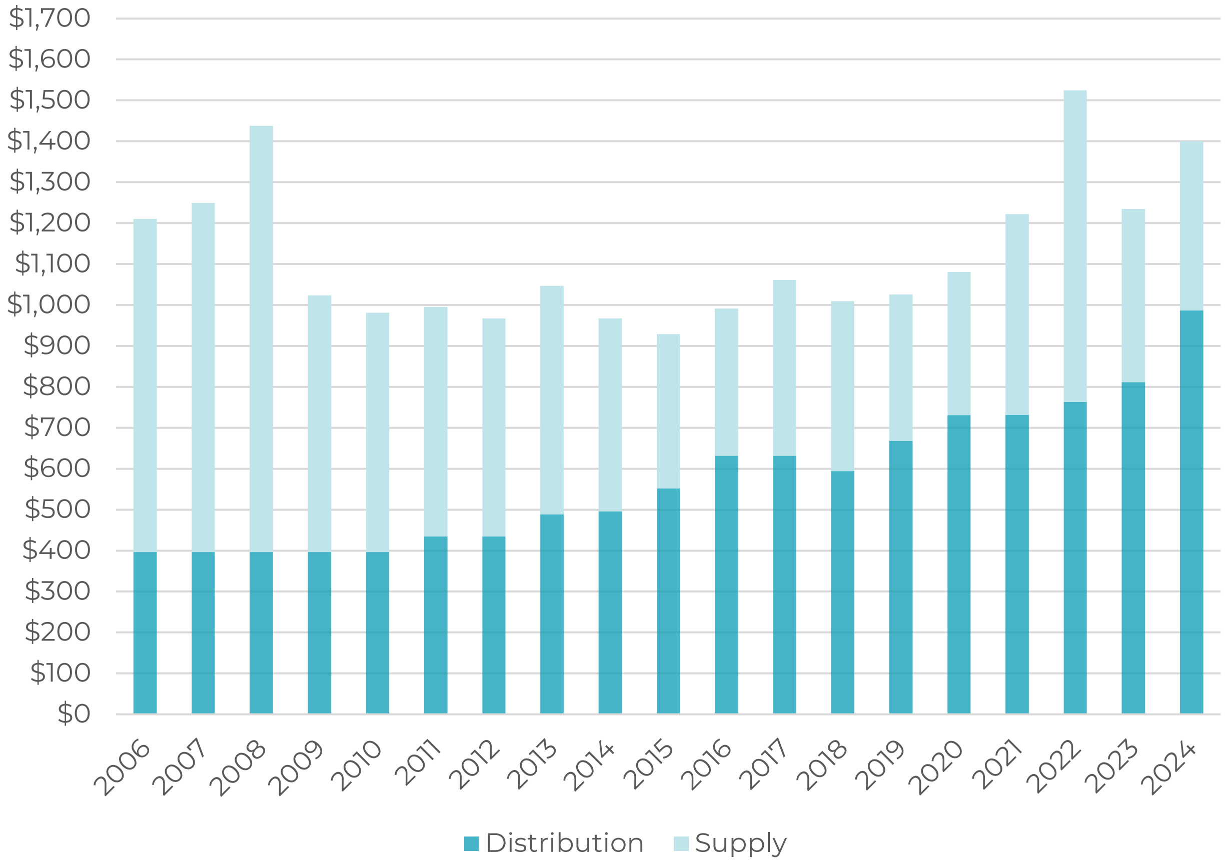


BGE's figures for 2024-2026 were approved as part of BGE's second multi-year rate plan, which is pending OPC's request for rehearing.

Charges based on annual consumption of 940 therms.

BGE

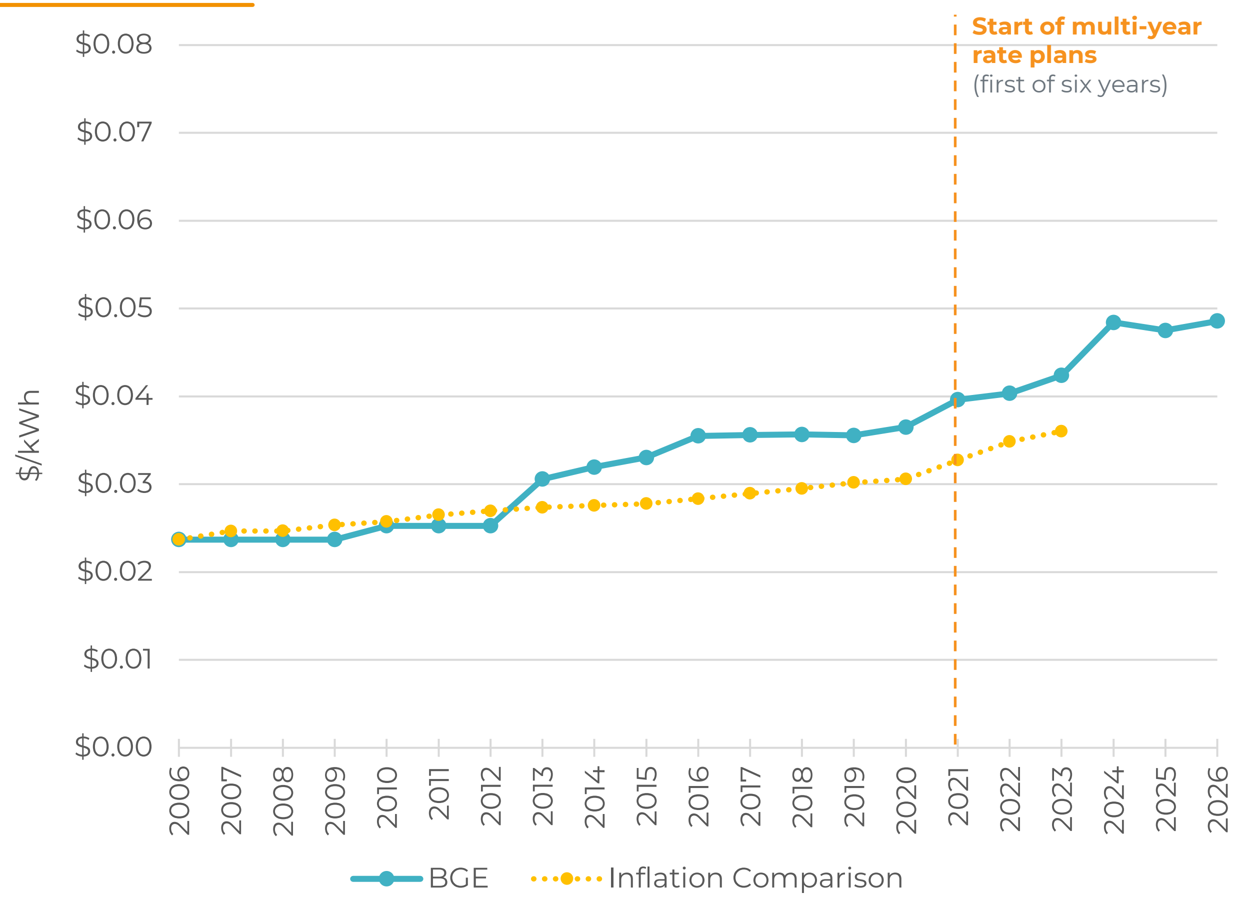
Gas Total Annual Bill: Delivery Plus Supply Charges



Charges based on annual consumption of 940 therms.

BGE

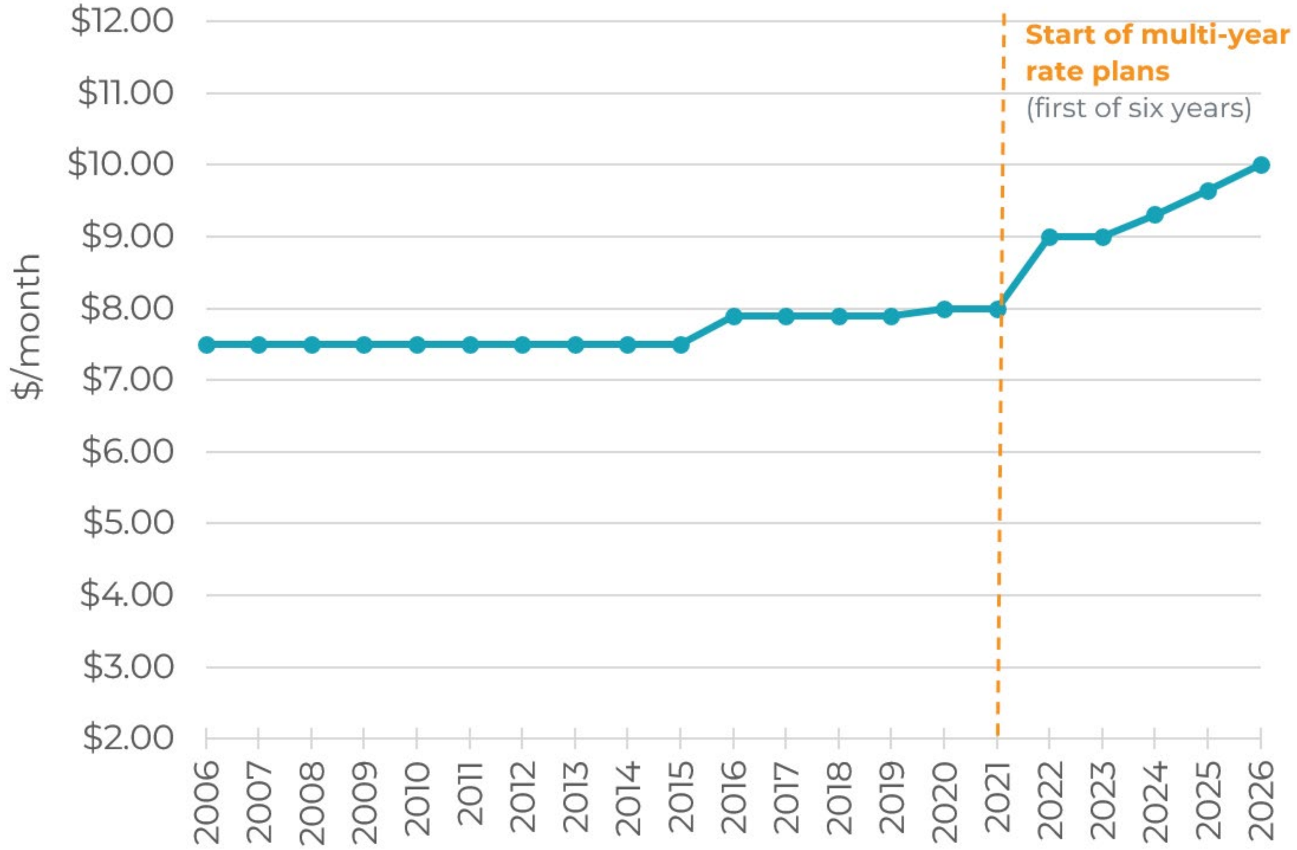
Electric Distribution Rate



BGE's figures for 2024-2026 were approved as part of BGE's second multi-year rate plan, which is pending OPC's request for rehearing.

BGE

Electric Monthly Customer Charge



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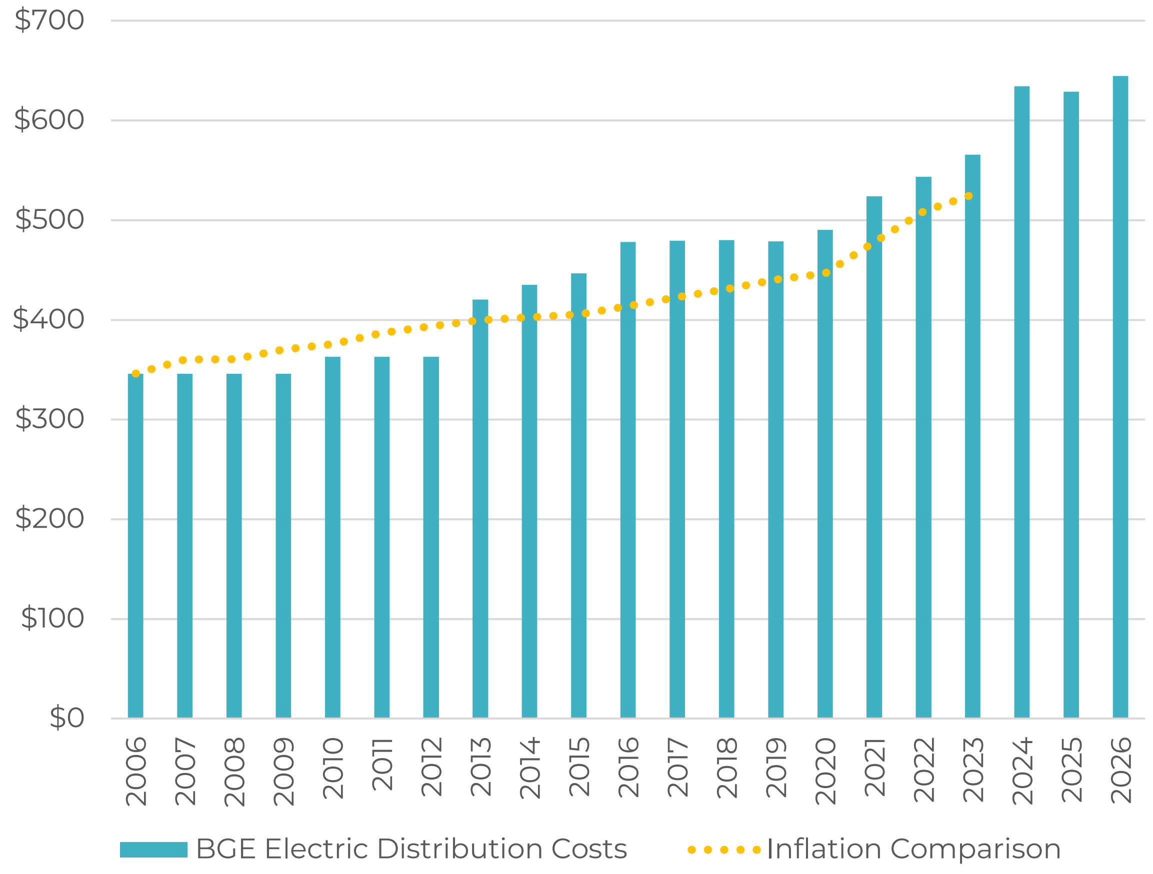
BGE

Electric Total Annual Delivery Charges



BGE's figures for 2024-2026 were approved as part of BGE's second multi-year rate plan, which is pending OPC's request for rehearing.

