

Kimberly A. Curry  
Counsel

2 Center Plaza  
110 W. Fayette Street  
Baltimore, Maryland 21201  
410.470.1305  
443.213.3206 Fax  
kimberly.a.curry@constellation.com



*Via Electronic Filing*

February 24, 2010

Terry J. Romine, Executive Secretary  
Maryland Public Service Commission  
William Donald Schaefer Tower  
6 St. Paul Street, 16<sup>th</sup> Floor  
Baltimore, MD 21202

**Re: Administrative Docket RM35  
Revision to Compliance Filing of Baltimore Gas and Electric Company  
Supplement No. 333, Gas Supplier Tariff, Appendix B to P.S.C. Md. G-9  
(Maillog No. 119139)**

Dear Ms. Romine:

Baltimore Gas and Electric Company (BGE or Company) hereby submits this compliance filing to 1) revise Schedule 1 to its January 19, 2010 compliance filing to add a program development cost component to the discount rate to be charged to suppliers and 2) revise the Gas Supplier Tariff to replace billing address with service address as an element of the pre-enrollment information currently provided to suppliers.

**Revision to Discount Rate in Schedule 1**

Per a January 2009 order, the Commission authorized BGE to recover RM35-related program development costs through the Gas Choice and Reliability Charge (GCRC). At the January 27, 2010 administrative meeting on the GCRC annual reconciliation, the Commission ordered BGE to remove the approximately \$715,000 in IT costs related to RM35 implementation from the GCRC. In the Commission's October 7 Order in RM17, the electric choice corollary to RM35, the Commission directed BGE to include program development costs in the discount rate. Due to the removal of these RM35-related program development costs from the GCRC, BGE will now recover those costs in the discount rate, consistent with the manner in which program development costs will be recovered for electric program development costs in RM17.

On January 19, 2010, BGE filed a discount rate in RM35 to replace the zero discount rate submitted in its original RM35 filing on October 8. By the instant filing, BGE revises Schedule 1 to that January 19 filing to incorporate the program development costs removed from the GCRC into the RM35 discount rate using the same approach as the electric program development costs. That is, BGE will amortize that amount over three years, applying its most recently authorized rate of return from Case No. 9036 to the unamortized balance. BGE will divide the amount to be recovered in each of the three years by the estimated gas supplier revenues billed in each of those years. Any difference between the actual program development costs and the amount collected by BGE to recover these costs will be included in the reconciliation component. The inclusion of the program development costs alters the discount rate that was submitted in the January 19 filing. A redline and clean copy of the revised Schedule 1 is appended as Attachment 1.

Below are the gas discount rates for residential and non-residential customers.

	Residential	Non-Residential
Uncollectible Expense	2.13%	0.71%
Program Development Costs	0.24%	0.24%
Operation Cost	0.00%	0.00%
Risk	0.25%	0.14%
Discount Rate	2.62%	1.09%

In its January 15, 2010 RM17 compliance filing, BGE suggested that it recover program development costs through the normal rate making process due to concerns raised by parties about the impact of program development costs on the Hourly-Priced Service customers, who historically have a comparatively low bad debt experience. If the Commission grants this request in RM17, BGE would request similar treatment for its RM35 program development costs, since the rate impacts would be virtually negligible, and to maintain symmetry between its gas and electric filings. If this approach is approved, the applicable discount rates would be 2.38% for residential customers and 0.85% for non-residential customers.

### **Revision to Pre-enrollment Information in Gas Supplier Tariff**

When BGE first filed its Gas Supplier Tariff on October 8, 2009, it included billing address, along with account name, account number, bill cycle, rate class, and 12-month historical consumption, as one of the items that are currently provided to suppliers in Section 7.1.2. The inclusion of billing address was in error; BGE currently provides the service address, rather than the billing address, to suppliers. Both billing address and service address are pre-enrollment elements required by RM35, and BGE will add billing address upon Commission approval of the uniform electronic transactions being developed by the RM35 working group. A redline and clean copy of the revised Section 7.1.2 is appended as Attachment 2.

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BGE's January 19, 2010 RM 35 discount rate filing is currently scheduled for the March 17, 2010 administrative meeting. BGE respectfully requests that the Commission consider and approve the tariff sheets provided as Attachments 1 and 2 to this letter at the March 17<sup>th</sup> administrative meeting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Kimberly A. Curry', with a stylized flourish at the end.

