

PUBLIC REDACTED VERSION

BEFORE THE MARYLAND PUBLIC SERVICE COMMISSION

CASE NO. 9208

IN THE MATTER OF

BALTIMORE GAS AND ELECTRIC COMPANY

FOR AUTHORIZATION TO DEPLOY A SMART GRID INITIATIVE AND

TO ESTABLISH A SURCHARGE MECHANISM

FOR THE RECOVERY OF COST

SUPPLEMENTAL DIRECT TESTIMONY OF J. RICHARD HORNBY

ON BEHALF OF THE

MARYLAND OFFICE OF PEOPLE'S COUNSEL

NOVEMBER 9, 2009

1 **Q. PLEASE STATE YOUR NAME, EMPLOYER, AND PRESENT POSITION.**

2 A. My name is James Richard Hornby. I am a Senior Consultant at Synapse Energy
3 Economics, Inc., 22 Pearl Street, Cambridge, MA 02139.

4 **Q. ARE YOU THE SAME J.RICHARD HORNBY WHO SUBMITTED PRE-FILED**
5 **DIRECT TESTIMONY IN THIS PROCEEDING?**

6 A. Yes.

7 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

8 A. The U.S. Department of Energy has selected the Smart Grid project proposed by
9 Baltimore Gas and Electric Company (“BGE” or “the Company”) for a \$200 million
10 grant under the American Recovery and Reinvestment Act (“ARRA”). In response to
11 OPC DR 6-1 the Company updated certain of its data responses to reflect that grant. It
12 provided those updated responses on November 4, 2009. Due to the limited time
13 available to prepare Supplemental Testimony to reflect those updated responses, it is
14 limited to updating the section of my Direct Testimony which describes the impact of the
15 Company’s proposed Smart Grid Charge (“SGC”) on the rates and bills of its residential
16 electric and gas customers.

17 **Q. HOW DOES THE SGC COMPARE IN MAGNITUDE TO CURRENT RIDERS**
18 **THAT ARE COLLECTING REVENUES TO FUND ENERGY EFFICIENCY**
19 **AND LOAD RESPONSE?**

20 A. Currently the Company is collecting an electric efficiency rider of \$0.00115 per kWh
21 from residential customers, and a demand response service rider of \$0.00064 per kWh
22 (BGE Electric Rate Riders 2 and 15). Those two riders total \$0.00179. If the value of
23 the proposed SGC in 2012 was expressed as a delivery charge, instead of a customer

1 charge, it would be **CONF XXX CONF**, still approximately **CONF XXX CONF** the
2 combined amount of Riders 2 and 15.

3 **Q. WILL THE PROPOSED SGC INCREASE THE BILLS OF RESIDENTIAL**
4 **CUSTOMERS?**

5 A. Yes. The proposed SGC will still increase the delivery service component of bills. It will
6 still increase the customer charges of residential electric and gas service. Those increased
7 customer charges will, in turn, still produce disproportionate increases in the bills of low
8 usage residential customers because the customer charge represents a significant portion
9 of their bills. Residential customers who take both electric service and gas service will
10 still see increases in the customer charges of both services – a double hit!

11 The Smart Grid Charge for residential electric tariffs is projected to start at **CONF XXX**
12 **CONF**¹ per meter per month in 2010 and increase to **CONF XXX CONF** per meter per
13 month in 2012. The Smart Grid Charge for residential gas tariffs is projected to start at
14 **CONF XXX CONF** per meter per month in 2010 and increase to **CONF XXX CONF**
15 per meter per month in 2014.

16 **Q. PLEASE ILLUSTRATE THE INCREASES IN BILLS THAT RESIDENTIAL**
17 **CUSTOMERS WILL EXPERIENCE DUE TO THE PROPOSED SGC.**

18 A. To illustrate the impacts of these increases I use values for 2012, the first year in which
19 the Company’s Initiative is projected to be operational and the year with one of the
20 highest projected SGC levels. In 2012 the annual bills for residential electric service
21 would increase by **CONF XXX CONF** while the annual bills for a combined residential
22 electric and gas service customer would increase by **CONF XXX CONF**. These bill
23 impacts result from the increases in the customer charge component of rates for

¹ Confidential attachment 1 to BGE response OPC 6 - 1.

1 residential electric and residential gas service in 2012, which range from **CONF XXX**
2 **CONF**. These bill and rate impacts are presented on pages 1 and 2 of Exhibit___ (JRH-
3 9).

4 **Q. WILL LOW USAGE RESIDENTIAL CUSTOMERS SEE HIGHER THAN**
5 **AVERAGE INCREASES IN THEIR BILLS?**

6 A. Yes. Because the SGC is applied as a customer charge it causes higher than average
7 percentage increases in the bills of low use residential electric and gas customers. For
8 example, to a residential customer with average usage, i.e., 946 kWh per month, the extra
9 **CONF XXX CONF** in customer charges in 2012 represents a **CONF XXX CONF**
10 increase in the annual bill. In contrast, that same extra **CONF XXX CONF** in customer
11 charges in 2012 would be a **CONF XXX CONF** bill increase for the approximately 10%
12 customers who use less than 220 kWh per month and a **CONF XXX CONF** increase for
13 the 30 percent of customers who use less than 530 kWh per month. (The bill distribution
14 information underlying this estimate is taken from a July 2009 analysis provided in
15 response to OPC DR 1-13).

