

# A Consumer's Guide To Summer 2025 Electric Rates

Many Marylanders can expect high electric bills this summer because of hot summer weather and rising utility delivery rates and other charges. This guide explains the basic components of customer electric bills, how customer consumption affects bills, and why bills are rising. It also gives suggestions for actions that customers can take to avoid the worst impacts and shares some of OPC's efforts to push back against escalating utility costs.

Maryland electric utility bills include several types of charges:

- delivery (or distribution) charges, including both a monthly fixed charge and a volumetric charge calculated based on how much electricity you use;
- supply (or commodity) charges, including volumetric energy and capacity charges;
- transmission service charges (included as part of "supply" on customer bills); and
- the EmPOWER surcharge, which supports energy efficiency programs.

Utility bills also include other smaller usage-based charges, such as local taxes and environmental charges, as well as a fixed monthly charge of 36 cents for the Electric Universal Service Program.

Table 1 provides a summary of these charges, for June 2025, for each of the major Maryland utilities. You can find more detail on each of these cost categories below and video tutorials on how to read your utility bill on <u>OPC's website</u>.

PJM Capacity Market Spike to Hit Most Customer Bills Later in the Year

OFFICE OF PEOPLE'S COUNSEL State of Maryland

The capacity market auction is designed to ensure the regional system reliably meets peak customer demand. Last summer's auction saw a massive jump in price over the previous year's auction due largely to problematic market rules, many of which have been fixed for future auctions.

Most Maryland customers will not see the capacity market increases on their bills until later this year.

BGE customers will pay for the increased costs over three months in the fall of 2025 and three months in the spring of 2026. Pepco and Delmarva Power customers will see the increases starting with their August bills, and Potomac Edison customers with their October bills. SMECO customers will see increases starting June 1. See below for more detail about these charges and what OPC is doing about them.

#### Table 1: Basic Composition of an Electric Utility Bill

Utility	Delivery		Supply**	Transmission	EmPOWER
	Fixed monthly	Usage-	based/volum	etric (per kilowatt hour c	harge)
Potomac Edison	\$6.00	2.3¢	9.8¢	0.4¢	1.0¢
SMECO	\$9.75	5.4¢	10.9¢	(included in supply cost)	1.1¢
BGE	\$9.65	5.0¢*	10.2¢	2.3¢	1.0¢
Delmarva Power	\$9.43	7.2¢	9.9¢	2.0¢	1.3¢
Рерсо	\$8.44	9.2¢*	10.4¢	2.0¢	1.4¢

Your utility bill also includes other smaller usage-based charges, such as local taxes and environmental charges, as well as a fixed monthly charge of 36 cents for the Electric Universal Service Program.

\*The rates in this Consumer Guide include rate increases from Pepco and BGE's requests for "reconciliation" as part of their multi-year rate plans. OPC has opposed the requests, which would slightly reduce these rates. The PSC has yet to issue rulings on the requests. Pepco has different rates for "summer" (June-October) and "winter" (November-May) months. The rate shown here is the current summer rate.

\*\*Supply costs are for customers on utility standard offer service.

Consumption—how much electricity a customer uses has big implications for monthly electric bills. The two largest bill components are delivery (or distribution) charges and supply (or commodity) charges. Customers are billed for these charges based on the number of kilowatt-hours (kWh) used.

Table 2 shows how much your utility bill changes depending on how much electricity—or how many kWh—you use in a month. See page 7 for "Tips to Lower Your Electric Bill."

#### With extreme temperatures, most customers use more energy.



Last summer saw record high temperatures, and the National Oceanic and Atmospheric Administration is predicting higher than normal temperatures again this summer.

Utility	Summer Monthly Bills Based on Consumption (in kilowatt hours)				
	500	1000	1500	2000	2500
Potomac Edison	\$73.46	\$140.92	\$208.38	\$275.84	\$343.30
SMECO	\$97.07	\$184.39	\$271.71	\$359.03	\$446.35
BGE	\$102.48	\$195.30	\$288.13	\$380.95	\$473.78
Delmarva Power	\$110.92	\$212.40	\$313.89	\$415.38	\$516.86
Рерсо	\$122.92	\$237.40	\$351.88	\$466.36	\$580.84

Table 2: Summer Monthly Bill Estimates



Delivery charges—also called distribution charges—are paid to your utility for the local distribution system, including all the capital infrastructure—such as the substations, poles, wires, computer system, trucks and other equipment—and the utility's operations and maintenance costs and taxes.

Your local utility earns its profits from the delivery charges (monthly and usage-based) and through the transmission charge in the supply portion of your bill. Higher delivery charges generally mean that the utility earns higher profits.

