



An Exelon Company

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June 7, 2016

Via Electronic Filing

David J. Collins, Executive Secretary
Public Service Commission of Maryland
William Donald Schaefer Tower
6 Saint Paul Street, 16th Floor
Baltimore, Maryland 21202-6806

Re: Supplement 421 to Md. G-9: STRIDE Calculations to Reflect Implementation of Revised Gas Base Rates Pursuant to Errata Order No. 87591

Dear Mr. Collins:

In compliance with Errata Order No. 87591 in Case No. 9406 issued on June 3, 2016 and Order No. 86147 in Case No. 9331 issued on January 29, 2014, Baltimore Gas and Electric Company (“BGE”) files herewith Supplement 421 to Md. G-9 to become effective with service rendered on or after June 04, 2016. In Supplement 421, BGE is reducing the STRIDE surcharges under Rider 16 to reflect the implementation of revised gas base rates pursuant to Errata Order No. 87591.

Attachment 1 shows the calculation of the reduced 2016 STRIDE Revenue Requirement for investments not included in gas base rates.

Attachment 2 sets forth the calculation of the reduced 2016 STRIDE rates, which are based on the revenue requirement determined in Attachment 1. Attachment 2 also includes updated customer class allocation factors which reflect the class revenue requirements approved in Case No. 9406. Finally, the monthly surcharge caps have been updated as a result of Case No. 9406.

Attachment 3 includes both the “red-lined” and “clean” Rider 16 tariff pages reflecting the necessary revisions.

David J. Collins, Executive Secretary
June 7, 2016
Page 2

The Company will hand deliver an original and 17 copies by noon on the next business day in accordance with Commission guidelines for electronic filing. The Maillog number assigned to this filing will be indicated above for your reference.

Sincerely,

John C. Frain

JCF:meg

Attachments

cc: Service List in Case Nos. 9331 and 9406 (via e-mail)

**BALTIMORE GAS AND ELECTRIC
STRIDE REVENUE REQUIREMENT CALCULATION
TO REFLECT IMPLEMENTATION OF GAS BASE RATES PURSUANT TO ERRATA ORDER 87591**

Effective with service rendered on or after June 4, 2016

		Operation Pipeline	Main Replacement Program	Service Replacement Program	Total
<u>RATE BASE:</u>					
<u>Expenditures eligible for tax repair deduction:</u>					
<i>A</i>	Capital Expenditures Current Year	\$61.9	\$12.3	\$16.1	\$90.3
<i>B</i>	Capital Expenditures- Cumulative- Nov. 2016 Filing	\$104.4	\$27.9	\$38.5	\$170.8
<i>C</i>	Included in Base Rates	\$44.4	\$17.3	\$25.7	\$87.3
<i>D = (B - C)</i>	Capital Expenditures- Cumulative- Adjusted	\$60.0	\$10.6	\$12.8	\$83.5
<i>E</i>	Book Depreciation Rate	1.45%	1.45%	3.32%	
<i>F = ((A * E)/12*11.5/2) + ((D - A) * E)</i>	Depreciation Expense- Book	\$0.4	\$0.1	\$0.1	\$0.6
<i>G</i>	Depreciation Reserve- Book	-\$0.8	-\$0.2	-\$0.6	-\$1.6
<i>H = (D + G)</i>	Book Basis	\$59.2	\$10.5	\$12.3	\$81.9
<i>I</i>	Deferred Income Tax	-\$23.6	-\$4.1	-\$4.5	-\$32.3
<i>J = (H + I)</i>	Rate Base	\$35.6	\$6.3	\$7.7	\$49.7
<i>K</i>	Average Rate Base	\$30.2	\$7.8	\$10.3	\$48.3
<i>L</i>	ROR (After Tax)	6.44%	6.44%	6.44%	
<i>M = (K * L)</i>	Return on Rate Base	\$1.9	\$0.5	\$0.7	\$3.1
<i>N</i>	Conversion Factor	58.33%	58.33%	58.33%	
<i>O = (M / N)</i>	Initial Revenue Requirement	\$3.3	\$0.9	\$1.2	\$5.4

