Case Nos. 9618 and 9645
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Updated Comments on the Baltimore Gas and Electric Multi-Year Plan Pilot Lessons Learned Proceeding

Chair Hoover and members of the Public Service Commission:

Thank you for this opportunity to update our comments on BGE's multi-year rate plan pilot in light of legislative changes and proposals from BGE for its so-called "earnings/risk-sharing" proposal.

Changes made this year by the legislature suggest there should be no way forward for multi-year rates in Maryland. We urge you to reject BGE's so-called "earnings/risk sharing" proposal and end multi-year rate making. Furthermore, we encourage the PSC to offramp BGE from its current MYRP and not let the 2026 rate hike go into effect.

The multi-year rate pilot has removed important oversight, offered little to no incentive for the utility to stick to its budget, encouraged massive infrastructure spending, and increased costs to customers. The pilot has not met its goals of providing rate stability nor reducing administrative burden on Commission staff.

Reconciliation and Guaranteed Profits

The multi-year rate plan (MRP) has weakened critical prudency review and other tools to check wasteful utility spending, while guaranteeing profits for participating utilities.

- Through its 2023 reconciliation, BGE has requested $150 million in additional surcharges for its gas and electric customers.
- In 2025, BGE projected spending on gas capital approximately $33 million more than approved in the rate plan.[1]

As the Commission explains, the state legislature has raised the threshold for approval of an MRP. The commission may only approve an MRP if the plan "demonstrates the customer benefits of the investment" and "does not allow for the public service company to file for reconciliation of cost or

[1] Baltimore Gas and Electric Company - 2025 Capital and O&M Project Lists and Operation Pipeline Project Lists. Case No. 9692 (ML 315328)

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revenue variances of the approved revenue component used by the Commission to establish just and reasonable rates."

BGE's proposed "risk/earnings sharing" mechanism is bad for consumers. While it differs from an annual reconciliation in form, it produces a substantially similar outcome: the utility faces less risk of not earning its authorized annual profit. The proposal should be denied.

Any profit guarantee on a multi-year rate plan supercharges the traditional utility incentive to spend money to make money, reduces incentives to control costs, and shifts business risk from the utility and its shareholders to customers, making higher bills and lower service quality more likely.

The "risk/earnings sharing" scheme is a misnomer at best. There is little risk for the utility as it earns a profit regardless of its performance. And there is no earnings for the ratepayer, who is footing utility profits regardless of spending with weakened prudency review.

Like any business, in any given year, if a utility under traditional regulation has lower than expected revenue, higher than expected costs, or both, it won't meet its desired profit levels or could even suffer a loss. This is not the case with multi-year rate plans nor with BGE's "risk/earnings sharing proposal."

With any profit guarantee , including the proposed "risk/earnings sharing," utilities' are reducing risk and maximizing profit: if a utility spends more than anticipated, its customers are expected to help fill the gap in their earnings. If a utility happens to spend less than anticipated, customers cover additional utility profits. It's a win win for them, and a lose lose for us.

Any suggested performance incentive created by the deadband, and "discounted earnings" are easily overwhelmed by the utility's profit incentives. By supercharging the incentive to spend money to make money, utilities will be more likely to "gold-plate." This is harmful in itself but also threatens other priorities: as customers continue to pay more and more for utility profits this not only means higher bills, it also means less value and less resources for other programs.

MRP's and Rapidly Escalating Rates

The multi-year ratmaking program has led to escalating costs for ratepayers. According to the Office of the People's Counsel, since approval of the BGE multi year rate plan pilot:

- BGE's electric rates have increased by 26% and gas rates have increased by 43%.
- The average annual increase for rates between 2006 and 2020 was 3.27% for BGE electric and 6.51% for gas. Since 2021 the averages have jumped to 5.01% and 8.25% respectively.

In conclusion, we recommend the Commission shift back to traditional rate regulation. It's the utility's responsibility to prove that expenses are just and prudent in order to recover them in rates, and the Commission should not be fooled by BGE's proposal around reconciliation.

Thank you for your service to Maryland.

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