Kimberly A. Curry

KAC:jdb

Attachments

cc: Paula Carmody, Office of People's Counsel

# **ATTACHMENT 1**

**RELINED COPY**

## Schedule 1

### Discount Rate for Purchase of Supplier Receivables

The Discount Rate for Purchase of Supplier Receivables (Discount Rate) recovers prudently incurred costs arising from the purchase of Supplier Receivables as part of BGE's Gas Choice Programs. The Discount Rate is re-calculated each year and is effective for the 12 months beginning with the purchase of supplier receivables in February of the following year pending Commission approval. The Discount Rate will consist of charges based on estimated data for the current November through October period and a reconciliation of estimated and actual data from the prior November through October period (the "Reconciliation Component").

#### A. Eligible Costs

1. Uncollectible Expense Component: These costs include all uncollectible expenses associated with BGE's obligation to purchase supplier receivables.
2. Program Development Cost Component: These costs include, but are not limited to the programming, testing and other information technology costs directly associated with COMAR 20.59.
23. Operation Cost Component: These costs include, but are not limited to the credit and collection function and other operational costs directly associated with COMAR 20.59.
34. Risk Component: This component will be paid to the Company for retention by their shareholders to compensate them for the risk associated with the purchase of supplier receivables.

#### B. Calculation of Discount Rate

1. The initial (unadjusted) Discount Rate for Residential Service Customers served under Schedule D of the Gas Service Tariff and General Service Customers served under Schedule C of the Gas Service Tariff, excluding Daily Metered customers, is calculated as follows:
  - a) The Uncollectible Expense Component percent will be calculated by dividing the estimated gas commodity uncollectible expenses associated with Residential Service and General Service Customers by the estimated gas commodity revenues respective to each of those rate schedules.
  - b) The Program Development Cost Component percent will be calculated by amortizing the estimated programming, testing and other information technology costs directly associated with COMAR 20.59 over three years, applying its most recent authorized rate of return to the unamortized balance. BGE will divide the amount to be recovered in each of the three years by the estimated electricity supply revenues billed for all Gas Suppliers in each of those years.
  - bc) The Operation Cost Component percent will be calculated by dividing the estimated Gas Supplier credit and collection expenses and other operational costs directly associated with COMAR 20.59 by the estimated gas commodity revenues billed for all Gas Suppliers.
  - ed) The Risk Component percent will be computed as 20% of the Uncollectible Expense Component, not to exceed 0.25%.
  - de) The initial Discount Rate is derived by adding the Uncollectible Expense Component (a), the Program Development Cost Component (b), the Operation Cost Component (bc)-and the Risk

Component (~~ed~~).

2. The Reconciliation Component is calculated on the Imbalance for each rate schedule. Imbalances are recorded in a balancing segment regulatory asset or regulatory liability and represent the differences between cumulative costs eligible for recovery and discount amounts for purchased receivables. During its disposition, an Imbalance earns interest at the Company's most recent authorized gas system rate of return. Such rate is adjusted for taxes, when the Imbalance represents an under-collection of costs to the Company. The Reconciliation Component rate is calculated by dividing the Imbalance, including interest earned or owed, for each rate schedule by the estimated gas commodity revenues billed for all Gas Suppliers for that rate schedule.
  
3. The final Discount Rate is derived by adding up the initial rate calculated in B.1 above to the true-up rate calculated in B.2 above.

The Discount Rate is as follows:

<u>Rate Schedule</u>	<u>Discount Rate</u>
Residential – Schedule D	2. <del>38</del> <u>62</u> %
General Service – Schedule C	<del>0.85</del> <u>1.09</u> %

BGE will file the calculation of the Discount Rate with the PSC by December 31 of each year with the revised percents to be effective with the purchase of receivables beginning in February of the following year pending Commission approval.

**CLEAN COPY**

## **Schedule 1**

### **Discount Rate for Purchase of Supplier Receivables**

The Discount Rate for Purchase of Supplier Receivables (Discount Rate) recovers prudently incurred costs arising from the purchase of Supplier Receivables as part of BGE's Gas Choice Programs. The Discount Rate is re-calculated each year and is effective for the 12 months beginning with the purchase of supplier receivables in February of the following year pending Commission approval. The Discount Rate will consist of charges based on estimated data for the current November through October period and a reconciliation of estimated and actual data from the prior November through October period (the "Reconciliation Component").

