

**IN THE MATTER OF THE  
APPLICATION OF BALTIMORE GAS  
AND ELECTRIC COMPANY FOR  
ADJUSTMENTS TO ITS ELECTRIC  
AND GAS BASE RATES**

---

\*  
\*  
\*  
\*  
\*  
\*  
\*  
\*

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF MARYLAND**

\_\_\_\_\_  
**CASE NO.** \_\_\_\_\_  
\_\_\_\_\_

**APPLICATION FOR ADJUSTMENTS TO ELECTRIC AND GAS BASE RATES  
AND OTHER TARIFF REVISIONS**

BALTIMORE GAS AND ELECTRIC COMPANY (“BGE” or the “Company”), a public service company under the Public Utilities Article of the Annotated Code of Maryland (“PUA”), files herewith certain adjustments to its electric and gas base rates and other revisions to its Electric and Gas Service Tariffs designated “Supplement 630 to P.S.C. Md. E-6 (Electric)” and “Supplement 457 to P.S.C. Md. G-9 (Gas),” respectively, to become effective June 23, 2019. In support of its Application, BGE states:

ONE: BGE is a public service company subject to Public Service Commission of Maryland (“Commission”) regulation. It provides electric and gas service to a population of more than 3.1 million in Baltimore City and in all or part of ten counties in Central Maryland. Electric service is provided to almost 1.3 million customers across an electric service territory of 2,300 square miles. Gas service is provided to more than 675,000 customers across a gas service territory of 800 square miles.

TWO: Under the provisions of PUA §5-303, BGE has the affirmative duty of furnishing utilities, services, and facilities which are safe, adequate, just, reasonable, economical and efficient.

THREE: BGE has continued to make significant investments in its electric and gas distribution systems and these investments are producing positive results for BGE's customers. Over the last several years, BGE has deployed new equipment and technology to help reduce the frequency and duration of service interruptions. Despite 2018 being the wettest year in Maryland's history, the average number of interruptions experienced by BGE's customers was the fourth lowest rate in Company history. When customers did experience an outage, BGE restored power at the second fastest rate ever. During the past 10 years, the number of electric outages has decreased 22 percent and outage length has been reduced by 40 percent.

BGE's customers are recognizing the impacts the Company's investments are having on service. Customer satisfaction levels are at an all-time high, with J.D. Power's 2017 and 2018 Electric Utility Business Customer Satisfaction Study ranking BGE "Highest in Customer Satisfaction with Business Electric Service in the East among Large Utilities." J. D. Power's 2018 Gas Utility Business Customer Satisfaction Study ranked BGE Highest in Customer Satisfaction with Business Natural Gas Service in the East among Large Utilities. Market Strategies International also named BGE both a Residential Customer Champion and Business Customer Champion in their 2018 Utility Trusted Brand & Customer Engagement Cogent studies. BGE has been recognized for its excellence in other areas such as supplier diversity, energy efficiency, emergency response and environmental responsibility.

FOUR: Under the provisions of PUA §4-101, BGE is entitled to an operating income yielding, after a deduction for necessary and proper expenses, a reasonable return upon the fair value of its property, which must be adequate to assure confidence in the financial soundness of the utility, to maintain and support its credit, and to enable it to raise the capital necessary for the proper discharge of its duties as a public service company.

FIVE: Under the current ratemaking process in Maryland, BGE does not have the opportunity to earn its authorized return when its investments are outpacing new revenues. Since 2016, BGE's combined electric and gas distribution rate base has grown annually by more than seven percent and cumulatively nearly 20 percent. Over that same time period, BGE's compound annual customer growth rate has been less than one percent. However, recognizing the impact its investment has on customer rates, the Company has carefully managed its operating expenses to minimize the increases and since 2016, the compound annual growth in BGE's combined electric and gas distribution operating expenses has been less than one percent.

SIX: As a result of the continued investment in its electric and gas distribution systems, BGE expects during the test year to earn – on an adjusted basis – a return for its electric distribution business that is 23 percent below the 7.28 percent return authorized by the Commission in Case No. 9406 and a return 33 percent below the 7.09 return authorized in Case No. 9484 for the Company's gas distribution business.

SEVEN: BGE's present electric and gas base rates are neither just nor reasonable and do not yield a reasonable return on the fair value of BGE's property devoted to electric delivery or gas service. The requested increases are also needed for the Company to continue to provide safe and reliable service to our customers and to maintain the financial health of the Company. These requested increases will allow BGE to continue to provide tangible benefits to its customers while also promoting public safety, the economy of the state, and providing important environmental quality and natural resources conservation benefits.