As Tables 1 and 2 show, the delivery rates of Maryland's electric utilities vary greatly. While the utilities' geographically different service territories may explain some of their rate differences, the pace of their rate hikes has varied significantly and is less affected by geographic factors.

In June 2024, OPC <u>released a report</u> on utility delivery rates that explained the factors driving rate increases—primarily high levels of capital spending encouraged by policies providing utilities with accelerated cost recovery. The Exelon utilities, in particular, have taken advantage of these policies, which has caused their rates to increase much faster than the State's other major utilities.

Over 2010-2024, the electric delivery rates of Exelon utilities Pepco and Delmarva Power more

The profits of investor-owned utilities (all those listed except SMECO) are directly tied to their spending on capital assets such as substations, computer systems, poles, and wires. Utilities finance the spending and collect the costs—plus profit—from customers over many decades. The more money they spend on capital assets, the more profit they earn. Because utilities profit by spending more, utilities have a powerful profit motive to identify more projects and spend more on projects if they are confident in persuading regulators that the spending is needed.

than doubled, rising much higher than the rate of inflation, from 2.6 cents/kWh to 6.2 cents/kWh and from 3.2 cents/kWh to 7.0 cents/kWh respectively. BGE's electric delivery rates also have increased at a fast pace, though not as fast as its sister Exelon utilities or as its gas delivery rates.

In contrast, the rates for Potomac Edison, which is not owned by Exelon, have risen with inflation, rising by less than one cent, from 1.7 cents in 2010 to 2.2 cents/kWh today.

Figure 1 and Table 3 show how delivery costs for distribution service have changed since 2010, with the increases for the Exelon utilities outpacing the other major utilities. About 80 percent of Maryland electric customers are served by Exelon utilities BGE, Pepco, and Delmarva Power.



Figure 1: Distribution Rate Increases Since 2010

Table 3: Distribution Rate Increases Since 2010

Utility	Fixed Monthly Charge		Distribution Rate (cents per kilowatt hour)		
	2010	2025	2010	2025	Yearly Average % Increase
Potomac Edison	\$5.00	\$6.00	1.7¢	2.3¢	2.1%
SMECO	\$8.60	\$9.75	2.9¢	5.4¢	4.3%
BGE	\$7.50	\$9.65	2.5¢	5.0¢	<b>4.9</b> %
Delmarva Power	\$6.00	\$9.43	3.2¢	7.2¢	5.8%
Рерсо	\$6.65	\$8.44	2.6¢	6.6¢*	6.4%

\*Pepco has different rates for "summer" (June-October) and "winter" (November-May) months. The rate shown here is a weighted average of the two rates.



The costs of the "energy" and "capacity" markets, plus transmission costs (discussed below), are the three principal components of wholesale electric costs borne by electric customers, with energy markets making up the largest portion of those costs. The regional transmission organization for all or part of 13 states—including Maryland—and the District of Columbia, PJM Interconnection, LLC, administers the energy and capacity markets and plans the transmission system. Transmission rates are regulated by the Federal Energy Regulatory Commission (FERC).

Utilities procure electricity supply—called standard offer service (SOS)—for customers that

do not sign up with a <u>retail supplier</u> (currently most all residential customers use SOS). While utilities earn a small administrative fee for SOS service, they do not earn profits at their usual rate of return, like they do on delivery charges. SOS electricity is procured through a bidding process in which electricity suppliers commit to supplying increments of the utility's projected energy needs. The Public Service Commission oversees four auctions over two years, with each auction supplying 25 percent of energy needs. The staggered procurements help reduce energy supply price volatility. OPC monitors the auctions and weighs in at FERC on wholesale market issues as appropriate to protect residential customers.

Figure 2: Average Supply Rate (including Transmission)



**Energy market.** The "energy" market is where suppliers procure the power that customers consume continuously over time. PJM runs day-ahead and real-time markets for suppliers to purchase energy for their customers. The Maryland utilities buy the energy their SOS customers need in advance, using four auctions over two years as described above. Buying energy in tranches, instead of all at once, is designed to protect customers from the price volatility in PJM's wholesale energy markets.

Capacity market. The "capacity" market, known also as the Base Residual Auction (BRA), is what PJM utilizes to procure promises of power supply in advance of the "delivery year" in which they will be used. The capacity market procurements ensure there will be adequate power during peak usage periods (ensuring "resource adequacy") in the PJM service territory. Retail suppliers and the local utilities providing SOS are charged for capacity by PJM and pass that cost on to customers as part of the supply rate. Auctions are usually held three years in advance of the delivery year. Due to recent changes in market design, among other factors, PJM held the most recent BRA in July 2024, for the delivery year starting June 1, 2025 (the BRA 25/26), with the auction held only about one year in advance of the beginning of the delivery year.

The capacity market auction last summer resulted in a more than 800 percent increase in system-wide prices relative to the prior auction—an unprecedented price spike.

