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## PUBLIC SERVICE COMMISSION

**#7, 4/7/10 AM; ML#s 119760, 121041, 121846, 122369,  
122663 & 122860, RR-2435, RR-2409;  
RR-2435-S, RR- 2409-S**

June 10, 2010

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Dear Ms. Curry:

At its April 7, 2010 Administrative Meeting, the Public Service Commission (“Commission”) considered the revised tariff pages, additional information, and comments to Commission Technical Staff’s POR Discount Rate Proposal filed by Baltimore Gas and Electric (“Company”) on November 6, 2009, January 15, 2010, March 10, 2010, and April 6, 2010, respectively. The Company proposed to modify revisions to its Maryland Electricity Supplier Coordination Tariff (“Supplier Tariff”) as directed by the Commission’s October 7, 2009 Letter Order.<sup>1</sup>

The Commission’s Technical Staff (“Staff”) filed written comments on the proposed tariff revisions and recommended an alternate set of discount rates. Strategic Communications, LLC, MXenergy Electric Inc., and National Energy Marketers Association each filed comments concurring with Staff’s proposed discount rates.

In its comments, Washington Gas Energy Services (“WGES”) opined that the POR discount rates proposed in the Company’s January 15, 2010 filing “are unreasonably high and will not result in a workable POR program.” WGES urged the Commission to eliminate the requirement for a “risk factor” in the purchase of receivables (“POR”) discount rate and to revisit the inclusion of implementation costs in the discount rate. WGES suggested that an alternate mechanism should be established that would recover these costs from the entire customer base. Finally, WGES objected to the Company’s proposed transition plan by which all supplier receivables set up prior to the implementation date will continue to follow the current payment

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<sup>1</sup> The Company filed revisions to its Supplier Tariff in compliance with COMAR 20.53 on May 21, 2009. After consideration of these proposed revisions, the Commission accepted certain of the proposed tariff revisions in the Commission’s Letter Order of October 7, 2009.

hierarchy and charge-off rules, while supplier receivables set up after the implementation date will be purchased by the Company. WGES asserted that this plan will lead to customer confusion and disruption to its existing customers.

The Retail Energy Supply Association (“RESA”), in its comments, supported Staff’s revised POR discount rates, but objected to one provision of the tariff revisions (Section 12.1, Billing Services Selection and Change). RESA asked the Commission to reject the proposed language which would require suppliers to elect “all-in” or “all-out” by rate class when electing a billing option. RESA argued that it is the customer that selects the billing option per the Commission’s prior decisions, and that the Company’s attempt to require an “all-in, all-out” election by the supplier is a collateral attack on the Commission’s decisions. RESA asked the Commission to strike this provision from the tariff revisions.

In its April 6, 2010 filing responding to Staff’s written comments on the matter, the Company opposed Staff’s cash working capital adjustment to the Company’s proposed POR discount rate, the inclusion of late payment revenues in the discount rate, and the recommendation to set the risk factor at zero. The Company, however, did not oppose Staff’s proposal for a two-year recovery of the programming costs through 2009 or Staff’s recommendation to allocate costs between customer classes based on the Company’s 1997 cost of service study rather than evenly across all classes. The Company noted that Staff’s table on page 4 of its comments allocated only 98.66% of the programming costs among the four rate classes.

The Commission heard from the Company, Staff, WGES, RESA, and MXenergy at the Administrative Meeting and took the matter under advisement. On April 22, 2010, Staff supplemented its initial written comments and revised the Cash Working Capital (“CWC”) component of its calculations to address the concerns raised by the Company in its comments and allocated 100% of the programming costs in response to the Company’s written comments. In its supplemental comments, Staff recommended the following POR discount rates:

Service Type	Uncollectible Component (Net Write-offs)	CWC Adjustment	Programming Costs	Total POR Discount Rate
Residential	0.3821%	0.0977%	0.1471%	<b>0.6269%</b>
Type I	0.3463%	-0.0444%	0.0281%	<b>0.3301%</b>
Type II	0.1916%	-0.0444%	0.0328%	<b>0.1800%</b>
HPS	0.0483%	-0.0444%	0.0091%	<b>0.0131%</b>

On April 28, 2010, the Commission provided the Staff’s supplemental comments to the Company, Office of People’s Counsel (“OPC”) and other interested persons, and offered each the opportunity to respond to the comments by April 30, 2010. The Company and OPC each filed comments by April 30, 2010.

In the Company's response to Staff's supplemental comments, the Company again disagreed with Staff's CWC adjustment. It argued that Staff, in computing its lag days, used a month that reflected quicker than usual payment days for commercial and industrial customers than other months in 2009. The Company asserted that the 2009 full year weighted lag days are the appropriate values to calculate the CWC adjustment. Additionally, the Company reiterated its objections to Staff's proposal to include late fee revenue as an offset to uncollectible expense and Staff's recommendation to set the risk factor to zero.

OPC's comments noted OPC's further support for the revised discount rates developed by Staff.