Charges based on monthly consumption of 900 kWhs.

BGE

Electric Total Annual Bill: Delivery Plus Supply Charges

Charges based on monthly consumption of 900 kWhs.

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Columbia Gas

Columbia Gas

Columbia Gas is an affiliate of Indiana-based NiSource, Inc., a large gas utility with operations extending to areas of the Midwest as well as its Maryland service territory. Columbia Gas serves approximately 34,000 customers in a service territory within the Western Maryland counties of Washington, Allegany, and Garrett.

Columbia's last rate case was in 2023. The final PSC ruling was issued on October 26, 2023. You can access the case here.

Columbia Gas

Current rates

Gas bills include two primary categories of charges: *distribution charges* and *supply charges*. These categories of charges and additional charges are explained here. The distribution rate covers most of the average customer's distribution costs. For the average Columbia Gas customer in 2024, the volumetric rate makes up 82 percent of distribution costs.

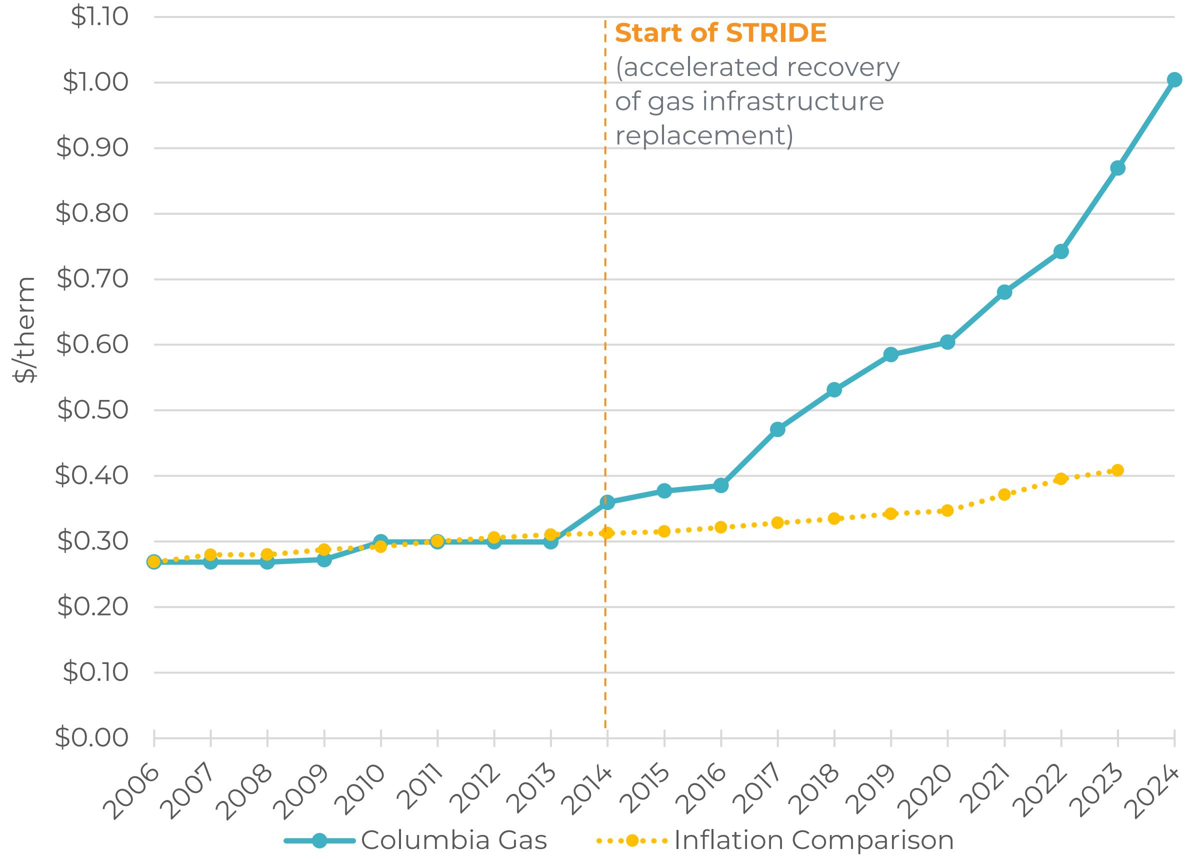
Volumetric distribution rate: $1.00385/therm

Customer charge: $16.25/month

Supply cost: $0.3309/therm (June 2024)

COLUMBIA GAS

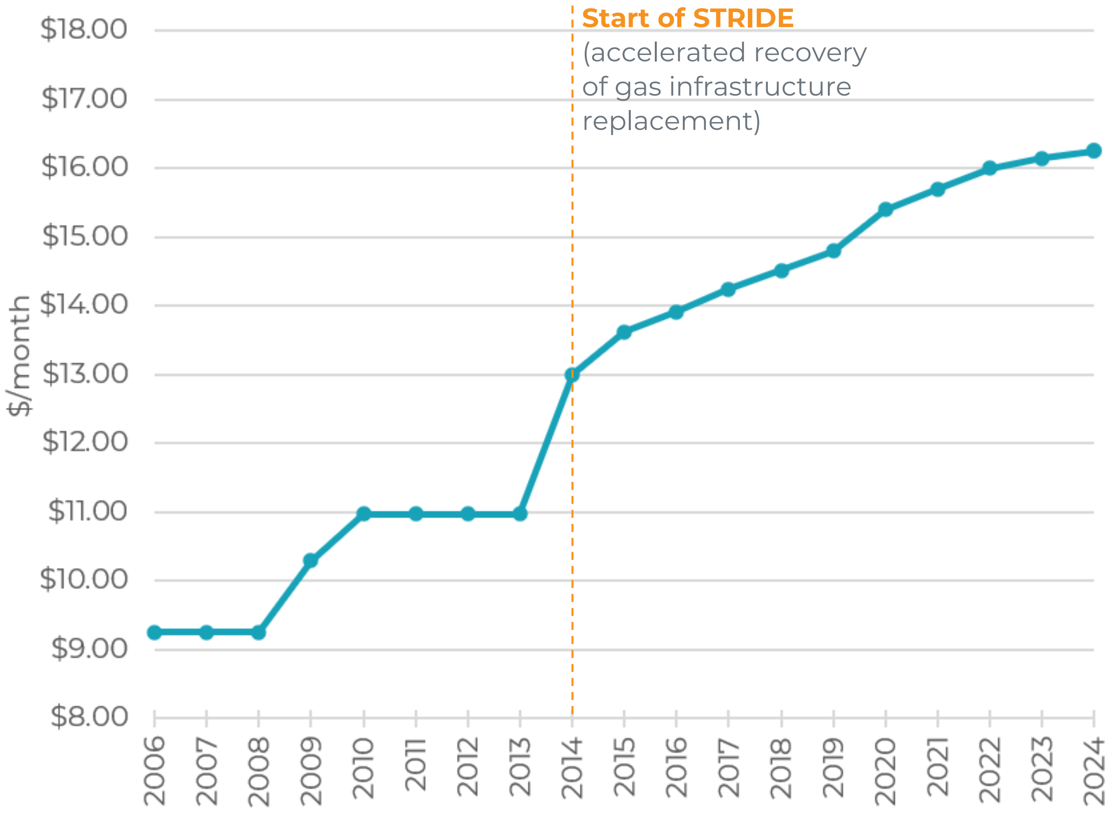
Distribution Rate



The STRIDE surcharge is not included in this chart. In rate cases, prudently incurred STRIDE costs included in the surcharge are incorporated into utility base rates and reflected in the volumetric and customer charges. Click here for more information about STRIDE.

COLUMBIA GAS

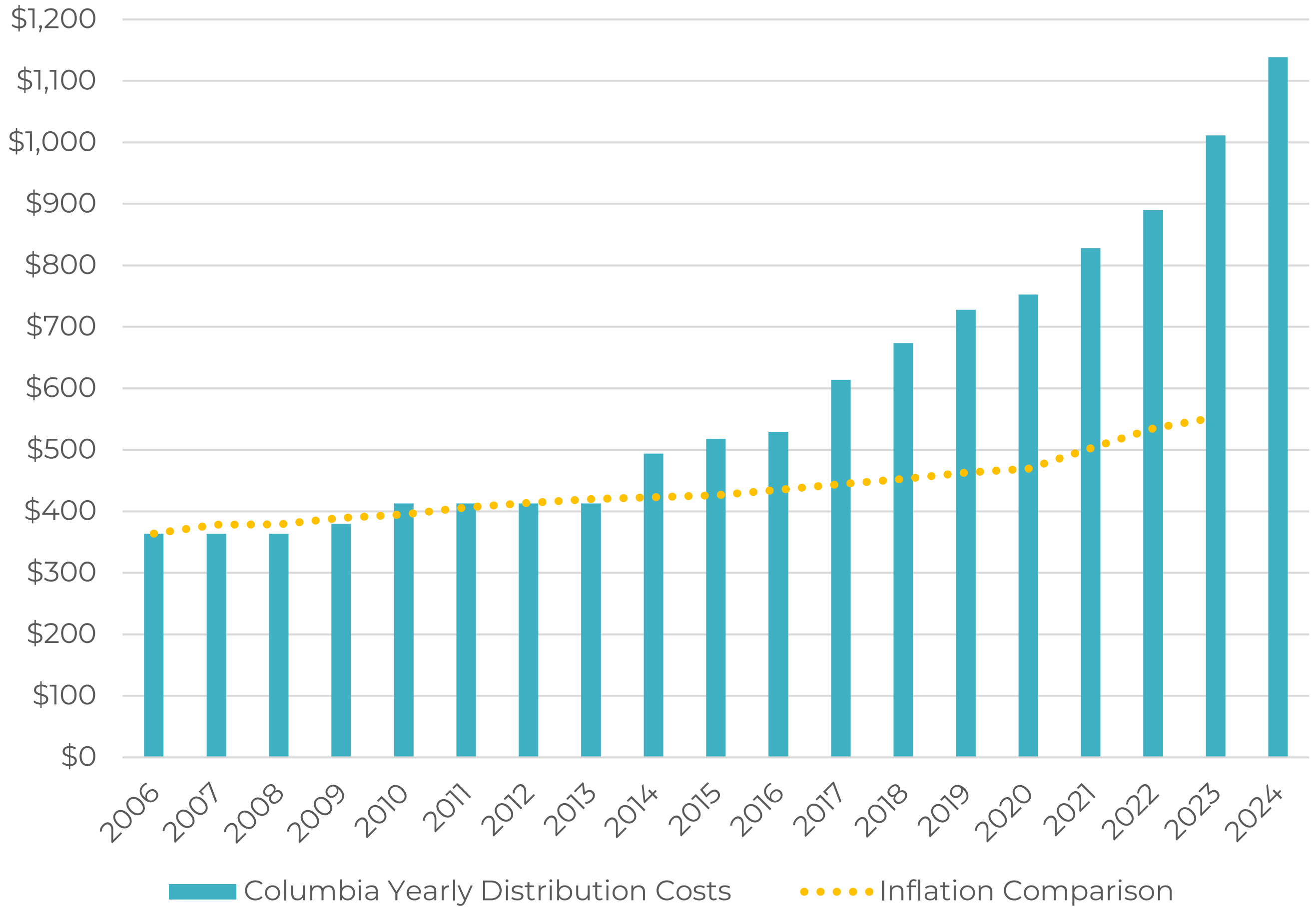
Monthly Customer Charge



The STRIDE surcharge is not included in this chart. In rate cases, prudently incurred STRIDE costs included in the surcharge are incorporated into utility base rates and reflected in the volumetric and customer charges. Click here for more information about STRIDE.

