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June 23, 2010

Editor  
Baltimore Sun  
501 North Calvert Street  
Baltimore, Maryland 21278

**Re: Sun Editorial – PSC Decision on BGE Smart Meters**  
***“Letter intended for publication”***

In your June 22 editorial on the PSC’s denial of BGE’s smart meter application, you pose the question, “[w]hat did BGE want?” That says it all. The Sun simply repeats BGE’s own assertions regarding its proposal as a business venture, and fails to acknowledge the important ratepayer concerns at issue in this case. The long-term vision of a “smart” grid for the country is not at issue here. What is at issue is BGE’s specific smart meter proposal to spend almost one billion dollars paid by BGE’s customers, risk-free and at a profit to the company, to replace all existing electric and gas meters. These costs do not include future costs of upgrading BGE’s portion of the “grid” that you refer to. The testimony of OPC’s expert witnesses, which apparently was persuasive to the PSC, supports the PSC’s conclusions that BGE did not show that its proposal was cost effective or in the ratepayers’ interest.

The PSC decision is a good one for BGE’s residential consumers. As a consumer advocate participating in the smart grid discussion arena at the federal and state levels, I can tell you that consumers have been an afterthought in the smart grid discussions across the country. Only recently have consumer representatives been invited to the table, or recognized as having a legitimate voice in the policy discussions. At the state level, where policy is implemented, Maryland is one of the first states to actually engage in a thorough scrutiny of the proposals. The PSC decision is under discussion here and elsewhere – and that is a good thing. The decision addresses the core concerns of ratepayers, and finds BGE’s proposal deficient in several ways:

- BGE has demanded automatic, guaranteed cost-recovery via a surcharge on consumer bills to pay for the smart meter program, and places 100% of the financial risk on its ratepayers. This is wholly contrary to the way Maryland and other states have accounted for distribution system costs in utility rates.

Editor  
Baltimore Sun  
Page 2  
June 23, 2010

- The costs to ratepayers are significant, and not offset by the benefits. BGE itself estimated the total costs at \$835 million, and neglected to include over \$250 million in additional costs related to stranded electric and gas meters, billing system changes, and comprehensive education programs that would be a necessary adjunct to the meter installation. Most of BGE's offsetting benefits from the meters "may prove largely illusory," and depend on BGE's assumptions about the operation of PJM's capacity markets. The bottom line is that the numbers BGE put forward in this case, and continues to use, do not accurately, portray the costs and benefits of its proposal.
- BGE's proposal places the entire risk of "unproven and evolving technology" on its ratepayers, including cyber-security, inter-operability and privacy risks. Given the rapidly changing technology landscape and unanswered questions, these risks take the form of installing the wrong or rapidly obsolete meters and other technology, and exposure of residential consumers and household members to unauthorized release of data to vendors and marketers or through hacking. These issues only now are being vetted by numerous federal agencies.
- BGE wanted to put every residential electric and gas customer on a mandatory time-of-use price schedule, without allowing the consumer to decide if it is appropriate for the consumer's household. The Sun actually makes light of very real issues by referring to the PSC's sympathy towards arguments about the "elderly and poor."

Further, while the June 22 editorial suggests that smart meters could offer "average potential savings of \$100 per year," the reality is that BGE's customers currently have the opportunity to participate in demand response programs, such as BGE's PeakRewards<sup>SM</sup> A/C Program which provides up to \$200 in bill credits during the first year of participation. BGE's customers can also sign up today for energy efficiency programs, such as the Quick Home Energy Check-up.

OPC identified all of these problems with BGE's proposal, and I appreciate that the members of the Commission listened. This decision is not a rejection of the "smart grid vision" for the country; however, it does provide a good blueprint for clear-eyed assessments of the true costs and benefits of specific utility proposals and the consumer concerns that must be addressed before major technology changes are adopted and implemented. BGE's customers deserve no less.

Sincerely,

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