		Operation Pipeline	Main Replacement Program	Service Replacement Program	Total
<u>RATE BASE:</u>					
<u>Expenditures not eligible for tax repair deduction:</u>					
<i>P</i>	Capital Expenditures Current Year	\$15.5	\$3.1	\$4.0	\$22.6
<i>Q</i>	Capital Expenditures- Cumulative- Nov. 2016 Filing	\$26.2	\$7.0	\$9.6	\$42.8
<i>R</i>	Included in Base Rates	\$11.1	\$4.3	\$6.4	\$21.8
<i>S = (Q - R)</i>	Capital Expenditures- Cumulative- Adjusted	\$15.1	\$2.7	\$3.2	\$21.0
<i>T</i>	Book Depreciation Rate	1.45%	1.45%	3.32%	
<i>U = ((P * T)/12*11.5/2) + ((S - P) * T)</i>	Depreciation Expense- Book	\$0.1	\$0.0	\$0.0	\$0.1
<i>V</i>	Depreciation Reserve- Book	-\$0.3	\$0.0	-\$0.2	-\$0.5
<i>W = (S+ V)</i>	Book Basis	\$14.8	\$2.7	\$3.0	\$20.5
<i>X</i>	Deferred Income Tax	-\$0.7	-\$0.1	\$0.0	-\$0.9
<i>Y = (W + X)</i>	Rate Base	\$14.1	\$2.5	\$3.0	\$19.6
<i>Z</i>	Average Rate Base	\$11.9	\$3.1	\$4.1	\$19.1
<i>AA</i>	ROR (After Tax)	6.44%	6.44%	6.44%	
<i>AB = (Z * AA)</i>	Return on Rate Base	\$0.8	\$0.2	\$0.3	\$1.3
<i>AC</i>	Conversion Factor	58.33%	58.33%	58.33%	
<i>AD = AB / AC</i>	Initial Revenue Requirement	\$1.4	\$0.3	\$0.5	\$2.2
<u>COSTS TO RECOVER:</u>					
<i>AE</i>	Depreciation and Property Taxes	\$0.9	\$0.3	\$0.3	\$1.5
<u>REVENUE REQUIREMENTS:</u>					
<i>AF = (O + AD + AE)</i>	Revenue Requirement	\$5.6	\$1.5	\$2.0	\$9.1
Plus: True-Up at September 31, 2015					-\$0.9
Grand Total Revenue Requirement					<u>\$8.2</u>

**BALTIMORE GAS AND ELECTRIC COMPANY
STRIDE SURCHARGE CALCULATION
TO REFLECT IMPLEMENTATION OF GAS BASE RATES PURSUANT TO ERRATA ORDER NO. 87591
GAS RIDER 16**

Effective with service rendered on or after 06/04/2016

Total 2016 STRIDE Revenue Requirement	\$9,100,000 A	Attachment 1 Line AF
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	CN 9406 Rev Requirement^(a) B	Percent of Total Revenue Requirement C	Allocation of Revenue Requirement D=A*C	Imbalance True-up as of September 2015 (Credit)/Charge^(b) E	Total STRIDE Amount F=D+E	Forecasted Billing Determinants^(c) G	Uncapped Monthly Surcharge H=F/G	Monthly Surcharge Cap I=Q	2016 STRIDE Monthly Surcharge J=(Min of H,I)
Schedule D/GORR ⁽¹⁾	304,661,208	68.9%	\$ 6,268,282	\$ (627,515)	\$ 5,640,767	7,402,346	\$ 0.76	\$ 2.00	\$ 0.76
Schedule C	112,282,577	25.4%	2,310,169	\$ (228,743)	\$ 2,081,426	526,769	\$ 3.95	\$ 10.30	\$ 3.95
Schedule IS	23,142,807	5.2%	476,154	\$ (20,650)	\$ 455,504	1,193	\$ 381.81	\$ 951.09	\$ 381.81
Schedule ISS	2,206,385	0.5%	45,395	(1,781)	43,614	663	\$ 65.78	\$ 158.68	\$ 65.78
Total	442,292,977	100%	\$ 9,100,000	\$ (878,689)	\$ 8,221,311				