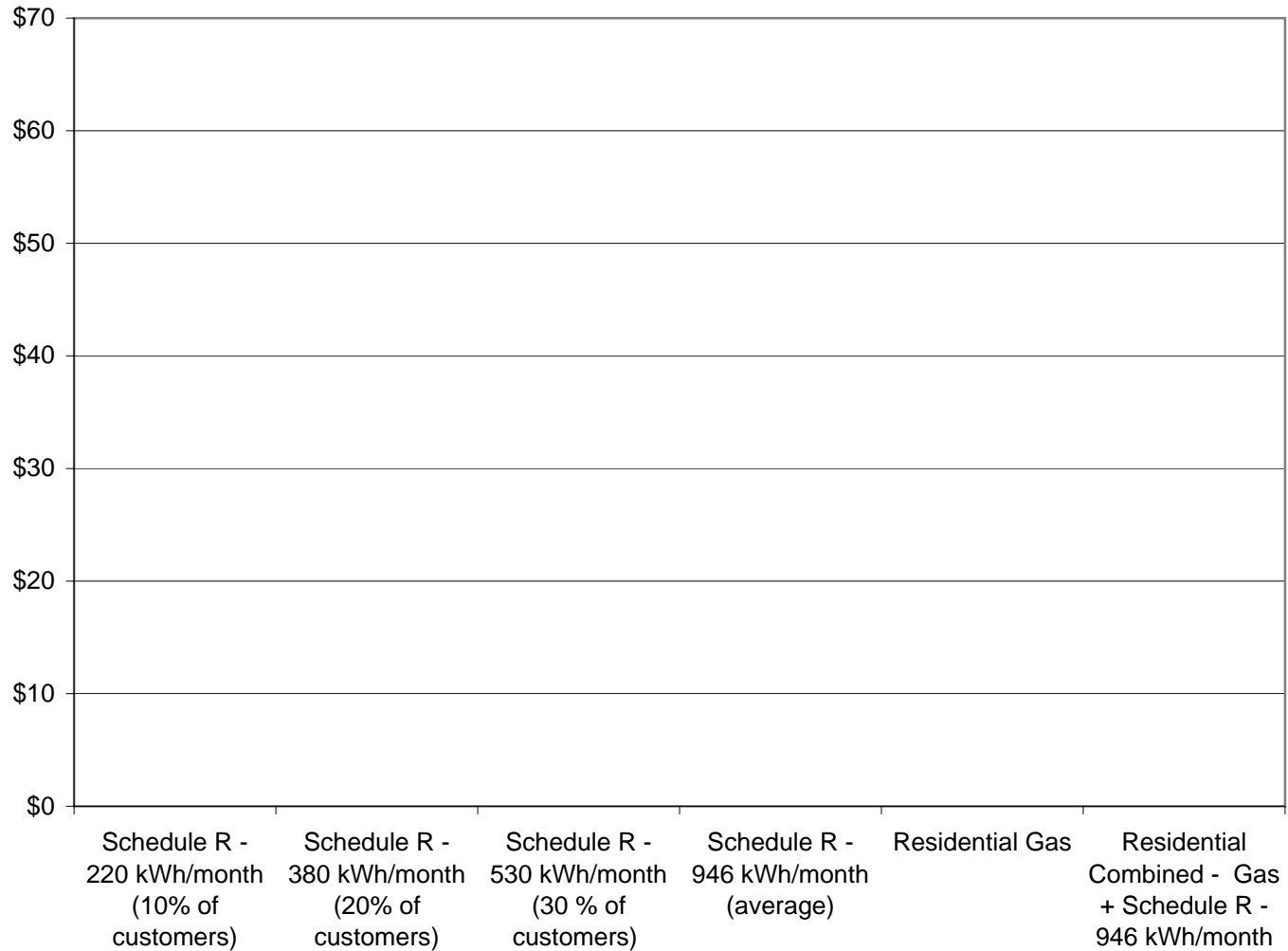
16 **Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING THE COMPANY'S**
17 **REVISED ESTIMATES OF ITS PROPOSED SGC?**

18 A. Yes. I'm quite surprised that the Company continues to label the SGC rates it is
19 proposing as confidential. I can understand that there may be reasons to keep the detailed
20 assumptions used to derive the SGC confidential, but not the proposed rates themselves.
21 Surely it is only fair that ratepayers be alerted to the increases in rates and bills that will
22 result from approval of the Company's proposals in this proceeding.

23 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

24 A. Yes.

**Impact after \$136 Million in ARRA Smart Grid Investment Grant -
Increase in Residential Annual Bills in 2012 from BGE Proposed Smart Grid Charge before
any offsetting savings from participation in PTR or Energy Conservation enabled by Initiative**



Impact after \$136 Million in ARRA Smart Grid Investment Grant			
Increase in Residential Annual Bills in 2012 from BGE Proposed Smart Grid Charge before any offsetting savings from participation in PTR or Energy Conservation enabled by Initiative			
Customer Charges (\$/month) - Residential Rate Schedules	EXISTING RATES	SGC Impact	
		\$/month	%
Residential Electric			
Schedule ES	\$6.00	Redacted	
Schedule R	\$7.50		
Schedule RL-1	\$12.00		
Schedule RL-2	\$12.00		
Residential Gas	\$13.00		
Schedule R + Gas	\$19.00		
Annual Bills of Residential Customers in 2012	Annual Bill at Existing rates	SGC Impact	
	\$/year	\$/year	%
Residential Electric			
Schedule R - 220 kWh/month (10% of customers)	\$494.54	Redacted	
Schedule R - 380 kWh/month (20% of customers)	\$762.84		
Schedule R - 530 kWh/month (30 % of customers)	\$1,014.37		
Schedule R - 946 kWh/month (average)	\$1,712.08		
Residential Gas	\$1,248.62		
Residential Combined - Gas + Schedule R - 946 kWh/month	\$2,960.71		
Source - Workbooks to Exhibit__(JRH-9)			