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  - c) The Operation Cost Component percent will be calculated by dividing the estimated Gas Supplier credit and collection expenses and other operational costs directly associated with COMAR 20.59 by the estimated gas commodity revenues billed for all Gas Suppliers.
  - d) The Risk Component percent will be computed as 20% of the Uncollectible Expense Component, not to exceed 0.25%.
  - e) The initial Discount Rate is derived by adding the Uncollectible Expense Component (a), the Program Development Cost Component (b), the Operation Cost Component (c) and the Risk

## Component (d).

2. The Reconciliation Component is calculated on the Imbalance for each rate schedule. Imbalances are recorded in a balancing segment regulatory asset or regulatory liability and represent the differences between cumulative costs eligible for recovery and discount amounts for purchased receivables. During its disposition, an Imbalance earns interest at the Company's most recent authorized gas system rate of return. Such rate is adjusted for taxes, when the Imbalance represents an under-collection of costs to the Company. The Reconciliation Component rate is calculated by dividing the Imbalance, including interest earned or owed, for each rate schedule by the estimated gas commodity revenues billed for all Gas Suppliers for that rate schedule.
3. The final Discount Rate is derived by adding up the initial rate calculated in B.1 above to the true-up rate calculated in B.2 above.

The Discount Rate is as follows:

<u>Rate Schedule</u>	<u>Discount Rate</u>
Residential – Schedule D	2.62%
General Service – Schedule C	1.09%

BGE will file the calculation of the Discount Rate with the PSC by December 31 of each year with the revised percents to be effective with the purchase of receivables beginning in February of the following year pending Commission approval.

## **ATTACHMENT 2**

**RELINED COPY**

**7.1.2 Customer Information.** Company responses to Supplier requests for Customer information will include the following information:

- i. Account Name;
- ii. ~~Billing-Service~~ Address;
- iii. Utility Account number;
- iv. Bill Cycle;
- v. Utility rate class or code; and
- vi. Monthly historical consumption for the previous 12 months.

**7.2 Procedure to Formalize Selection of Gas Supplier.** In order to initiate Supplier Gas Commodity Service, the Gas Supplier will obtain appropriate authorization, including that required by Section 11.1 of this Gas Supplier Tariff, from the Customer, or from the person authorized to act on the Customer's behalf, indicating the Customer's choice of the Gas Supplier in accordance with the rules and regulations of the Commission. The Gas Supplier must notify its Customers that by signing up for Supplier Gas Commodity Service with the Gas Supplier, the Customer is consenting to the disclosure by the Company to the Gas Supplier of certain basic information about the Customer. At a minimum, the notice shall inform the Customer that the following information will be disclosed: the Customer's Company account number, data about meter readings, rate class and usage, the Customer's name, and address(es), or as otherwise may be consistent with Commission rulings.

**7.2.1 Authorization Record.** It is the Gas Supplier's responsibility to maintain records of the Customer's authorization in the event of a dispute, in order to provide documented evidence of authorization to the Company or the Commission. The authorization shall include the Customer's acknowledgement that the Customer has received the notice as described in Section 7.1 of this Gas Supplier Tariff and has provided the written consent required by COMAR.

**7.2.2 Enrollment by a Gas Supplier.** The Gas Supplier shall provide an electronic file to the Company, containing information in accordance with this Gas Supplier Tariff or the procedures established by the Commission. Upon receipt of the electronic file from the Gas Supplier, the Company will confirm receipt of the file. Within one Business Day of receipt of the electronic file the Company will validate the records contained in the file, and will provide an electronic validation, including the reason for any rejections (e.g., invalid account number), and any information the Gas Supplier can use to identify rejected records

**7.2.3 Enrollment Processing by the Company.** The Company will process enrollment transactions in accordance with this Gas Supplier Tariff and applicable Commission rules and regulations. For the enrollment of DRS customers, the first enrollment transaction received will be effective on the first day of the next month. However, enrollment transactions received after the 16<sup>th</sup> workday of the current month shall take effect on the first day of the next subsequent month. All electronic transactions associated with enrollment processing must be performed in accordance with this Gas Supplier Tariff and BGE's electronic transactions protocol.

**7.2.4 Notification of Enrollment.** When a Gas Supplier enrolls a DRS customer, the Company and the Supplier will provide written notice of enrollment to the Customer entering into a service agreement with the Supplier. For non-residential customers, this notification will occur within one Business Day after the Supplier receives the Company's enrollment response.

**CLEAN COPY**

**7.1.2 Customer Information.** Company responses to Supplier requests for Customer information will include the following information:

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