COLUMBIA GAS

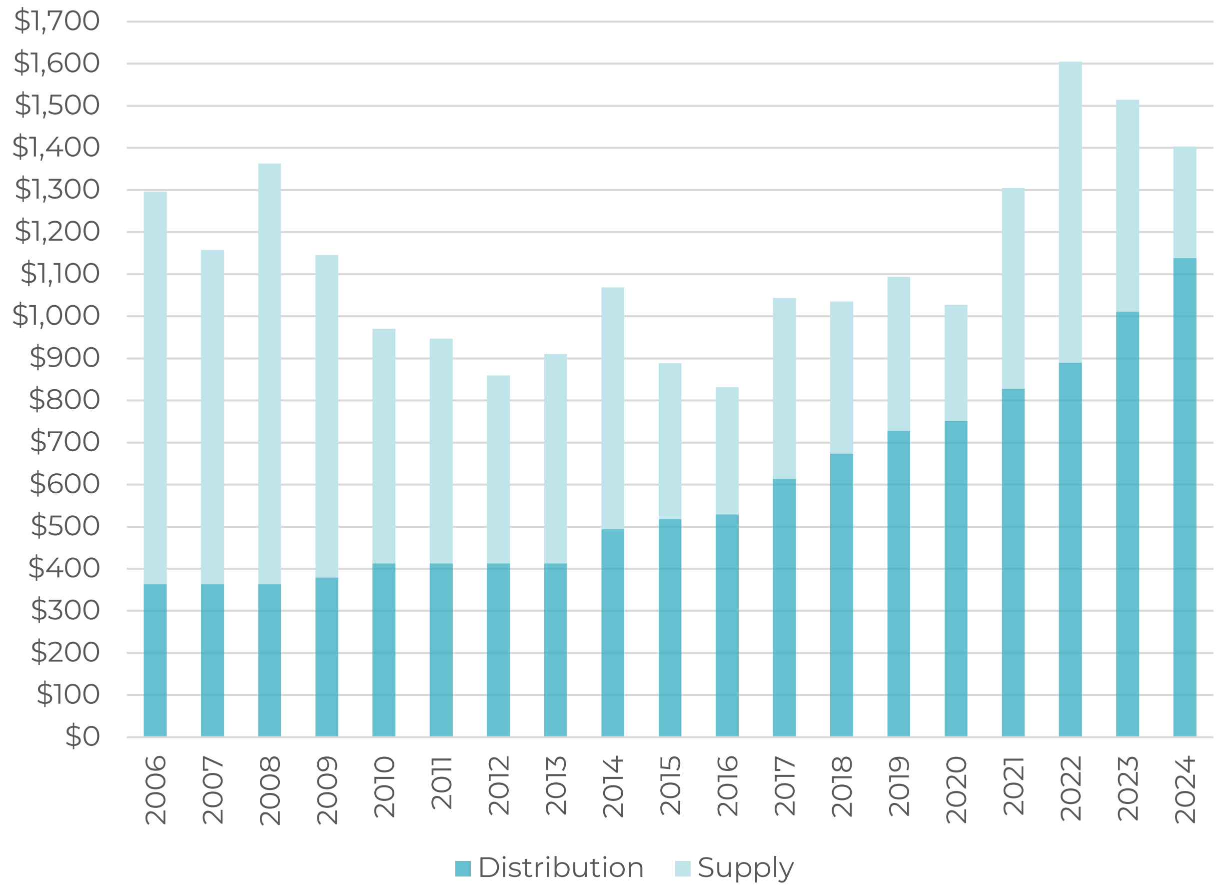
Total Annual Delivery Charges



**Based on annual consumption of 940 therms.*

COLUMBIA GAS

Total Annual Bill: Delivery Plus Supply Charges



**Based on annual consumption of 940 therms.*

Appendix A

OPC

OFFICE OF PEOPLE'S COUNSEL

State of Maryland

Delmarva Power

Delmarva Power

Delmarva Power is a subsidiary of Illinois-based Exelon Corporation. Delmarva Power provides electric service throughout the Upper and Lower Eastern Shore of Maryland, and in Delaware. Delmarva Power serves 208,000 Maryland electric customers.

Delmarva Power's last rate case was in 2022 and was a multi-year rate case. The Public Service Commission order in the case was issued on Dec 14, 2022. You can access the order and the case here.

Delmarva Power

Current rates

Electric bills include two primary categories of charges: *distribution charges* and *supply charges*. These categories of charges and additional charges are explained here. The distribution rate covers most of the average customer's distribution costs. For the average Delmarva Power customer in 2024, the volumetric rate makes up 87 percent of distribution costs.

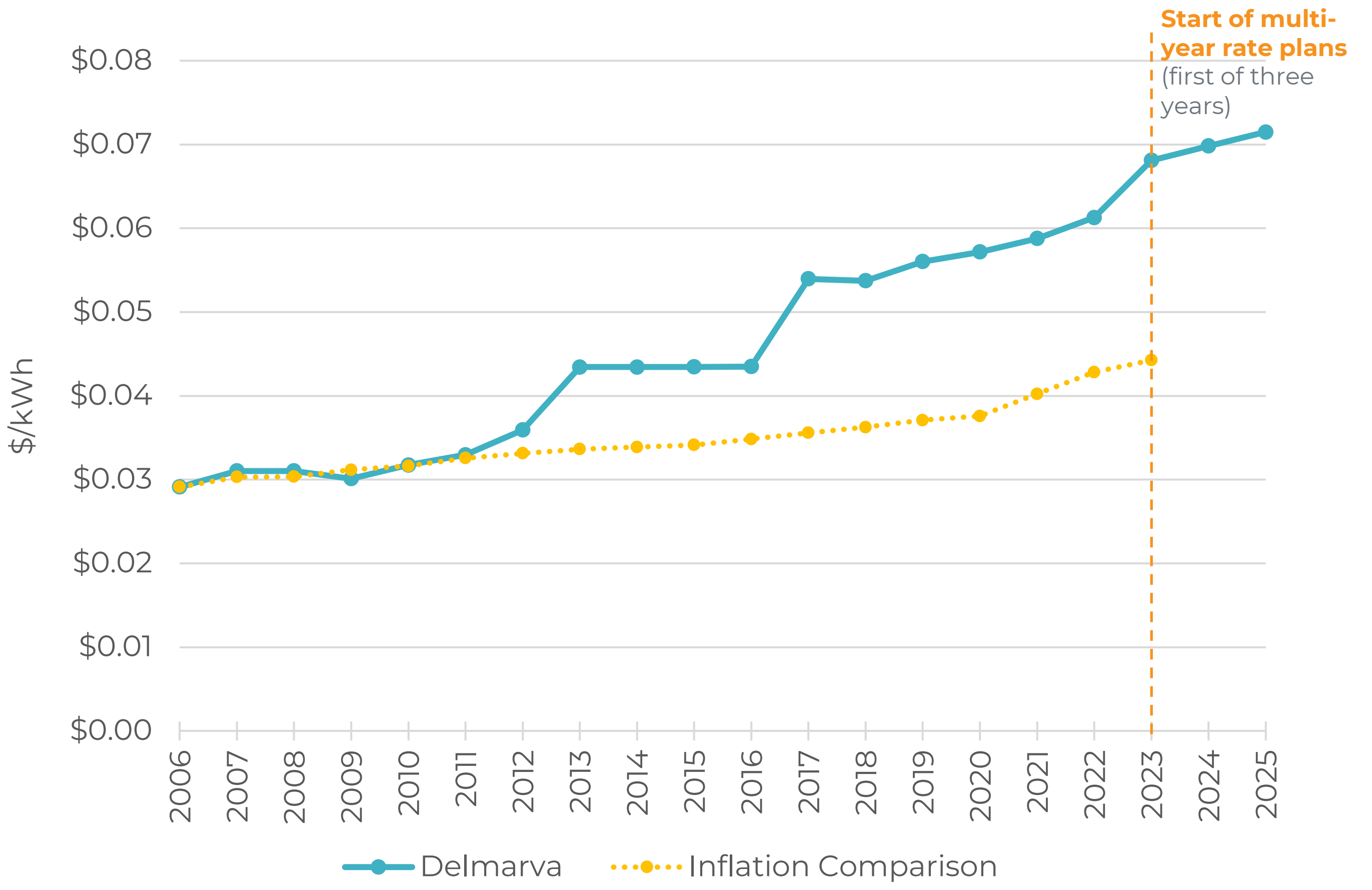
Distribution rate: $0.069815/kWh

Monthly customer charge: $9.19/month

Supply cost: $0.09651/kWh (June 2024)