As a result of the prices from this auction, beginning on June 1, 2025, utilities and retail suppliers across PJM will pay a total of \$14.7 billion for capacity, a jump from the \$2.2 billion the previous year. (These costs will hit most customers' bills later in the year. See the sidebar on page 1, above.)

As shown in a widely cited <u>OPC report</u> from last August, these surging prices are driven primarily by

- 1. increases in demand, driven largely by data centers,
- 2. various PJM market rule changes that, among other effects, modify how supply is valued in the capacity market, and
- 3. a reduction in capacity market supply due to plant retirements and retirement-related "reliability must-run" (RMR) arrangements.

OPC filed <u>a complaint</u> at FERC—later supported by <u>the PSC</u> and <u>over 80 legislators</u>—challenging the increase in capacity costs. FERC has yet to act on the complaint. If FERC grants the complaint, there could be partial refunds of the excessive capacity costs that would be credited to customers' bills in the future.

Table 4, based on <u>OPC's August 2024 report</u>, shows how the price impacts of the 2024 capacity market, absent further action by FERC, will impact Maryland residential electric customer bills.

Table 4: Maryland Bill Impacts of 2024 Capacity Market Auction

Utility*	The 2025/2026 Capacity Market's Bill Impact
	Additional Cost on Monthly Bills (\$)
Potomac Edison	\$18.00
BGE	\$16.00
Delmarva Power	\$4.00
Рерсо	\$14.00

\*SMECO is not included because it procures capacity through the PJM capacity market and through other arrangements.

In 2023, before last summer's auction, the capacity market comprised just 8 percent of wholesale electric power costs; with the 2024 auction, capacity market costs jumped to about 27 percent.



Transmission costs have been steadily rising across PJM—doubling over the past 10 years, as shown in Figure 3 below. These costs will continue to rise absent effective regulatory action to address projected massive load growth due to data centers, a regulatory gap that allows "local" transmission projects to avoid effective regulatory review, and high rates and incentive payments for transmission owners—all issues that OPC is litigating before federal regulators.

While Maryland's utilities sometimes claim that they do not benefit from the supply portion of customer bills, in fact, utilities do benefit from spending on the transmission system. Like distribution rates, transmission rates include a profit on capital spending. Higher capital spending means higher profits. Exelon projects in its <u>latest investor</u> <u>presentation</u> that across its six utility subsidiaries its transmission spending will double to \$3.475 billion in 2026, from \$1.450 billion in 2024. This spending increases Exelon's combined rate base for its utilities, which directly increases Exelon profits.

A substantial portion of Exelon's growth in transmission spending is attributable to BGE, whose transmission spending goes from \$375 million in 2024 to \$950 million in 2026. BGE's

spending is driven in part by the costs of the transmission solution—initially <u>challenged by</u> <u>OPC</u>—for the future retirements of the Brandon Shores and Wagner power plants near Baltimore—the costs of which recently more than doubled from their original costs to \$1.5 billion.

Maryland customer transmission costs are further driven by massive transmission expansion projects primarily due to data center load growth occurring outside Maryland, including a <u>\$5 billion expansion</u> federal regulators approved last year and another \$6 billion plan approved last month—both of which OPC argued <u>impose unfair costs</u> on Maryland customers.

The costs to customers from Exelon's and other transmission spending in PJM arrive in customer bills at different times and are paid for over decades. The costs to Maryland customers for the transmission work caused by the future Baltimore power plant retirements are not yet reflected in rates, while some of the costs for the regional projects are beginning to show up in transmission rates.

Transmission costs also include the costs Maryland customers—primarily BGE customers—



Figure 3: PJM Average Transmission Cost (\$/MWh)

Source: Monitoring Analytics, LLC

must pay for RMR payments to Talen Energy to keep Brandon Shores and Wagner available for reliability until BGE completes transmission system improvements that will meet the reliability needs the plants have been providing. Federal regulators recently approved a settlement—<u>over</u> <u>OPC's objections</u>—for annual payments to Talen of at least \$180 million while the plant remains in service. OPC has argued that a reasonable annual payment would be about \$80 million less. For the year starting June 2026, some of those payments could be credited back to customers,



**EmPOWER** is Maryland's utility-customer funded program to support energy efficiency, conservation, greenhouse gas reductions, and demand response. Demand response means reducing energy usage during periods of high demand, which reduces system costs. EmPOWER is funded through the EmPOWER surcharge on your energy bill. EmPOWER is administered by the State's largest utilities and the Department of Housing and Community Development (DHCD). The PSC oversees the EmPOWER program. By reducing system costs, these programs produce about \$2 in benefits for every dollar spent, saving Maryland utility customers billions of dollars since they began in 2008.