After further deliberations, the Commission approves the POR discount rate as follows:

Service Type	Uncollectible Component (Net Write-offs)	CWC Adjustment	Programming Costs	Total POR Discount Rate
Residential	0.3821%	0.0977%	0.1451%	<b>0.6249%</b>
Type I	0.3463%	-0.0066%	0.0277%	<b>0.3674%</b>
Type II	0.1916%	-0.0066%	0.0323%	<b>0.2173%</b>
HPS	0.0483%	-0.0066%	0.0090%	<b>0.0507%</b>

The Commission accepts Staff's method of calculating the CWC adjustment using the July 2009 data, but has made a minor revision to this adjustment from Staff's proposed CWC adjustment in its supplemental comments. The Commission finds that the Company has the opportunity to track this component, and if the data reflects that further revision is necessary the Company can provide the updated data and ask the Commission to consider revising this component of the POR discount rate.

Further, the Commission agrees with Staff that the Company has not identified any additional or incremental collections costs that will be incurred as a result of the POR program. Further, Staff has identified two provisions in the Company's tariff which Staff finds removes the Company's risk of cost recovery from the POR program.<sup>2</sup> Finally, Staff submits that the Company may require security deposits from customers, which reduce the risk of cost recovery from the POR program to the Company. Although the Commission in its October 7, 2009 Letter Order to the Company indicated that a risk component could be included in the POR discount rate, the Commission finds that the Company has failed to adequately support the need for the

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<sup>2</sup> Staff first refers to Schedule 3.B.2 that contains the Company's proposed Reconciliation Component to be calculated on the imbalance between costs and revenues by class for the POR program. The provision allows an annual true-up of program costs with interest, and would permit the Company to correct under- or over-collection from the POR program in subsequent years. The second provision is in Schedule 3.B.3 which allows the Company to impose a charge on suppliers if the POR program is not used enough by suppliers. Under this provision, the Company would be required to make a filing with the Commission with the specific charges to be imposed and cost support and obtain the Commission's approval prior to proceeding with collection of such charges from the suppliers.

risk factor it has requested. Accordingly, the Commission accepts Staff's recommendation and sets the risk factor at zero, and excludes it from the approved POR discount rates.

The Commission accepts Staff's calculations of the Uncollectible Costs, using the late fees to offset those costs. The Commission expects that for future years, in connection with its annual recalculation and reconciliation of POR discount rates, the Company will calculate the uncollectible cost component based upon its actual POR uncollectibles experience, and that it will provide documentation and worksheets sufficient to support its calculations. Further, the Commission directs the Company to track any late fees that are assessed and collected on consolidated bills and to disclose that data when it files its next annual POR discount rates proposal for consideration by the Commission.

The Company is directed to remove the language in Section 12.1 that requires a supplier to elect an "all in, all out" billing option for a rate class. As the Commission has determined, the option of the type of billing is that of the customer. Consequently, the supplier may not make a generic selection for a class of customers. Further, the Company is directed to revise Schedule 3 to the Electric Supplier P.S.C. Md. – E-6 to reflect the decisions made by the Commission in this Letter Order, including but not limited to, revising the POR discount rates and the manner in which they are calculated, eliminating the "Operation Cost Component" language, reflecting that the recovery of the Programming Costs will be amortized over two years rather than three, and setting the "Risk Component" at 0.00%.<sup>3</sup>

Finally, the Commission will not require the Company to purchase receivables prior to the date on which the purchase of receivables discount rate goes into effect; provided, however, the Company shall continue to bill any past due supplier balances outstanding as of the POR program effective date for a period of 90 days. Despite the suppliers' argument that its customers may be confused about these outstanding amounts due, the Commission concludes that the supplier was working with these customers previously to collect these amounts due, and there is no reason that the customer would be confused by the suppliers continued effort to collect these outstanding amounts. The Commission will not place the burden of these uncollectibles on the Company or its other ratepayers.

Except to the extent that the provisions in the Company's revised Schedule 3 to the Electricity Supplier Coordination Tariff (P.S.C. Md. – E-6) do not conform to the Commission's decisions herein and the rejection of the language in 12.1 as discussed herein, the Commission accepts the revised tariff pages filed on November 6, 2009, as amended by the Company's January 15, 2010 filing. By July 1, 2010, the Company is directed to file, an original and five (5)

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<sup>3</sup> The Commission notes that in the revisions to Section 12.5 of the Electric Supplier P.S.C. Md. – E6, on the fifth line there is a typographical error – "msut" rather than "must."

Kimberly A. Curry, Esq.

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“clean” copies of the accepted revised tariff as well as Schedule 3 to Electric Supplier P.S.C. Md. – E-6 which reflects the decisions by the Commission herein, eliminates the language in Section 12.1 which the Commission has rejected herein, and corrects any typographical errors, with an effective date of July 15, 2010.

By Direction of the Commission,

*/s/ Terry J. Romine*

Terry J. Romine  
Executive Secretary