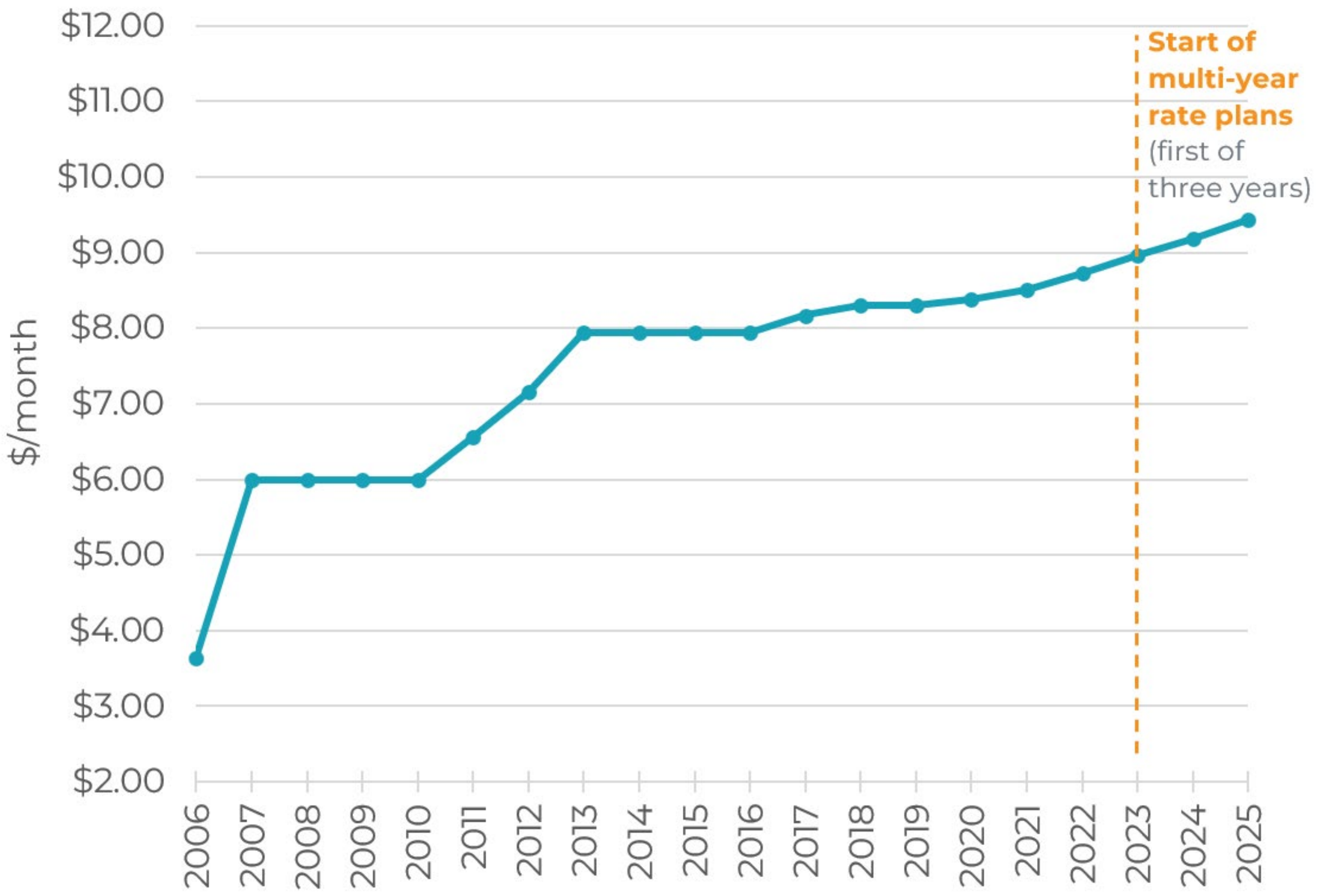
EmPOWER surcharge: $0.0085/kWh

DELMARVA POWER
Distribution Rate



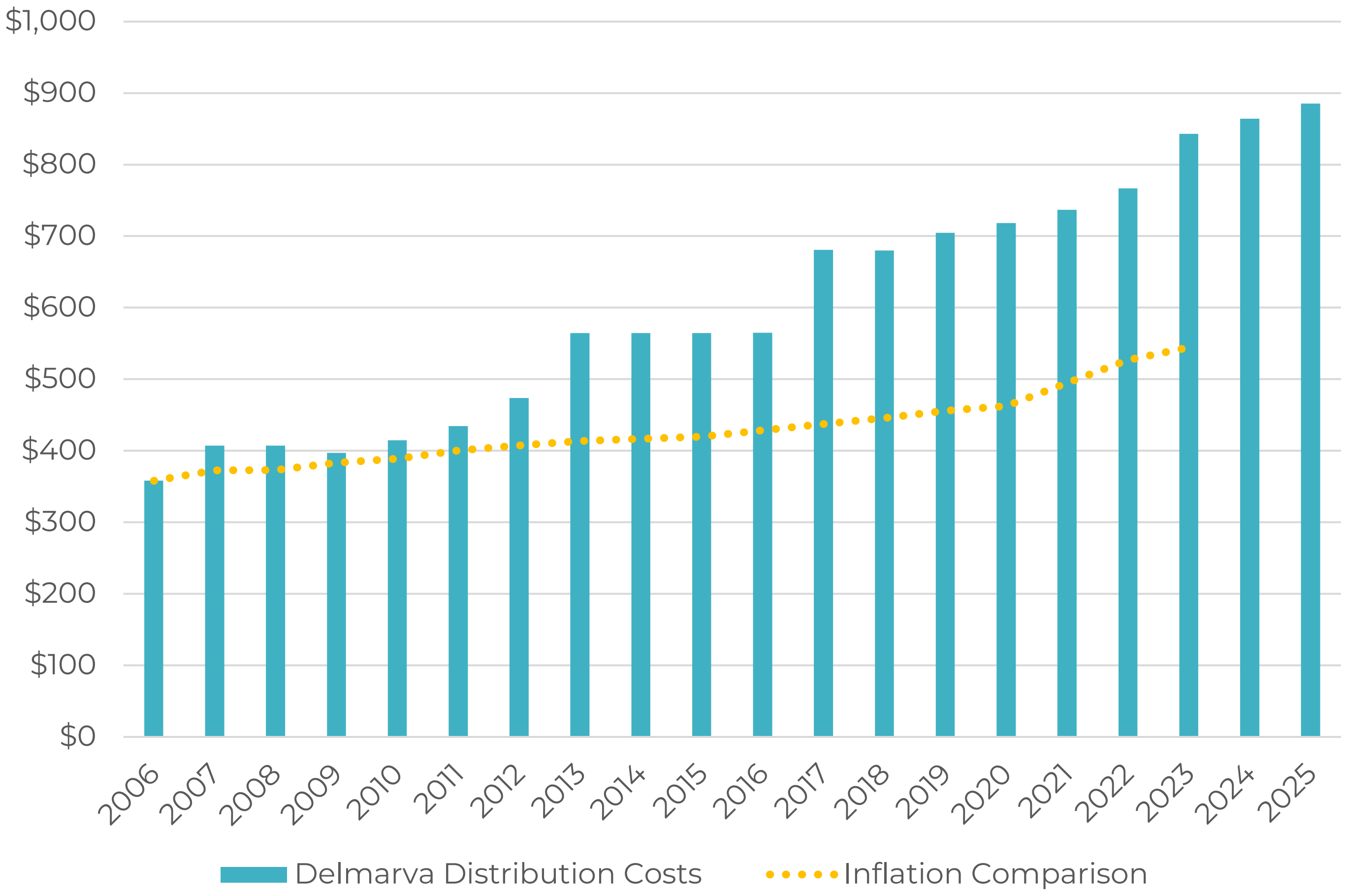
DELMARVA POWER

Monthly Customer Charge



DELMARVA POWER

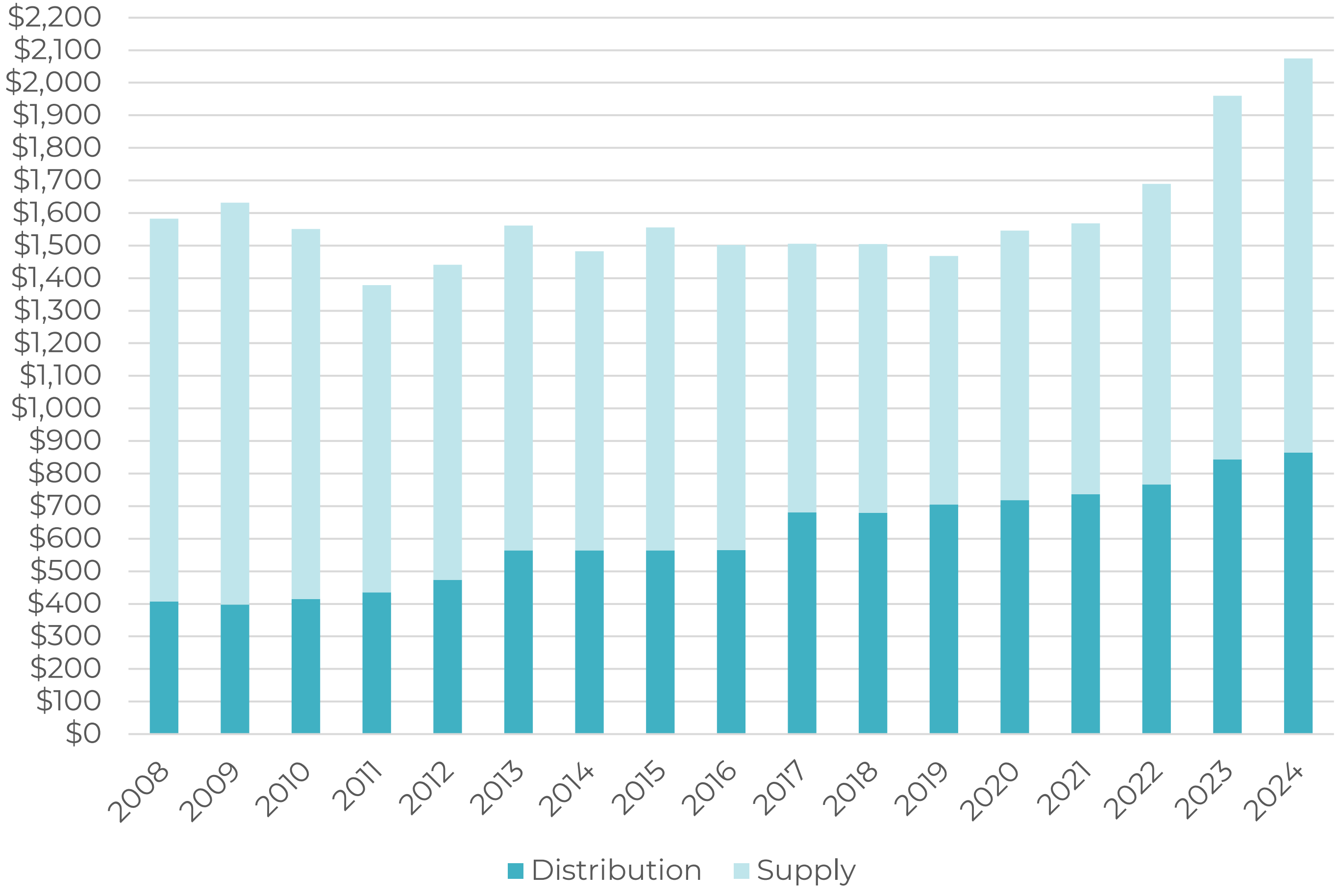
Total Annual Delivery Charges



Charges based on monthly consumption of 900 kWhs.

DELMARVA POWER

Total Annual Bill: Delivery Plus Supply Charges



Charges based on monthly consumption of 900 kWhs.

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State of Maryland

Potomac Electric Power Company (Pepco)

Pepco

Potomac Electric Power Company (Pepco) is a subsidiary of Illinois-based Exelon Corporation. Pepco provides service in most of Montgomery County and Prince George's County as well as service in the District of Columbia. Pepco serves 582,000 Maryland customers.

Pepco filed its latest rate case in 2023 as a multi-year plan for rates extending into 2027. In a June 2024 decision, the Commission granted Pepco a single rate increase of $44.6 million, denying Pepco's request for a multi-year rate plan and stating its intent to evaluate how customers are faring under multi-year plans in a general "lessons learned" proceeding.

Pepco

Current rates

Electric bills include two primary categories of charges: *distribution charges* and *supply charges*. These categories of charges and additional charges are explained here. The distribution rate covers most of the average customer's distribution costs. For the average Pepco customer in 2024, the volumetric rate makes up 86 percent of distribution costs.

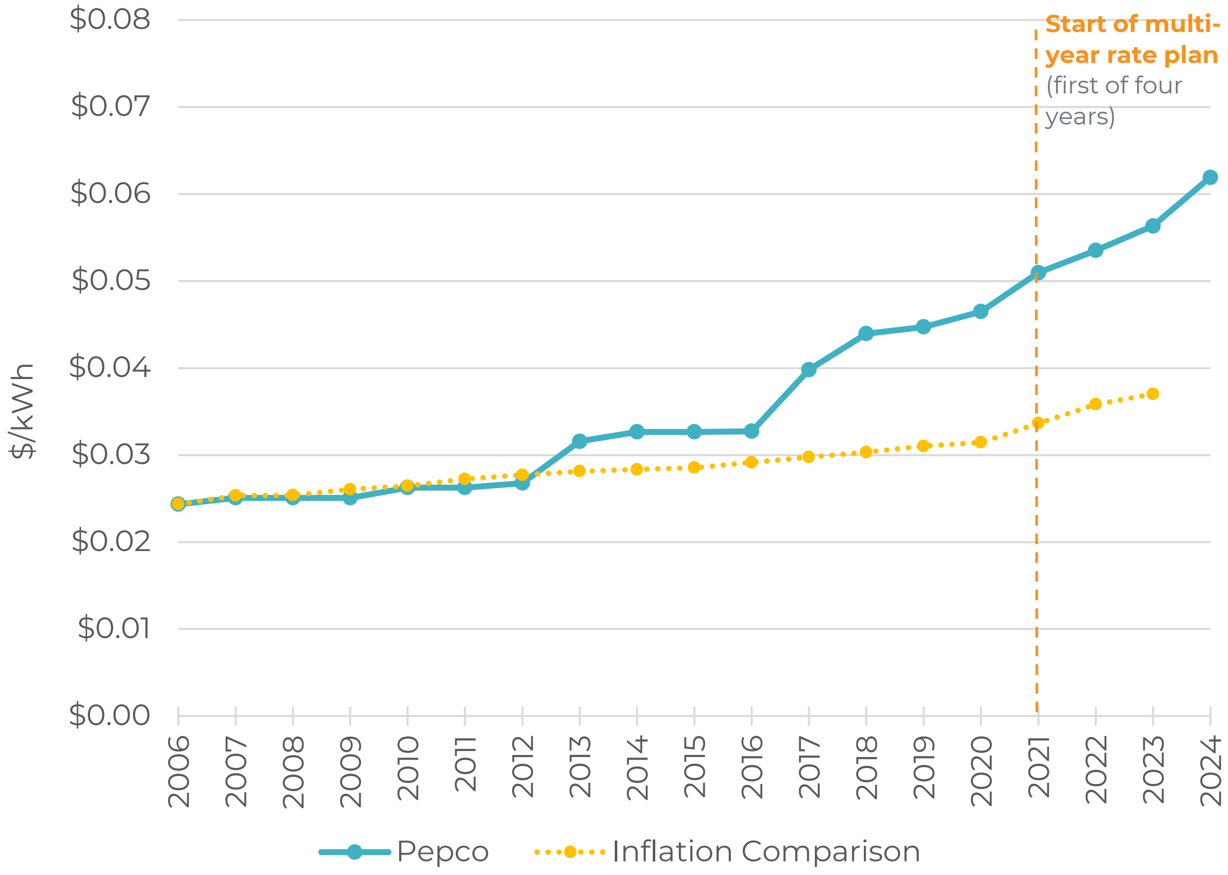
Volumetric distribution rate: $0.06175/kWh

Customer charge: $8.44/month

Supply cost: $0.09262/kWh (June 2024)

EmPOWER surcharge: $0.011342/kWh

PEPCO
Distribution Rate



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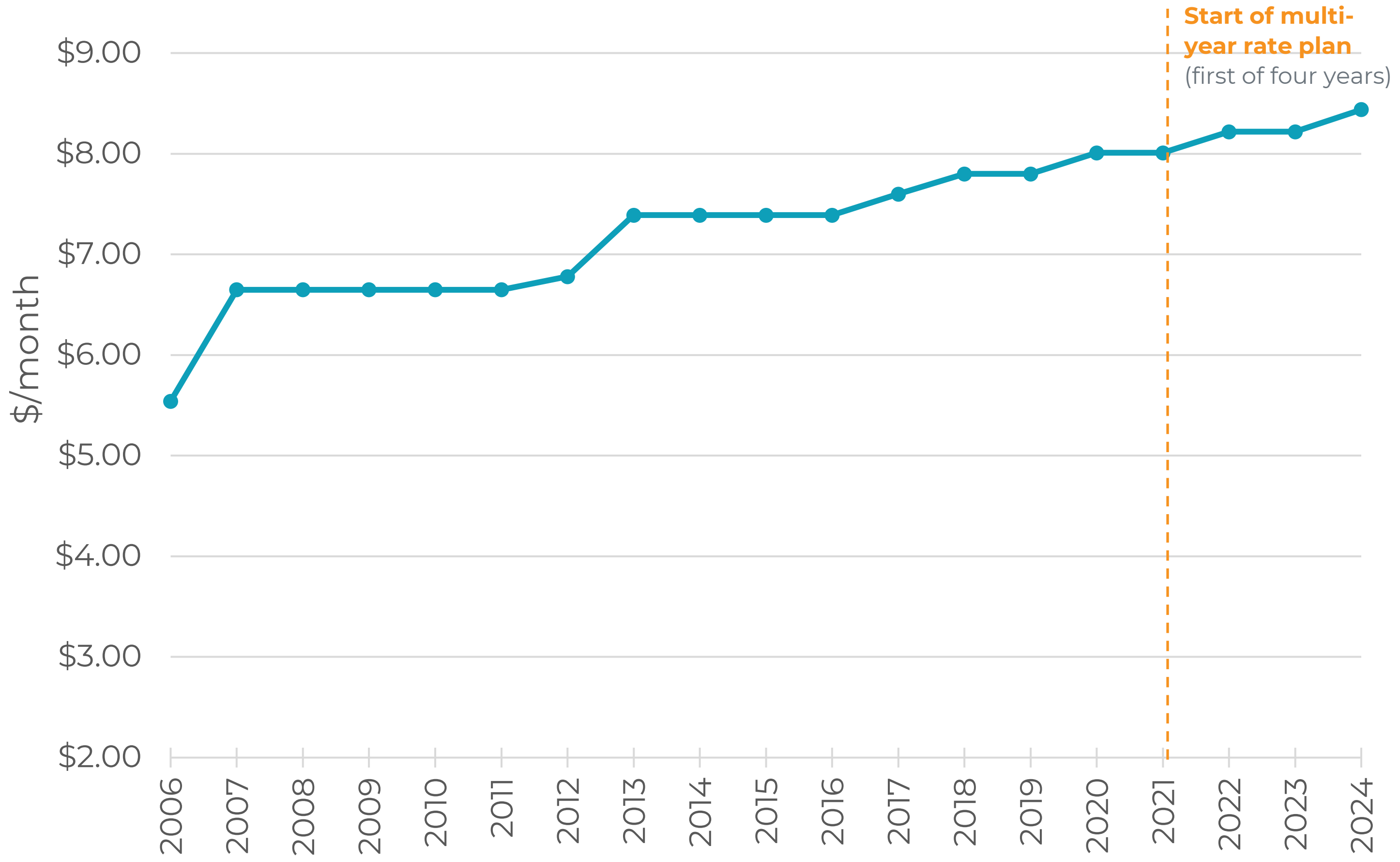
State of Maryland

