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News Release

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Baltimore Gas and Electric Company Requests Rehearing of Smart Grid Proposal

Company cites need for expeditious review by July 30 to preserve \$200 million federal stimulus grant

BALTIMORE, July 12, 2010 – Baltimore Gas and Electric Company (BGE) today announced it has filed an application for a rehearing of its amended smart grid proposal with the Maryland Public Service Commission (PSC). BGE’s proposal, which last October was selected by the U.S. Department of Energy (DOE) as one of only six nationwide to receive a maximum \$200 million stimulus grant, includes plans for the installation of 2 million smart meters and is expected to save BGE customers in excess of \$2.6 billion over 15 years, far exceeding project implementation costs. Today’s filing follows a June 21, 2010 order in which the PSC indicated it would consider a revised proposal should the company wish to pursue the project.

“Last month’s ruling by the Maryland PSC related to our smart grid proposal raised important questions and concerns,” said Kenneth W. DeFontes, president and chief executive officer of BGE. “While we are extremely disappointed by the ruling, we are not ready to give up on the promise of enhanced electric reliability and customer service, dramatic energy conservation, significant environmental benefits, achievement of the EmPOWER Maryland goal to reduce energy consumption by 15 percent by 2015, and more than \$2.6 billion in savings to our customers. We have presented an extremely compelling proposal that provides BGE customers with the tools and information they not only need, but will want, to better manage, conserve and save money on energy. In today’s filing, we address some misunderstandings about our proposal, respond to the PSC’s concerns, strengthen what was an already robust plan, and make every effort to retain a coveted \$200 million grant from the DOE, which would cut in half the overall costs of our smart grid project for BGE’s residential customers.”

The cost for smart grid – roughly 30 cents per month on average over the life of the project – is a small fraction of the expected customer savings of nearly \$100 per year. Additionally, BGE’s proposed method of cost recovery reduces customer charges by approximately \$160 million over the life of the project and significantly lessens the financial burden on customers relative to other alternatives. Regulators in many other states have already approved this method, known as a “tracker,” in smart grid cases across the nation as a means of satisfying both the utility company’s need to recover its very substantial investment with predictability, and the customers’ best interests of implementing smart grid at the lowest possible cost. BGE modified its original tracker proposal and has now proposed a hybrid approach that would give the PSC multiple opportunities to provide appropriate oversight to review the ongoing costs and benefits of BGE’s smart grid project, thereby avoiding future spikes in base rates associated with smart grid implementation.

The cost of implementing smart grid for BGE customers will also be reduced if the state takes advantage of a \$200 million federal stimulus grant – nearly half of the program’s initial costs. However, BGE customers will fail to benefit from this significant savings if the PSC does not act favorably on BGE’s smart grid proposal by July 30. Absent prompt reconsideration and approval by the PSC by this date, the DOE has indicated its intention to shift the \$200 million to another smart grid project with a more certain outcome.

“Unfortunately, the timing of the PSC’s June 21 order leaves precious little time for reconsideration on a schedule that would preserve the DOE grant and cut the costs paid by residential customers in half,” said DeFontes.

Consistent with testimony during hearings on the original proposal, BGE has withdrawn a mandatory time-of-use (TOU) rate structure. In today’s filing, BGE retains an optional TOU program that enables customers to pay lower rates for using energy during off-peak hours. Most importantly, all customers are automatically eligible to earn significant rebates from conserving energy during periods of peak demand.

BGE recognizes that consumer engagement and empowerment are critical to a successful smart grid project and has been working on this matter for a long time. BGE’s new filing provides a comprehensive customer-focused education and outreach plan. This plan is based upon lessons learned by utilities across the country, as well as BGE’s own successful smart grid pilot program. BGE customers reported well above 90 percent satisfaction in both years of the pilot, a strong indication that customers are eager to manage energy consumption to save money. On average, pilot participants saved more than \$100 a year.

In response to questions about the state of smart grid technology, BGE’s filing makes clear that to date, 26 utilities in 15 states have installed more than 16 million smart meters, a number projected to

double by the end of next year, collectively saving consumers billions of dollars in energy costs. These meters have performed at or above expectations and can be upgraded and adapted to newer technologies as they are introduced. Additionally, the National Institute of Standards and Technology, a federal government research laboratory, has expressed its confidence in smart grid's proven technology and believes a national approach to smart grid is crucial to further energy independence and reduce greenhouse gas emissions.

“Smart grid is the most promising solution to addressing far reaching global energy issues as well as the unique and personal concerns of the individual energy consumer,” said DeFontes. “It will enable customers to better manage their bills and achieve monthly savings, while allowing the company to improve service in a number of ways through this enhanced technology. It would be a great shame to see Maryland backslide from a leading position to one trailing behind many other states and nations in providing smart grid benefits to our customers.”

Failure to implement smart grid jeopardizes Maryland's ability to meet the O'Malley Administration's energy-efficiency goals under EmPOWER Maryland – a 15 percent reduction in energy usage by 2015. As a result, customers will be put in the position of having to pay for more expensive sources of energy to meet growing demand.

While BGE's original proposal was strong and customer focused, this new filing further clarifies the company's plans, addresses the issues the PSC raised in its June 21 order and represents a fair balance of risks and rewards for a project where 100 percent of the benefits in cost savings and convenience will go to BGE customers.

In addition to the significant energy management and energy savings benefits that smart grid affords BGE customers, the project also has an added economic benefit of providing an estimated 350 direct jobs and more than 1,300 indirect jobs.

“BGE has worked with great passion, enthusiasm and commitment over the past four years to get to the position today of being ready to offer our customers an extensive array of benefits resulting from the deployment of smart grid,” said DeFontes. “In submitting this application for reconsideration, we sincerely hope we have addressed enough of the PSC's questions and concerns to quickly move this project forward and preserve the very real and tangible benefits provided by the DOE grant, which will reduce by half the costs paid by BGE residential customers.”

BGE, www.bge.com, headquartered in Baltimore, is Maryland's largest gas and electric utility, delivering power to more than 1.2 million electric customers and more than 640,000 natural gas customers in Central Maryland. The company's approximately 3,000 employees are committed to the safe and reliable delivery of gas and electricity, as well as enhanced energy management, conservation, environmental stewardship and community assistance. BGE is a subsidiary of Constellation Energy,

www.constellation.com, a FORTUNE 500 company also headquartered in Baltimore, with subsidiaries that generate, sell and provide other energy-related services to customers throughout North America.

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