

FACTS THAT BG&E DOESN'T WANT YOU TO KNOW

By: Maryland Tax Education Foundation

- Utilities Always Want High Rates. As profit making entities responsible to their stock holders, electric utilities constantly search for reasons to jack up rates unfairly and to make excess profits. In 2005, a dozen utilities across the US used the pretext of higher oil and gas prices to seek huge rate increases. None were fully granted.
- BG&E Follows the Pack. With the increase in oil and natural gas prices, Baltimore Gas & Electric (BG&E) thinks it has found a “poster boy” for higher electricity rates. However, a cursory investigation of the company’s claims shows them to be misleading.
- BG&E Consistently Made Money During Rising Fuel Prices. Consider the following. In a period of rising oil and gas prices, BG&E’s earnings actually improved, rising from \$150 million in 2003 to \$176 million in 2005, according to the federal filings of Constellation Energy, BG&E’s parent company. Return on investment was a healthy 11%, and BG&E paid \$319 million in cash dividends to its parent over the three year period. Does this sound like a firm that needs a 72% rate increase to survive?
- Electricity Generating Costs (and Prices) Don’t Track Oil and Gas Prices Directly. Over the last 12 months, wholesale “off peak” electricity prices in the Pennsylvania, Jersey and Maryland grid showed, on average, no change, despite higher fuel prices. “On peak” prices rose 50% during the unusually hot summer months but then reverted to prior levels, according to Platts, the authoritative energy information firm. The fact that wholesale prices don’t follow oil and gas costs demonstrates that electricity values reflect many other items, such as coal and nuclear fuel prices, capital costs, and operating and maintenance expenses, as well as supply and demand dynamics.
- Reasonable Rate Increase Expectations. With all the changes in energy prices over the last 25 years, the average electric utility rate increase has been about 8% annually, according to the utility research department of Harris Nesbitt Securities. This number must be the goal of our elected officials. Anything more has to be seen as a capitulation to the moneyed interests at BG&E, Constellation and FPL, who seek to put a stranglehold on the everyday electricity consumer.

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