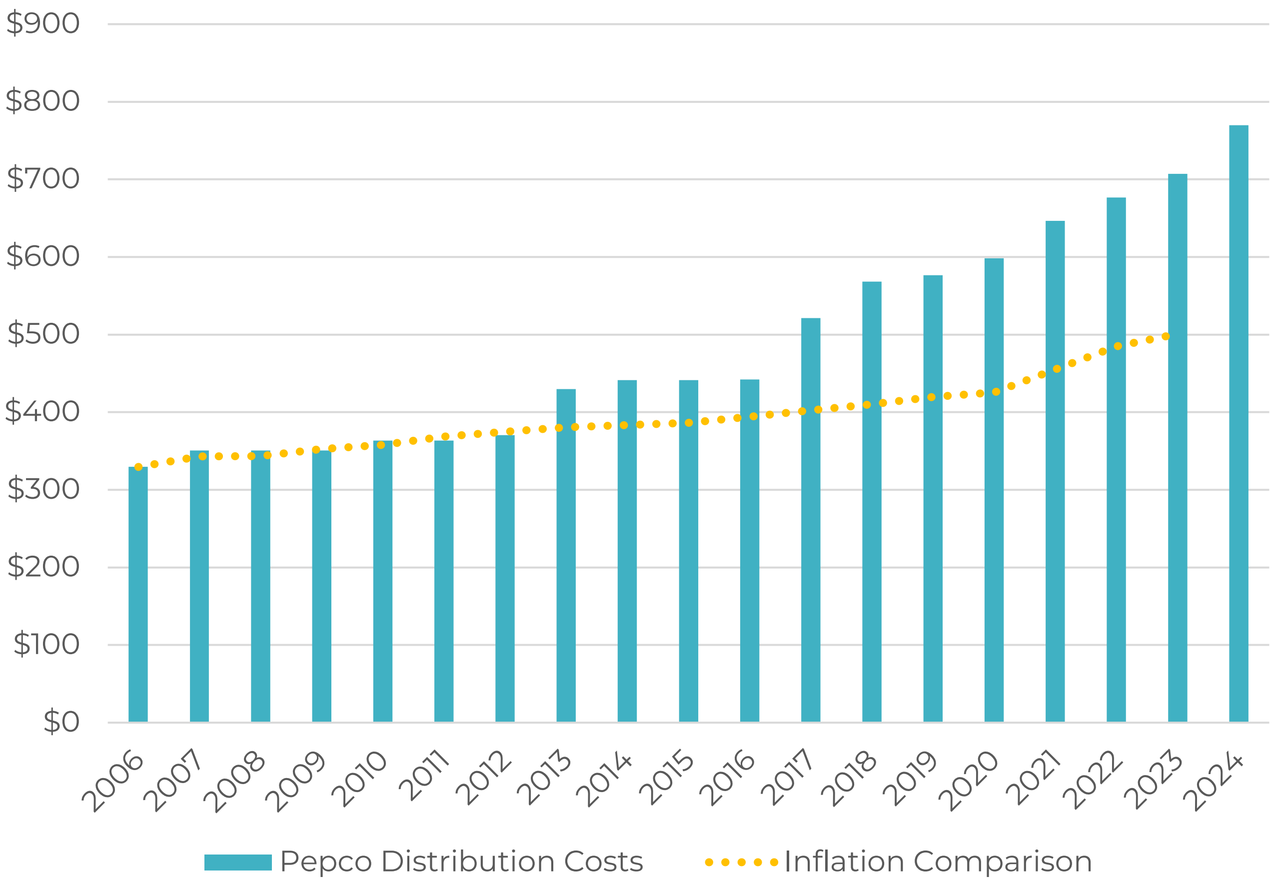
PEPCO

Monthly Customer Charge



PEPCO

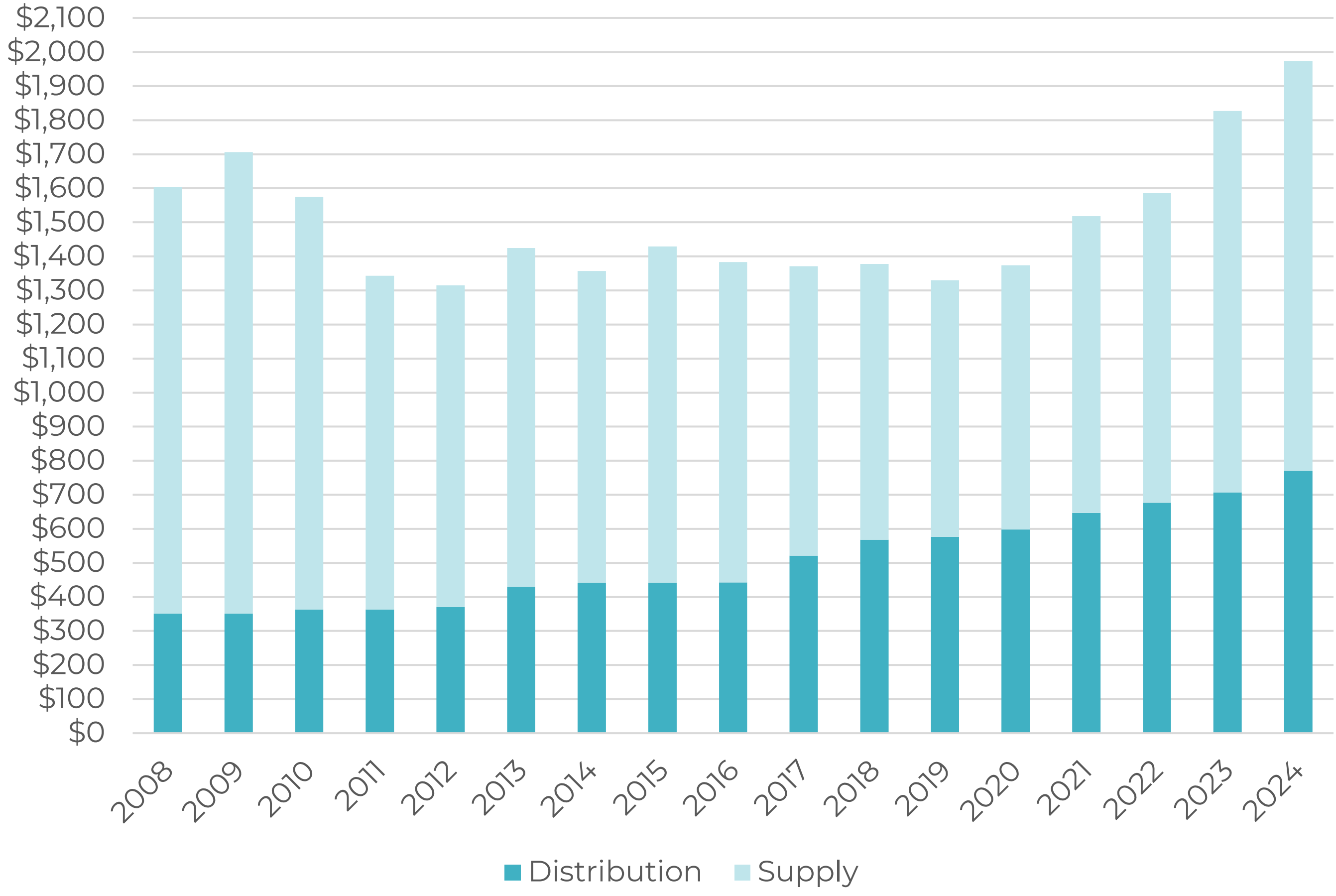
Total Annual Delivery Charges



Charges based on monthly consumption of 900 kWhs.

PEPCO

Total Annual Bill: Delivery Plus Supply Charges



Charges based on monthly consumption of 900 kWhs.

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State of Maryland

Potomac Edison

Potomac Edison

Potomac Edison Company is a subsidiary of First Energy, and has affiliated utilities operating in Pennsylvania, Virginia and West Virginia. The utility provides electric service to 285,000 Maryland customers in Allegany, Washington and Frederick Counties, and portions of Carroll, Howard and Montgomery counties.

Potomac Edison's last rate case was in 2023. The Public Service Commission order in the case was issued on October 18, 2023. You can access the order and the case here.

Potomac Edison

Current rates

Electric bills include two primary categories of charges: *distribution charges* and *supply charges*. These categories of charges and additional charges are explained here. The distribution rate covers most of the average customer's distribution costs. For the average Potomac Edison customer in 2024, the volumetric rate makes up 77 percent of distribution costs.

Volumetric distribution rate: $0.02287/kWh

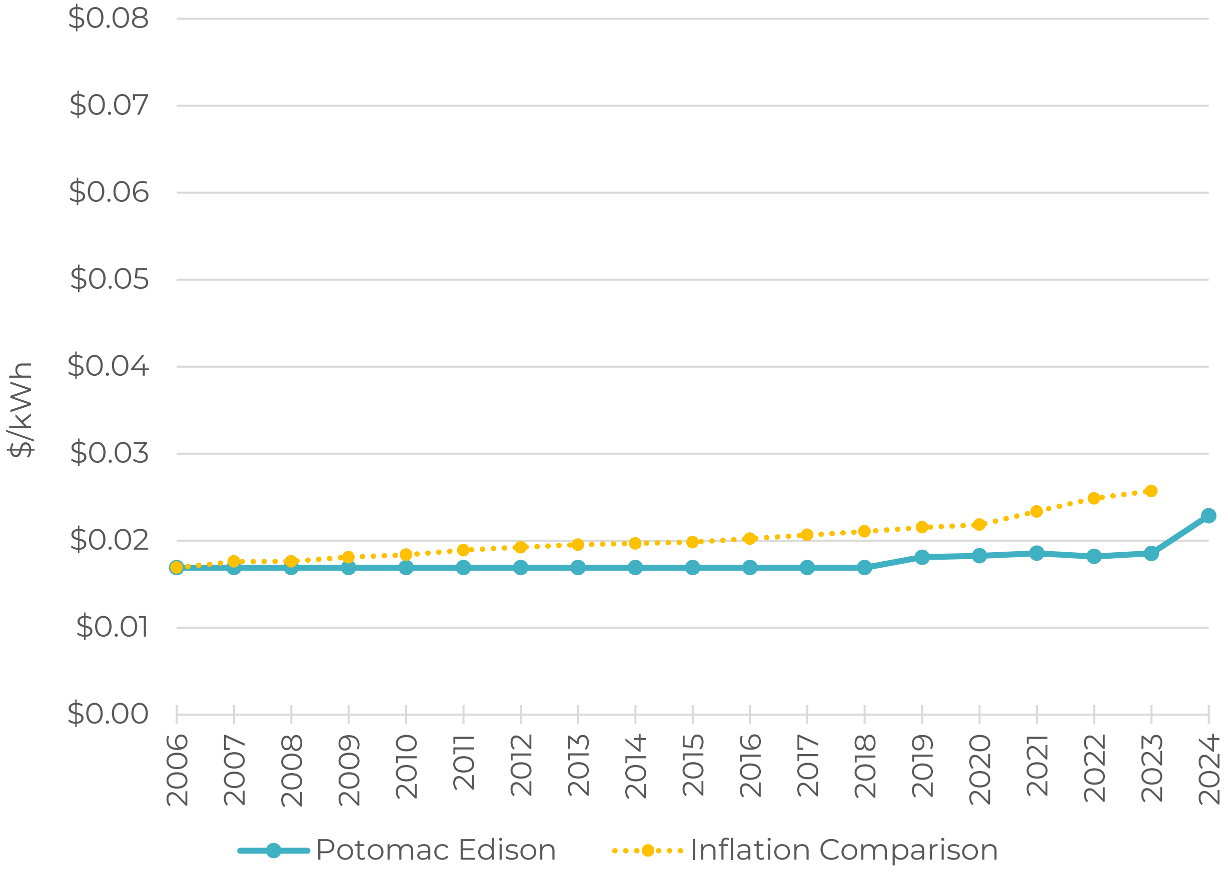
Customer charge: $6.00/month

Supply cost: $0.08856/kWh (June 2024)