EIGHT: In the testimony and exhibits supporting this application, BGE provides evidentiary support for an electric revenue deficiency of \$74.0 million and a gas revenue

deficiency of \$58.9 million. Electric base rate revenues would increase by \$81.1 million, which includes \$7.1 million of Electric Reliability Investment (“ERI”) initiative revenues currently recovered through the ERI charge on customer bills and gas base rate revenues would increase by \$67.6 million, which includes \$8.7 million of Strategic Infrastructure Development and Enhancement (“STRIDE”) revenues currently recovered through the STRIDE charge on customer bills. As the \$7.1 and \$8.7 million are simply transfers of the revenue requirement from the ERI and STRIDE recovery mechanisms to electric and gas base rates, the actual revenue impact is less - \$74.0 million for electric and \$58.9 million for gas. The revenue deficiencies demonstrated are based on a test year for the 12 months ended July 31, 2019 (adjusted for certain known and measureable changes), and an overall rate of return on investment of 7.25 percent for both BGE’s electric and gas operations.<sup>1</sup>

BGE also seeks through this application to begin providing BGE customers with \$114.6 million in state income tax benefits resulting from Maryland’s approval of certain tax changes. In addition, BGE includes its 2018 depreciation study and a new rate schedule for gas-fired electric generation customers.

NINE: If granted in full, the requested rate relief would result in an overall increase of 2.3 percent in total electric bills and 6.2 percent in total gas bills, but the impact will vary from rate schedule to rate schedule and from customer to customer. The total bill for an average residential customer receiving both electric and gas service from BGE is expected to increase by

---

<sup>1</sup> The Company has filed a partially-projected test year with eight months of actual information through March 2019 and four months of projected information for April 2019 through July 2019. BGE will update the test year data to reflect actual results for the estimated four months when such amounts become available, consistent with prior Commission practice.

\$8.53 per month (or about 5.5 percent) to a total bill of about \$164.85.<sup>2</sup> However, even with the impact of the requested rate relief and excluding changes in average usage, the total bill for an average residential customer receiving both gas and electric service from BGE will be 10 percent lower than a decade ago. The average reduction in usage is almost 12 percent for residential electric customers and 10 percent for residential gas customers since the EmPOWER Maryland programs were implemented. The combination of lower rates and lower energy usage results in the average residential bill dropping approximately 20 percent over that time period.

BGE's EmPOWER programs are also greatly benefitting Maryland's environment as the measures installed in 2018 will result in nearly 4 million pounds of carbon dioxide gas emissions being eliminated, which is helping Maryland meet its critical environmental goals. These substantial environmental benefits from BGE's EmPOWER Maryland programs are in addition to the considerable reduction in Greenhouse Gas ("GHG") emissions resulting from the Company's gas replacement projects. In 2018 alone, the replacement of mains and services resulted in a reduction of almost 9,300 metric tons of carbon dioxide.

TEN: This Application is supported by the prepared direct testimony and exhibits of Mark D. Case, Vice President of Regulatory Policy and Strategy for BGE; Valencia A. McClure, Vice President of Governmental and External Affairs for BGE; David M. Vahos, Senior Vice President, Chief Financial Officer and Treasurer for BGE; Adrien M. McKenzie, President of Financial Concepts and Applications, Inc.; Ned W. Allis, Vice President of Gannett Fleming Valuation and Rate Consultants, LLC; Derrick A. Dickens, Vice President of Technical Services

---

<sup>2</sup> The average residential electric and gas customer bill impact is based on an average monthly usage of 877 kWh and 56 therms, respectively, on a weather-normalized basis for the 12 months ending July 2019.

for BGE; Jason M. B. Manuel, Manager of Revenue Policy for BGE; and Lynn K. Fiery, Manager of Rate Administration for BGE; which have been simultaneously filed herewith.

ELEVEN: This Application is also supported by voluminous data submissions required by the Commission's April 18, 1983 Secretarial Letter Order, which provides that the supplemental filing requirement is "a possible means to expedite Commission proceedings by providing as much relevant data as possible at the beginning of the proceeding thereby obviating or diminishing the need for subsequent time consuming and costly data requests." See binder labeled "Supplemental Information."

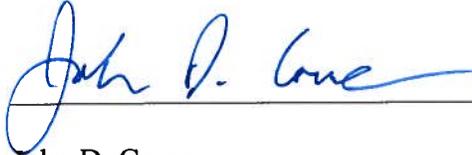
TWELVE: On May 14, 2019, the Company filed with the Commission public and confidential versions of: (1) its Cost Allocation and Transfer Pricing Manual ("CAM") for 2019, in accordance with the Code of Maryland Regulations 20.40.02.07B; and (2) the independent audit opinion of PricewaterhouseCoopers LLP ("PwC"), which was prepared by PwC following an examination of the CAM pursuant to the provisions of PUA §4-208.<sup>3</sup>

---

<sup>3</sup> BGE's CAM and CAM audit filing was submitted under Mail Log #225261.

WHEREFORE, Baltimore Gas and Electric Company requests that the Commission permit the rates filed herewith to become effective as filed.

Respectfully submitted,



---

John D. Corse  
Baltimore Gas and Electric Company  
2 Center Plaza – 14<sup>th</sup> Floor  
110 West Fayette Street  
Baltimore, MD 21201  
(410) 470-3320  
(443) 213-3206 - Fax  
john.corse@bge.com

Attorney for Applicant  
Baltimore Gas and Electric Company

May 24, 2019