



Maryland Public Service Commission

Baltimore Gas and Electric and Washington Gas - Maryland Monthly Revenue Adjustments

MADRI Workgroup Meeting
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Regulatory Objectives

- Avoid rate cases caused only by the weather
- Address revenue “attrition” - declining revenue/customer between rate cases due to efficiency and conservation
- Maintain usage price signal and avoid appearance of rate design that discriminates against low usage customers
- Sufficient revenue for utility to provide safe, reliable and efficient distribution service



Regulatory Reality

- Test year is determined and ***NOTHING*** remains constant
 - The number of customers changes
 - The average use per customer changes
- Utility base revenues per customer are ***NEVER*** what is authorized by the PSC
 - Weather, economic conditions, conservation and other factors effect use per customer
 - Most revenue volatile Customer Classes are Residential and General Service – Firm Distribution Service Customers



Regulatory Reality

- With constant number of customers, most gas distribution costs are fixed
 - They do not vary based on throughput
 - Variation in the use per customer does not change per customer distribution costs
- Costs do increase when new customers are added
 - Capital costs for new meter, service, distribution system additions and upgrades
 - O&M costs for additional billing, meter reading, call center



Two Different Solutions

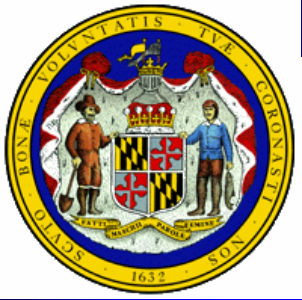
- Most LDC costs are fixed, so collect all revenue in a single fixed charge (and maybe a demand charge for larger C&I customers)
 - But, city gate, main, compressor and physical peakshaving costs not fixed in long run
 - Commissions and residential customers not always supportive of high fixed charges
 - If conservation or demand response is an objective, eliminates price signal
- Adjust revenues periodically (monthly for BGE and WG) to equal the revenues authorized by the PSC, recognizing the change in the number of customers



BGE and WG Monthly Adjustment

Part 1: Weather Normalization

- Set base rates using normalized test year weather use per customer and authorized revenue requirement
- Monthly use per customer is used to determine authorized base revenue for each month for each customer class or sub-class
 - No ongoing review of normal use and normal weather



BGE and WG Monthly Adjustment

Part 2: Monthly Rate Adjustment

- Each month compare actual base revenue billed to authorized base revenue calculated for that month - Accounting accrues the difference in the current month
- Calculate and file a rate to collect / return amount accrued



The Bottom Line

- Revenue stability is a reasonable business and regulatory goal for gas (and electric) LDCs
- BGE Rider 8 and WG MRA fulfills more regulatory objectives with fewer shortcomings than other alternatives
- Has worked well for BGE over seven years (new for WG)
- Combined with appropriate cost recovery for such things as new service extensions, can reduce the need for rate cases
- Can provide Target Base Revenue for any incentive that directly or indirectly involves monthly revenue