EmPOWER surcharge: $0.00702/kWh

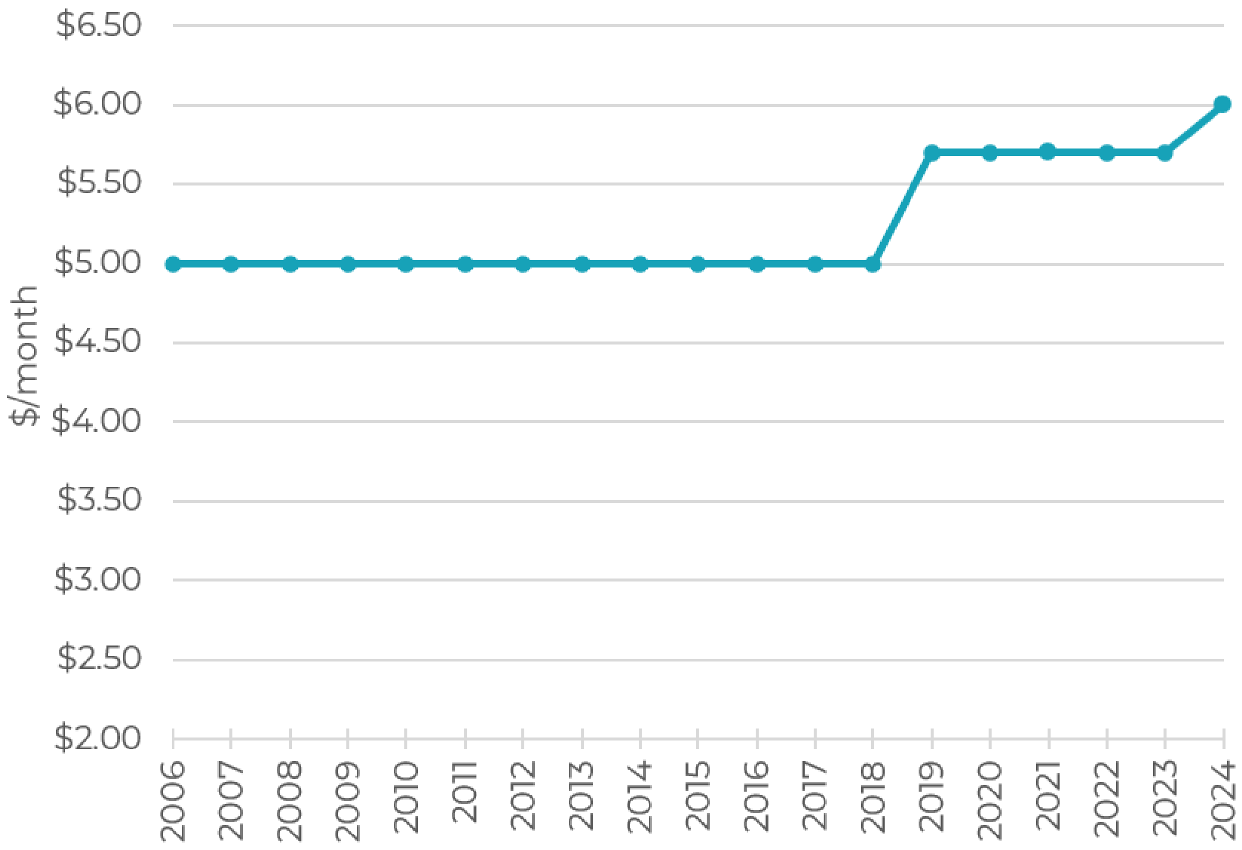
POTOMAC EDISON

Distribution Rate



POTOMAC EDISON

Monthly Customer Charge



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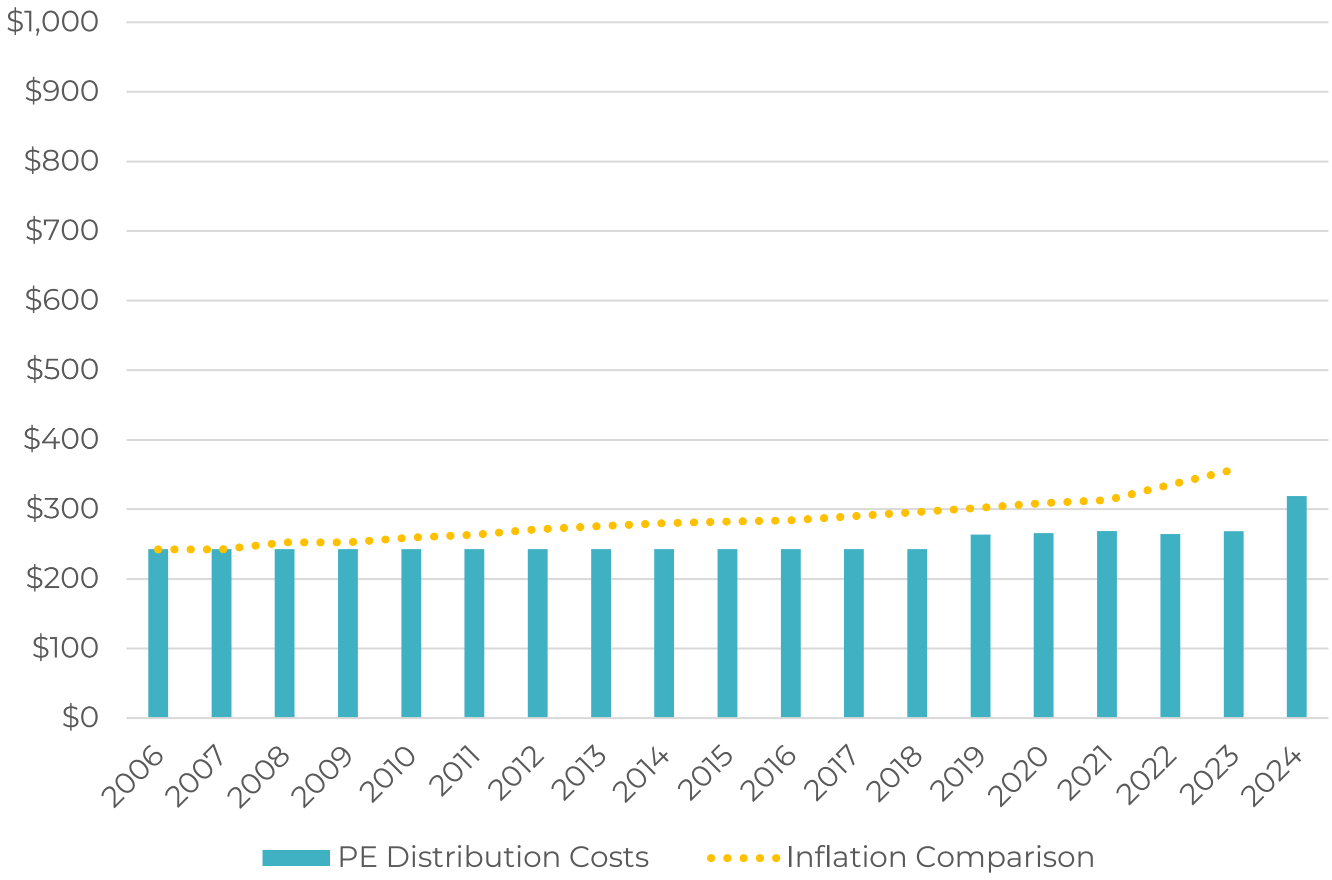
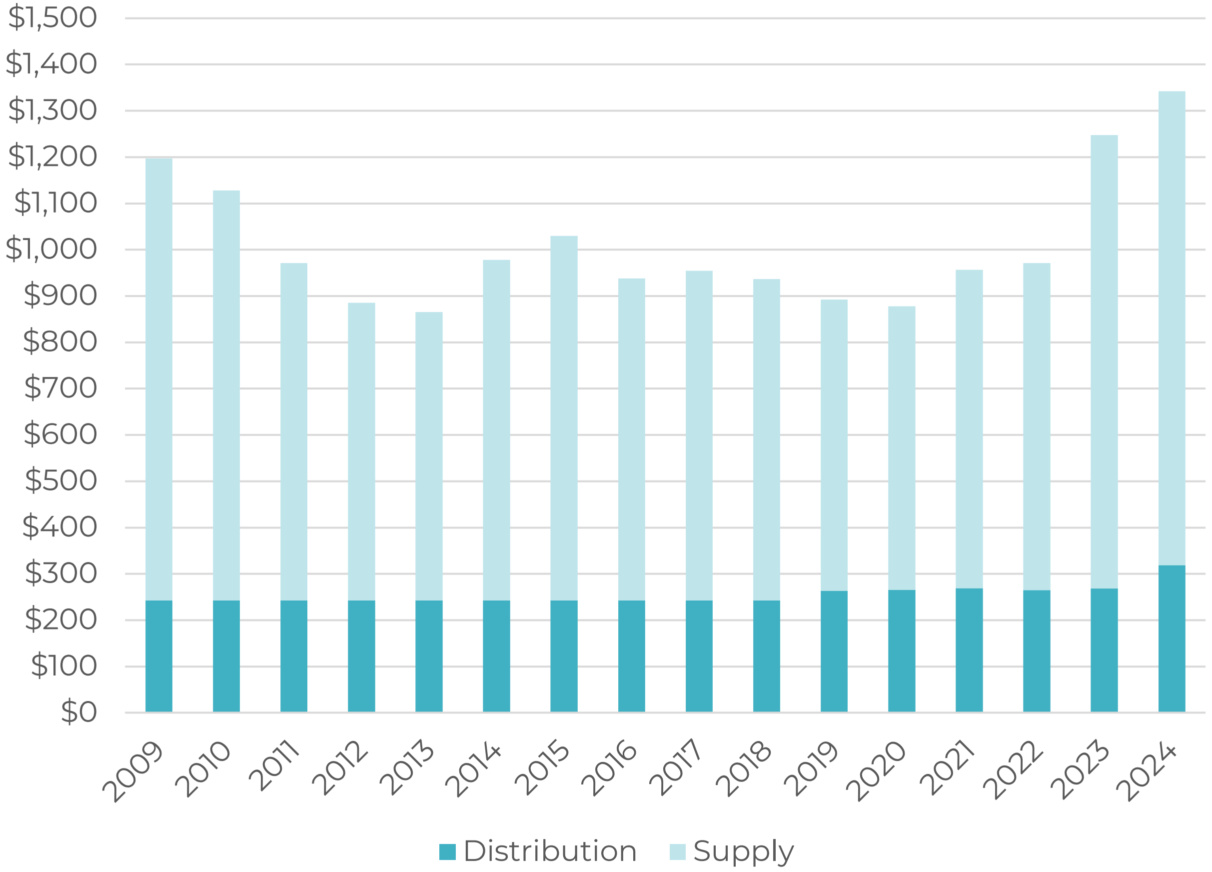
POTOMAC EDISON
Total Annual Delivery Charges



Charges based on monthly consumption of 900 kWhs.

POTOMAC EDISON

Total Annual Bill: Delivery Plus Supply Charges



Charges based on monthly consumption of 900 kWhs.

OPC

OFFICE OF PEOPLE'S COUNSEL

State of Maryland

Southern Maryland Electric Cooperative

SMECO

Southern Maryland Electric Cooperative, Inc. (SMECO) provides electricity service to its 161,000 cooperative members in Southern Maryland, in Calvert, Charles, Prince George's, and St. Mary's counties.

SMECO's last rate case was in 2023. The Public Service Commission order in the case was issued on May 15, 2023. You can access the order and the case here.

SMECO

Current rates

Electric bills include two primary categories of charges: *distribution charges* and *supply charges*. These categories of charges and additional charges are explained here. The distribution rate covers most of the average customer's distribution costs. For the average SMECO customer in 2024, the volumetric rate makes up 82 percent of distribution costs.

Volumetric distribution rate: $0.04704/kWh

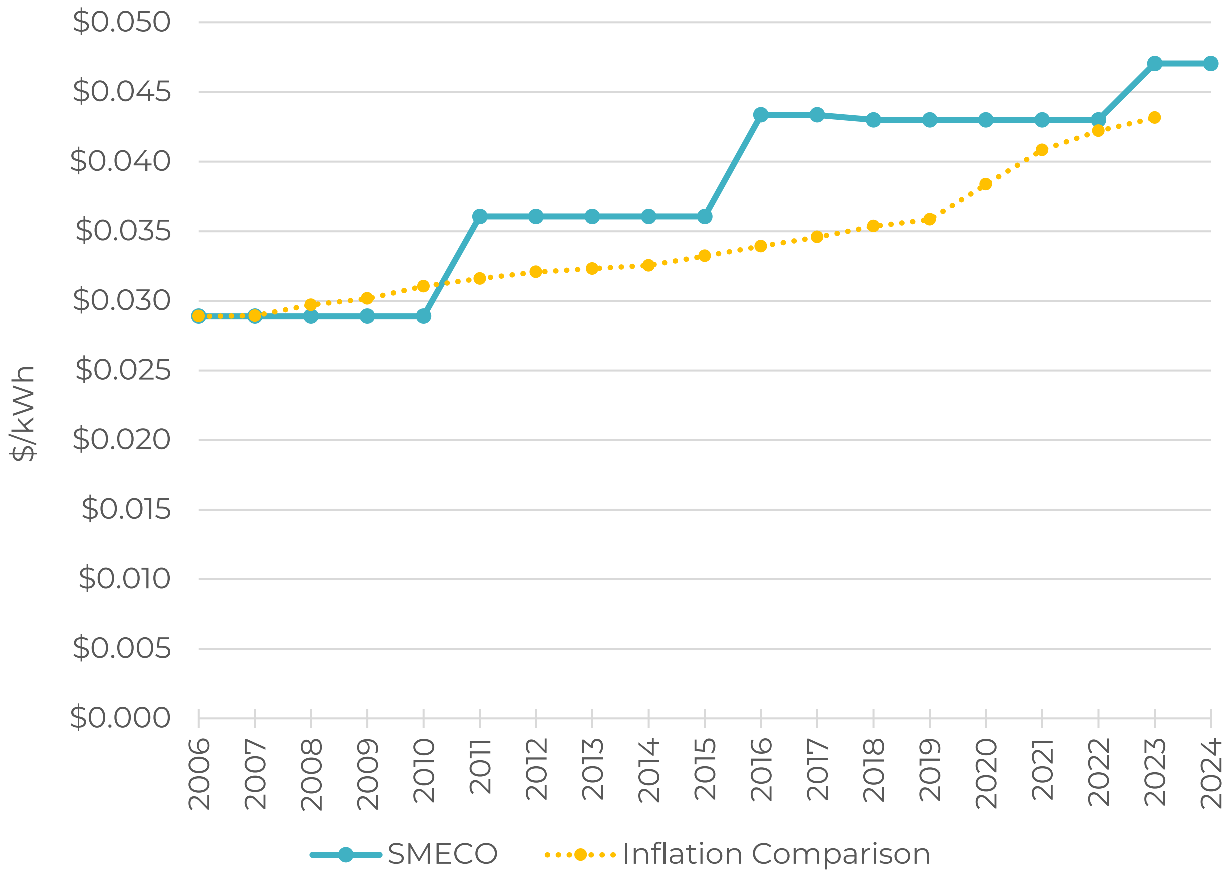
Customer charge: $9.50/month

Supply cost: $ 0.086247/kWh (May 2024)