Calculation of Monthly Surcharge Cap

	CN 9406 Rev Requirement^(a) K	CN 9406 # of Bills^(d) L	CN 9406 # of Customers M=L/12	Rev Req per customer N=K/M	Rev Req per cust / Sch D Rev Req per cust O=N/(N for Sch D)	Schedule D Monthly Surcharge Cap^(e) P	Monthly Surcharge Cap Q=O*P
Schedule D/GORR ⁽¹⁾	\$ 304,661,208	7,362,093	613,508	\$ 496.59	1.00	\$ 2.00	\$ 2.00
Schedule C	\$ 112,282,577	527,046	43,921	\$ 2,556.47	5.15	\$ 2.00	\$ 10.30
Schedule IS	\$ 23,142,807	1,176	98	\$ 236,151.09	475.55	\$ 2.00	\$ 951.09
Schedule ISS	\$ 2,206,385	668	56	\$ 39,399.73	79.34	\$ 2.00	\$ 158.68
	\$ 442,292,977						

(a) Source: BGE Case No. 9406 Compliance Filing, Supplement 420
- Schedule D: Sheet G-3 Column 8, Line 3
- Schedule C: Sheet G-4 Column 8, Line 6
- Schedule IS: Sheet G-5 Column 6, Line 7
- Schedule ISS: Sheet G-6 Column 6, Line 7

(d) Source: BGE Case No. 9406 Compliance Filing, Supplement 420
- Schedule D: Sheet G-3 Column 1, Line 1
- Schedule C: Sheet G-4 Column 1, Line 1
- Schedule IS: Sheet G-5 Column 1, Line 1
- Schedule ISS: Sheet G-6 Column 1, Line 1

(b) ML# 177836 Exhibit D, Page 2

(c) Forecasted Billing Determinants for January-December 2016

(e) Source: Public Utilities Article § 4-210(d)(4)(i)(1), Md. Code Ann

(1) GORR = Grantors of Rights of Way

monthly charge is ~~\$10.30-\$10.14~~; for Schedule IS customers the maximum monthly charge is ~~\$951.09~~ ~~\$904.42~~; for Schedule ISS customers the maximum monthly charge is ~~\$158.68-\$144.59~~. The maximum monthly charge is capped based on the proportion of total non-residential base distribution per customer revenues to total residential base distribution per customer revenues, as determined in the most recently approved base rate case, multiplied by the \$2.00 residential monthly cap.

Eligible Costs

The revenue requirement for the STRIDE surcharge is based on eligible costs as defined in the STRIDE legislation, incurred by the Company associated solely with its STRIDE plan, and as approved by the Commission each year. They include the following categories:

- a) Depreciation and amortization,
- b) Earnings on the net investment as determined by applying the Company's most recent gas authorized rate of return, adjusted for taxes and bad debt expense, to the average investment balance net of deferred taxes, and
- c) Property and other applicable taxes.

True-up

An annual true-up will be conducted to include:

For each STRIDE surcharge, the Imbalance is the difference between the actual revenue requirement and the actual revenues collected through the STRIDE surcharges. The Imbalance will include the most current actual data available at the time of filing. The Imbalance is debited or credited against the costs eligible for recovery during the 12-month rate effective period. During its disposition, an Imbalance accrues a return at the Company's most recent Gas authorized rate of return. Such rate is adjusted for taxes, when the Imbalance represents an under-collection of costs to the Company.

Future Rate Proceedings

Upon a Commission Order in a gas distribution rate proceeding that occurs while the STRIDE plan is in effect, the STRIDE surcharges will be reset due to the following:

- a) The revenue requirement associated with the STRIDE surcharge will be reduced to remove the investments reflected in the new base rates,
- b) The revenue requirement for STRIDE costs that are not included in the new base rates is updated to reflect the new rate of return approved in the new rate case,
- c) The percentages used to allocate the STRIDE revenue requirement to residential and non-residential customers are updated to reflect the new base distribution revenues authorized, and
- d) The Schedule C, IS and ISS caps are reset by calculating the new base distribution per customer revenues as a proportion to the new residential base distribution per customer revenues, and then multiplied by the \$2.00 residential monthly cap.

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