

Answering some common questions about the BGE rate increase

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The bulk of the long-heralded BGE rate increase takes effect today. But even Baltimore Gas and Electric Co. employees are probably having a hard time remembering what's going on. As The Sun has been reporting, electricity prices for the typical BGE home will go up by about 50 percent today.

Are prices rising 50 percent after they already rose 72 percent last year?

No. Last year's proposed 72 percent rise was limited by the General Assembly to 15 percent up front. (The difference was deferred and will be billed by BGE over 10 years.) This week's 50 percent increase comes on top of that 15 percent. These are rounded figures. The total increase is in the ballpark of 70 percent.

Is my total BGE bill going up 50 percent?

No. Just the electricity portion. If you're a BGE gas customer, that's a separate item. The 50 percent refers to the increase in your total, current electric bill, not just the "electric supply" portion that includes the cost of generation and cross-country transmission. The other major component of your electric bill is BGE's "distribution" charge for piping the juice across local wires. That has not changed. The increase in the electric-supply price alone is more than 50 percent.

Should I take BGE's new deferral plan, which would keep the increase less than 50 percent for seven months?

I don't see any reason to unless temporarily you can't afford an extra \$50 or \$100 a month on your electric bill. Under the plan, the full, 50 percent pop is delayed only until the end of the year. And then you have to start paying back the part you deferred. Even though the loan is interest-free, the payback period is less than two years, which will make your electric bills bigger than normal next year and in 2009. That's in contrast with last year's plan (which deferred the difference between a 15 percent increase and a 72 percent increase). That one will charge interest, but it gets paid back over 10 years, not two.

Deregulation was supposed to mean we could shop around for a rate lower than BGE's standard price. What are the alternatives?

Unfortunately, there aren't many right now. Because BGE locked up part of the next 12 months' supply when rates were lower last winter, competitors are having a hard time beating its "price to compare," which is 10.85 cents per kilowatt-hour, according to BGE's Web site. (That's an average over 12 months for generation and transmission, a blend of summer and winter prices. Distribution is another 2.37 cents.) For example,

Commerce Energy's (800-348-6496) 12-month price to compare these days is 12.7 cents, which would cost the typical household an extra \$20 a month.

What if I want to lock in for more than a year? Rates keep rising, and I'm afraid they'll go up again. I don't mind paying a premium to today's price if it buys me stability.

Washington Gas Energy Services (888-884-9437) offers a two- or three-year deal for 11.3 cents, which would cost a typical household \$6 a month more than the standard BGE product. (Add the 2.37-cent distribution charge to the 11.3-cent price to compare to get your total rate.) Commerce Energy has a two-year product for 12.9 cents. On the other hand, if you're willing to take some risk, some companies offer floating rates. Commerce Energy's starting variable rate is 11.7 cents. That's even more than BGE's summer rate of 11.387 cents. But this will change from month to month, and it should decline in October. BGE's nonsummer rate, beginning in October, will be 10.53 cents.

I don't want to patronize traditional electricity generation, which emits pollutants and carbon dioxide. What are my alternatives for buying green energy?

You'll pay more, but green alternatives exist. For example, you can buy one or two years' worth of 100 percent wind-powered electricity from Washington Gas Energy Services for 13.7 cents a kilowatt-hour. Commerce Energy's 100 percent wind price is 13.8 cents 12 months. Pepco Energy Services' (703-253-1800) 100 percent wind deal is 13.79 cents for nine months.

Will rates ever come back down?

Not to where they were before July last year. All energy prices have risen. Thanks to deregulation, BGE's former lower-cost coal and nuclear generation plants have been taken over by its parent, Constellation Energy, which can charge what the market bears. But one thing that seems to be temporarily driving up all energy prices now is the fear of another Hurricane Katrina, which disrupted deliveries of oil and natural gas for months. If we get through this hurricane season without a major Gulf Coast storm, electricity prices might dip in October and present new opportunities for shopping.

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BGE customers who want to defer the rate increase can do so online at www.bge.com or by calling 888-234-0505. They have until June 30.