EmPOWER surcharge: $0.00921/kWh

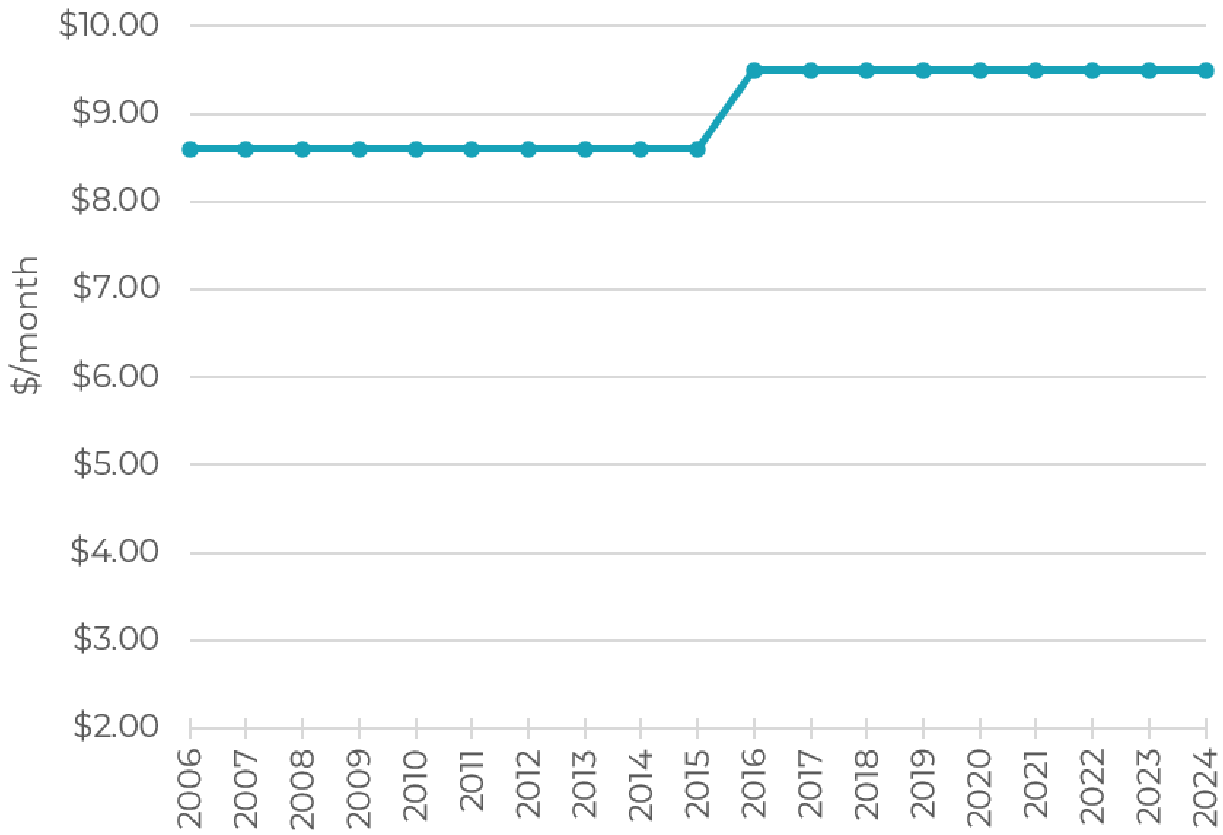
SMECO

Distribution Rate



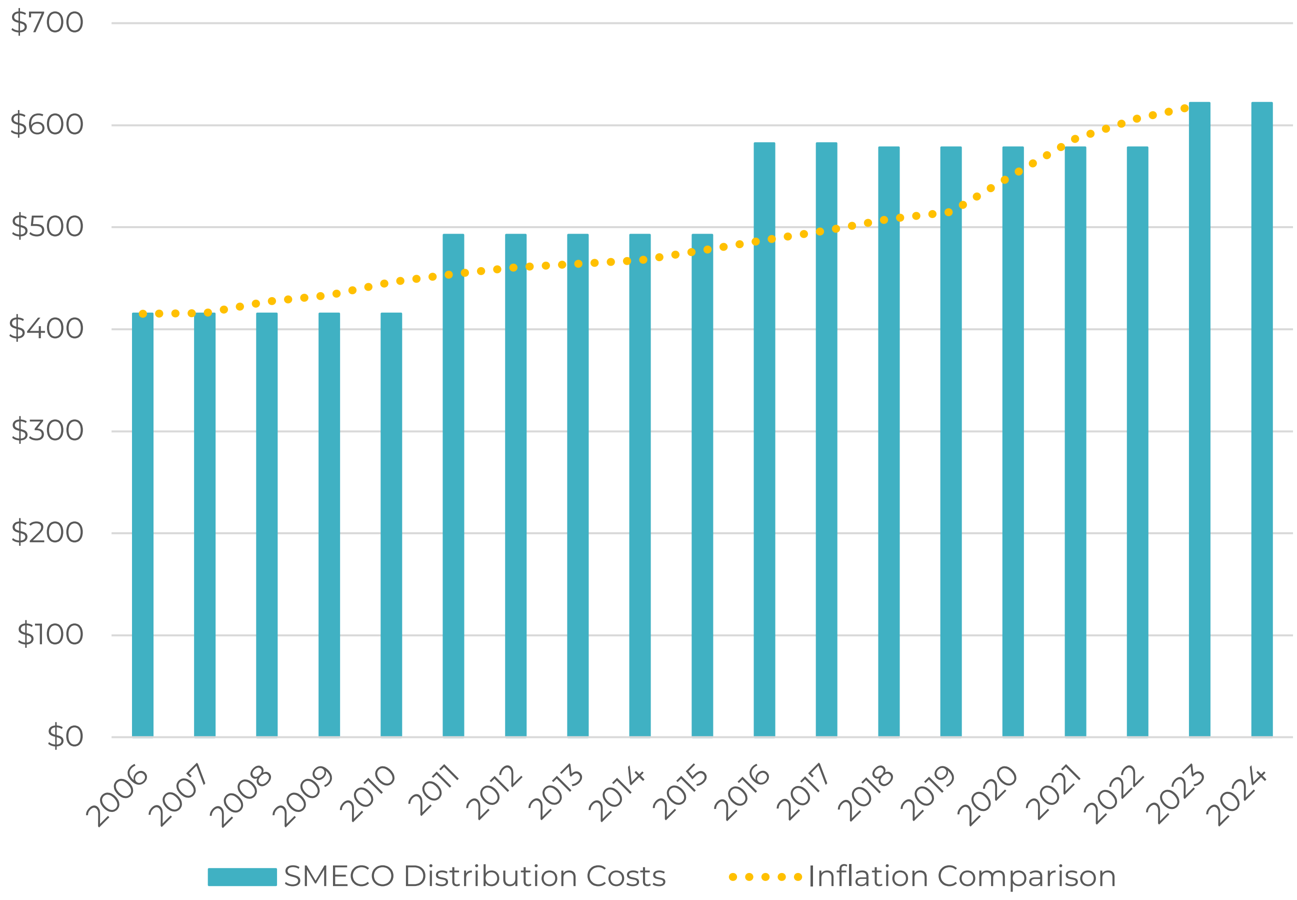
SMECO

Monthly Customer Charge



SMECO

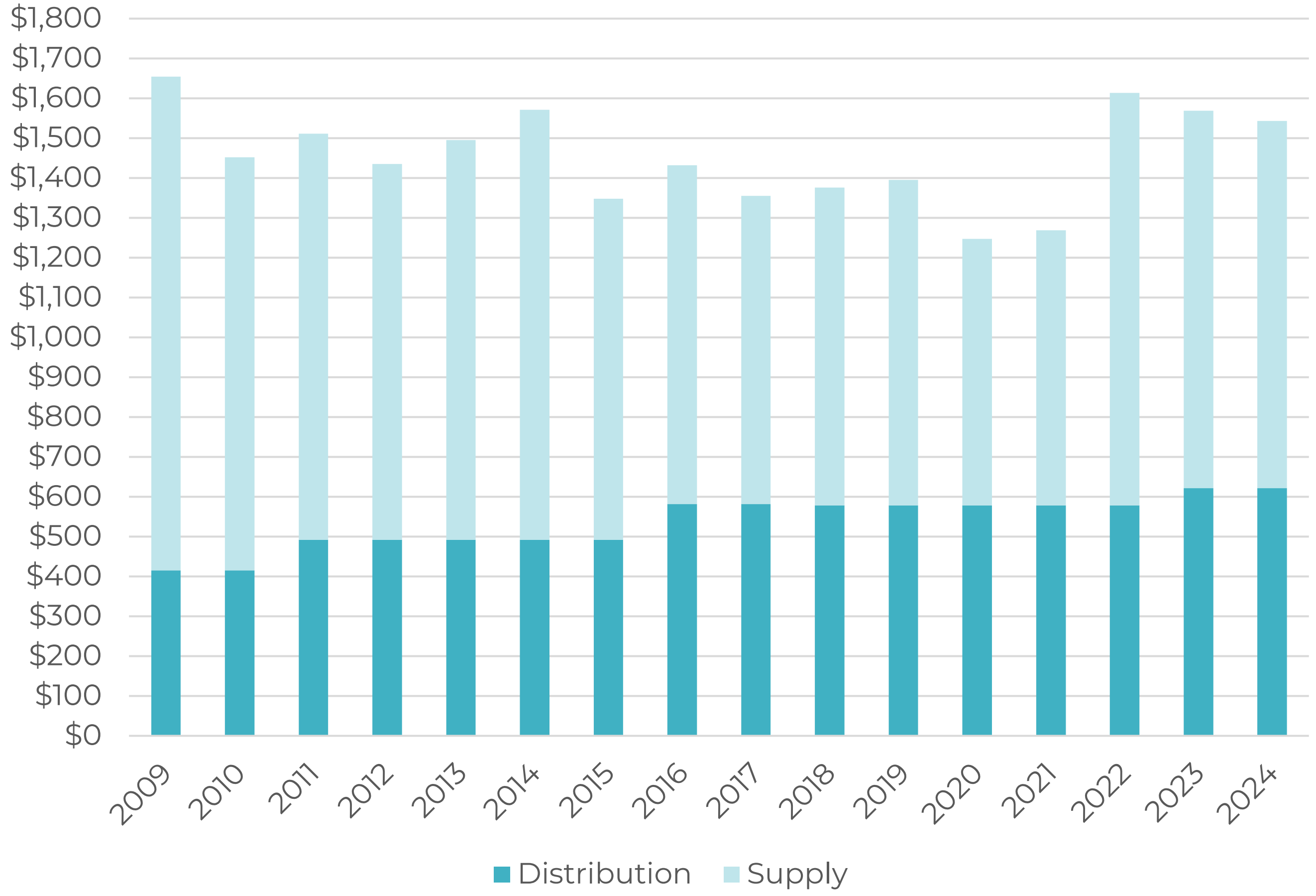
Total Annual Delivery Charges



Charges based on monthly consumption of 900 kWhs.

SMECO

Total Annual Bill: Delivery Plus Supply Charges



Charges based on monthly consumption of 900 kWhs.

Appendix A

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State of Maryland

Washington Gas Light

Washington Gas

Washington Gas Light is an affiliate of Canadian-based AltaGas. The utility provides service to about 513,000 customers in Montgomery County and Prince George's County, as well as Calvert, Charles, and St. Mary's counties. In addition to Maryland, Washington Gas is a multi-jurisdictional utility that is regulated in two other regions, the District of Columbia and Virginia.

WGL's last rate case was in 2023. The final PSC ruling was issued on December 14, 2023. You can access the case here.

Washington Gas

Current rates

Gas bills include two primary categories of charges: *distribution charges* and *supply charges*. These categories of charges and additional charges are explained here. The distribution rate covers most of the average customer's distribution costs. For the average Washington Gas customer in 2024, the volumetric rate makes up 75 percent of distribution costs.