EmPOWER costs increased beginning in 2024 as part of the PSC's and the legislature's efforts, which OPC supported, to lower long-term program costs. For about 15 years, customers were paying for less than the full EmPOWER program costs each year, and paying the utilities a high return for outstanding unpaid program spending carried on the utilities' books. This practice was akin to continually paying interest on a credit card balance-profitable for the utilities but costly for customers. To pay off that balance, customers are paying a higher surcharge through 2026, after which customers will save money by not paying the interest. In 2024, the General Assembly passed a <u>bill</u> that also reduced the interest rate customers are paying on the balance, reducing the overall cost of paying down the unpaid program costs.

but the crediting mechanism is not in place for the first year of the RMR and will not reduce customer payments for RMRs this summer.

Effective June 1, 2025, rates for the transmission component of BGE's supply costs are increasing by 0.64 cents/kWh—most of which (0.52 cents) is attributable to the RMR costs. For a BGE customer using 1,000 kWh in a month, the RMR costs will be approximately \$5.20, but customers could see higher costs during summer months when consumption is higher for keeping homes cool.

### SUMMER BILL CREDITS COMING

As part of the <u>Next Generation</u> <u>Energy Act of 2025</u>, the General Assembly authorized the Governor to transfer funds from the Strategic Energy Investment Fund (SEIF) to provide bill credits to residential electric customers. The <u>budget bill</u> includes \$200 million for refunds. The PSC will determine how to distribute the credits, but customers are expected to receive on average about a \$40 credit to help pay their summer electric bill and another \$40 credit for their winter bill.

## **TIPS TO LOWER YOUR ELECTRIC BILL**

The best way to lower your electric bill is to reduce your consumption. OPC's website has a lot of helpful information, including tips that can help you to <u>start</u> <u>saving energy today</u>, information on <u>buying energy</u> <u>efficient appliances</u> for your home, programs for qualifying households to <u>help pay for weatherization</u>, and <u>EmPOWER program</u>s.

# **5 Myths about how Maryland "resource adequacy" affects your utility bill**

The concept of Maryland's "resource adequacy"—whether Maryland has enough electricity generation to "keep the lights on"—is frequently mentioned in discussions about high utility rates. Maryland has sufficient in-state generation and transmission capacity to meet the peak demands on its system. The forecasts of massive growth in electricity demand from data centers outside of Maryland, however, could impact all of the PJM states, including Maryland. Despite those forecasts of growth in demand being outside of Maryland, myths about Maryland's own resource adequacy—and how it affects your utility bill—persist. More information is available on <u>OPC's website</u>.

1	<b>MYTH:</b> Bills have gone up because Maryland doesn't have enough electricity to meet the demands on its system.	<b>TRUTH:</b> The biggest drivers of higher utility bills for Maryland customers are increasing distribution rates and extreme weather. Supply costs are volatile and can also contribute to higher bills. Recent supply cost increases are driven by inadequate transmission system planning and PJM's contrived market rules rather than any immediate reliability concerns. Maryland has sufficient in-state generation and transmission capacity to meet the peak demands of Maryland customers as long as PJM itself has sufficient capacity to meet regional demands.
2	<b>MYTH:</b> Your bill is higher because Maryland is a net importer of electricity.	<b>TRUTH:</b> Maryland customers benefit from being part of a diverse regional system. The State has imported a portion of its power needs for many decades because it is more economical, and most PJM states do the same. In fact, existing Maryland power plants could generate additional electricity in-State, but the costs would be greater than importing electricity.
3	<b>MYTH:</b> Maryland climate policy is causing Maryland power plants to shut down.	<b>TRUTH:</b> Maryland law does not prevent any type of power plant— including plants running on fossil fuels—from being built or operating in the State. Some power plants have closed—or, in the case of Brandon Shores, announced plans to close—primarily because of economics, not climate policy.
4	<b>MYTH:</b> Utilities don't benefit or profit from the supply portion of the utility bill.	<b>TRUTH:</b> Maryland's utility monopolies earn substantial revenues and profits from building and owning transmission infrastructure, which customers pay for through the supply portion of their bill. For example, Exelon—through BGE—is building most of the transmission to allow the Brandon Shores power plant to retire, at a cost that just doubled to more than \$1.5 billion, most of which will be paid for by BGE customers.
5	<b>MYTH:</b> Maryland needs energy infrastructure to meet its growing demand.	<b>TRUTH:</b> PJM's most recent 2025 forecasts show little growth in electric demand in Maryland over the next 20 years. Load growth projections caused by data centers outside of Maryland totals 32,671 MWs, but just 124 MWs in key Maryland zones (Delmarva, Pepco, and BGE). BGE's most recent forecast went down from the year before, and its peak demand projected for 2045 is less than the peak demand it met in 2011.