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FOR IMMEDIATE RELEASE

Maryland Public Service Commission Eliminates BSA 24-Hour Grace Period

Additional Burden Removed from Customers during Major Outages

(Baltimore, MD)—The Maryland Public Service Commission has ruled that, effective immediately, electric companies may no longer include sales lost during the first 24 hours of a major outage event in their Bill Stabilization Adjustment (BSA) calculations. Two separate Commission orders issued today revise the BSAs for Baltimore Gas and Electric Company, Delmarva Power and Light Company, Potomac Electric Power Company and the Southern Maryland Electric Cooperative.

This question arose in the aftermath of the June 29, 2012, derecho storm, which caused extensive property damage and lost power for more than a million Maryland citizens. In the days and weeks following the derecho, the Commission received numerous complaints and inquiries regarding the application of the BSA, a mechanism designed to support utility-based energy efficiency and demand response programs. BSAs adjust the volumetric component of distribution rates up or down slightly to credit to the customers any over-collections or to allow companies to collect any shortage. The Commission revised the BSAs in January 2012 to exclude most storm-related outages from the BSA calculations. In today's orders, the Commission went a step further, excluding from the BSAs all sales lost after major outage events, *including* the first 24 hours.

In today's orders (Nos. 85177 and 85178), the Commission based its decision on the very real financial and quality-of-life hardships customers already face during major outage events, such as spoiled food; lost business and employment income; hotel, meal and medical-related expenses; and costs for generators and fuel, home repairs and pet care.

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The Commission found "...that customers should not be further burdened by being required to compensate the Companies for revenue they would otherwise have collected had electricity been delivered." Moreover, the Commission found that the current BSA decoupling mechanism for the affected companies "...does not appropriately align their financial incentives with their reliability goals, nor does it align the eligibility for recovery with the original intent of the BSA" and that the incentives should be directionally aligned with reliability goals.

Also, the Commission concurred with the arguments of Montgomery County and the Office of People's Counsel in finding that during a major outage event, the effect of the current BSA policy is "demoralizing to customers, who perceive an intrinsic unfairness in paying for service they did not receive."

All four companies are directed to file with the Commission revised BSAs reflecting the provisions of the order. The updated BSAs will preclude the companies from including any sales lost from the beginning of a major outage event until full restoration. Both orders are available on the Commission's website, www.psc.state.md.us.

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