Volumetric distribution rate: $0.4621/therm

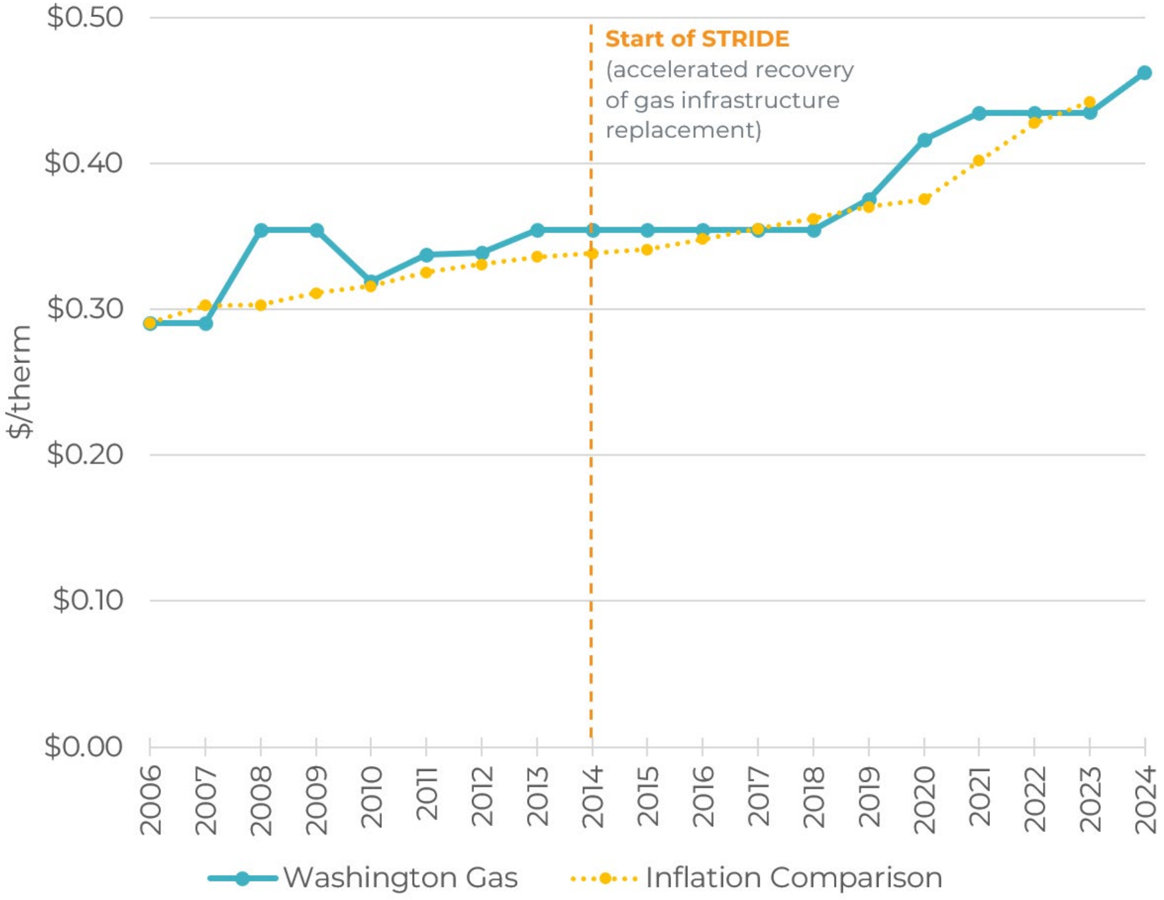
Customer charge: $11.85/month

Gas supply cost: $0.5798/therm (June 2024)

EmPOWER surcharge: $0.0431/therm

WASHINGTON GAS

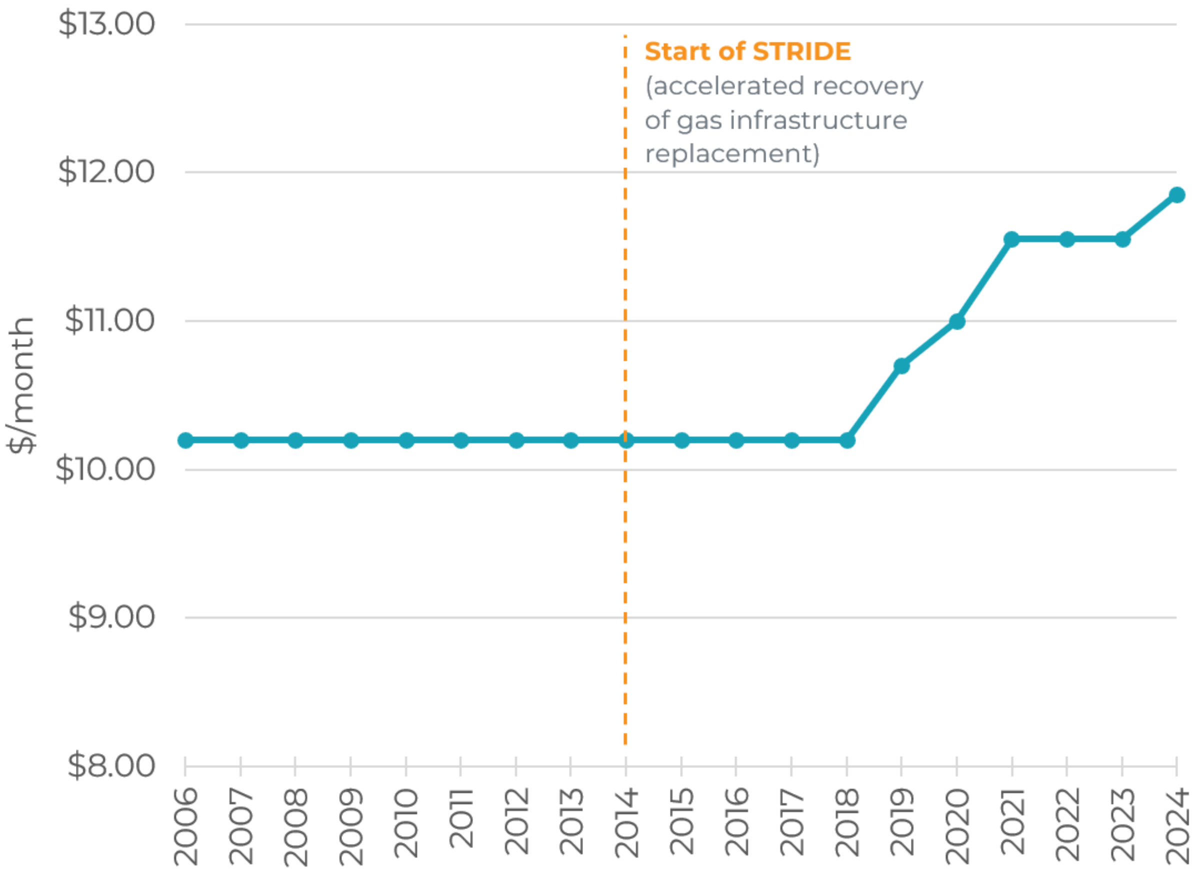
Distribution Rate



The STRIDE surcharge is not included in this chart. In rate cases, prudently incurred STRIDE costs included in the surcharge are incorporated into utility base rates and reflected in the volumetric and customer charges. Click here for more information about STRIDE.

WASHINGTON GAS

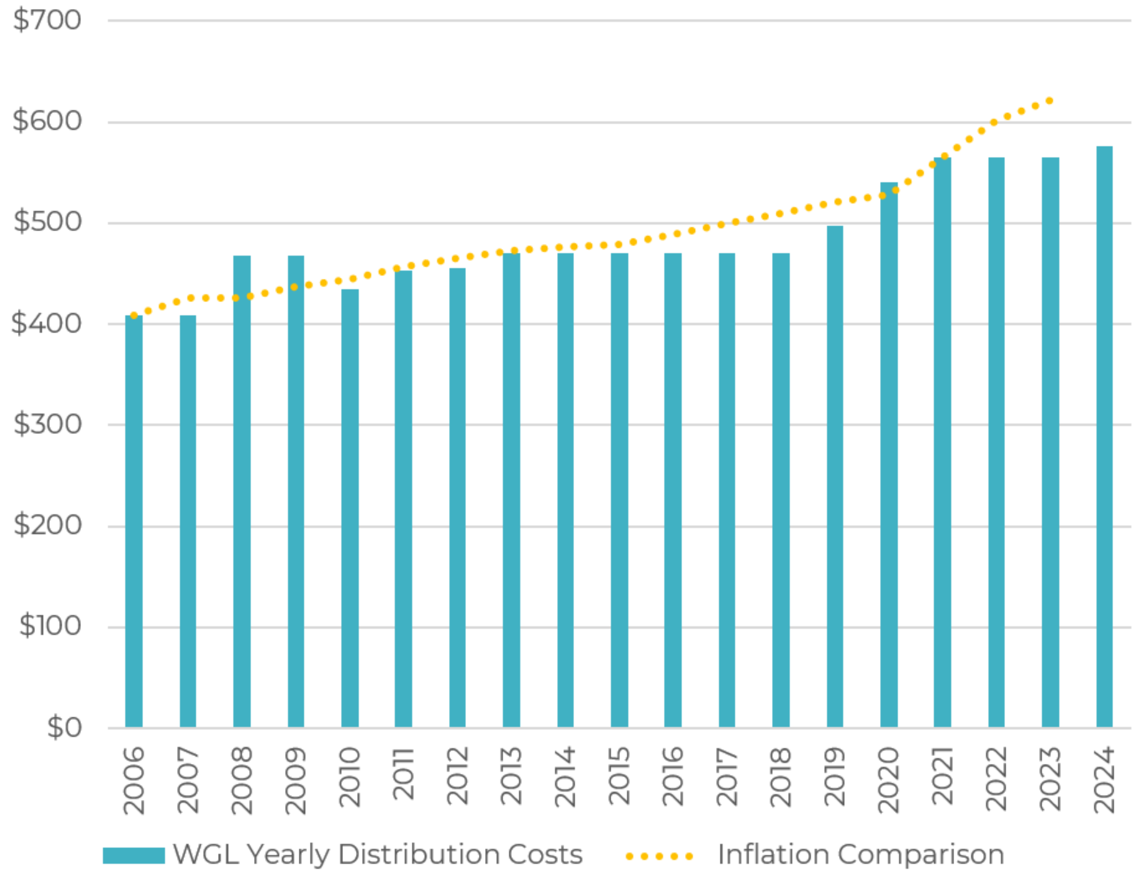
Monthly Customer Charge



The STRIDE surcharge is not included in this chart. In rate cases, prudently incurred STRIDE costs included in the surcharge are incorporated into utility base rates and reflected in the volumetric and customer charges. Click here for more information about STRIDE.

WASHINGTON GAS

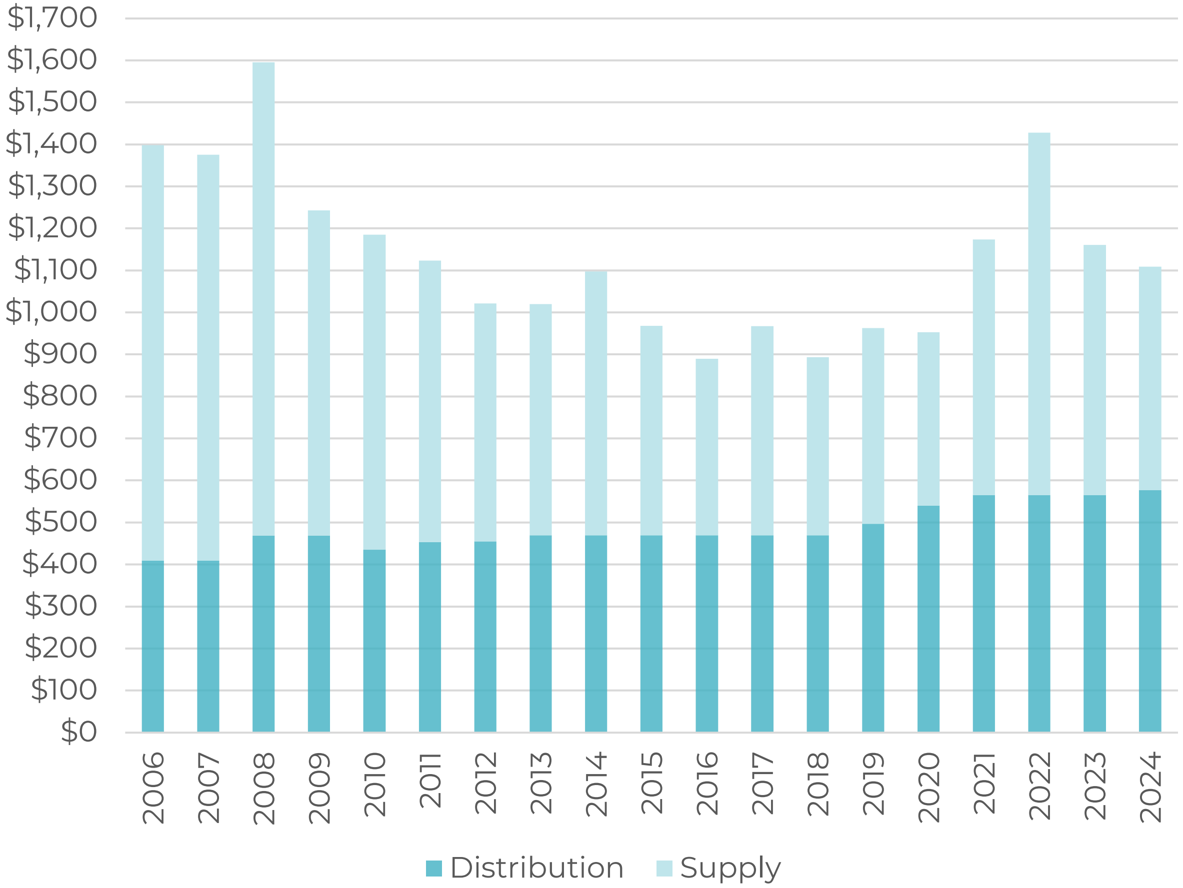
Total Annual Delivery Charges



Charges based on annual consumption of 940 therms.

WASHINGTON GAS

Total Annual Bill: Delivery Plus Supply Charges



Charges based on annual consumption of 940 therms.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 16th day of September 2024, the foregoing Initial Comments of the Maryland Office of People's Counsel was e-mailed to all of the parties of record to this proceeding.

/electronic signature/

Michael F. Sammartino