

BGE Case 9888: Defending Reliability While Addressing Affordability

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Topic: Customer Strategy, Operations Strategy, Capital Allocation

Industry: Electric Utilities

Source: Strategy & Finance

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Company: Exelon Corporation (Nasdaq: EXC) / Baltimore Gas and Electric Company (BGE)

Decision setting: Hypothetical adviser exercise concerning BGE's pending Maryland electric base-rate case

Information cutoff: July 30, 2026, end of day ET; cited written sources only

Version: Final v1 - 3 October 2026

A request, not an order

On July 30, 2026, Exelon's second-quarter filing listed a major Maryland proceeding for its subsidiary Baltimore Gas and Electric. BGE had submitted an application to adjust its electric base rates on July 2. It asked the Maryland Public Service Commission (PSC) to approve a \$156.1 million electric revenue deficiency, based on the 12 months ended March 31, 2026. The application proposed a 10.40% return on equity and a 7.68% overall return on investment. The Commission had initiated Case 9888 but had not decided the application. Exelon's filing forecast an approval in the first quarter of 2027; that was a company expectation, not a guaranteed date. [P1, p. 113; P3, slide 28; P5, pp. 1-2]

BGE's application was a request for permission to revise regulated distribution rates. It did not establish that the PSC would approve the requested revenue, return, or tariff terms. The July 6 initiating order suspended BGE's proposed tariff revisions for an initial 180 days from August 1. Discovery was to begin immediately for BGE, PSC Staff, and the Maryland Office of People's Counsel (OPC); petitions to intervene were due August 7, and a prehearing conference was set for August 11. Those were the order's initial procedural dates as of the case information cutoff. [P5, pp. 1-2]

Exelon's public materials positioned reliability, safety, and affordability as company priorities. BGE said its requested rates would fund safety and reliability investments and operating costs, cost of capital, and storm-event recovery. The task now is to make that case in a public proceeding where customers, OPC, PSC Staff, and the Commission can examine the request. The written record does not show that Exelon's board was debating whether to withdraw or change the filing. [P2, earnings-release highlights; P3, slide 28; P4]

What BGE put forward

The application used a historical test year: actual operations from April 1, 2025 through March 31, 2026, with adjustments for specified changes. The Q2 presentation summarized a proposed common-equity ratio of 52%, overall return of 7.68%, and adjusted rate base of \$6.055 billion. The requested 10.40% ROE is one component of the proposed return, not an achieved return. The PSC's July 6 order quoted BGE's testimony that the \$156.1 million deficiency was supported by the historical test year and proposed return assumptions. [P3, slide 28; P5, p. 1]

The request also included two distinct tariff proposals:

- **Storm Restoration Expense Rider:** BGE proposed an annual filing to recover or refund the difference between actual incremental storm-restoration operations and maintenance (O&M) expense and a normalized baseline included in rates. This could make storm costs more responsive to actual experience, but the proposal's effect would depend on how the baseline, eligible costs, review, and refunds were defined. [P3, slide 28]
- **BGE FlexPay:** BGE proposed voluntary prepaid electric service, allowing participating customers to pay in advance for usage. The presentation described greater control over energy expenses as the rationale; the application summary does not establish likely enrollment, customer savings, or effects on arrears. [P3, slide 28]

BGE's bill estimates require care. The July 6 order quoted the application as estimating that a full grant would increase total electric bills by 2.8% overall, with effects varying by rate schedule and customer. For a residential customer using 851 kWh per month, the application estimated roughly 4%, or about \$8 more per month. A later Exelon presentation reported a 4.36% increase in a residential customer's total bill. The public summary did not reconcile the 4.36% with the order's rounded 4% estimate or explain whether the assumptions, bill period, usage, or tariff basis differed. None is a realized bill effect. [P3, slide 28; P5, p. 1; P4]

The presentation also cautioned that the requested revenue requirement includes depreciation and amortization expense and other costs that have no pre-tax earnings impact. The \$156.1 million request should not be treated as an equivalent increase in BGE profit. [P3, slide 28, footnote 1]

The regulator's questions

The PSC's July 6 public release described its role as reaching a "just and reasonable" decision while safeguarding affordability. It noted that BGE's latest completed electric distribution case had been approved at a 9.5% ROE, below the 10.4% now requested. That earlier figure does not determine the result in Case 9888, but it shows that the requested return is subject to review. The PSC also said current rates would remain unchanged pending its decision. [P4]

For BGE, the challenge is evidentiary as well as financial. Which requested investments address a documented reliability or safety need? How should customers and regulators assess costs, timing, and alternatives? What safeguards should apply if storm costs differ from the normalized baseline? Which bill-impact estimates use comparable customer assumptions? The public summary materials do not provide a project-by-project cost and benefit schedule, outage baseline, customer-level bill distribution, affordability effects, or expected FlexPay participation. Those gaps are questions for discovery and testimony, not facts to fill with assumptions.

Your assignment

You are advising BGE's regulatory leadership after the July 30 written disclosures. Recommend a posture for the pending proceeding and explain what evidence, tariff changes, or customer protections should support it. The PSC decides the application; your recommendation concerns BGE's advocacy and possible negotiation strategy. The case is a hypothetical adviser exercise, not a report of a disclosed internal Exelon decision.

Consider three materially different approaches:

1. **Defend the filed package.** Maintain the request and make a detailed record showing why each material cost and proposed return is prudent and necessary. Specify how the company would substantiate reliability needs, customer impacts, and the storm rider's baseline and reconciliation rules.
2. **Narrow or phase the package.** Separate priority safety and reliability work from items that could be delayed or staged. Propose measurable service outcomes, milestones, or affordability protections alongside any modified timing or recovery. Identify what evidence would justify keeping, delaying, or revisiting each component.
3. **Seek a negotiated package.** Use the proceeding to explore a settlement that preserves supported priority investments while revisiting the timing or amount of recovery, storm-cost treatment, and customer protections. State what BGE could offer and what minimum reliability or safety commitments it would protect; do not assume other parties would accept the proposal.

For your recommendation, address the strongest argument against your preferred approach. Identify the internal and docket evidence needed to compare the options, including the information necessary to reconcile the residential bill estimates. Do not calculate an "optimal" rate increase from this summary or assume that the PSC will approve any proposal.

Exhibit 1. Case 9888: filed request and initial process

Item	Publicly reported term	Status at cutoff
Application submitted	July 2, 2026	Filed by BGE; entered as Case 9888
Revenue deficiency	\$156.1 million	BGE request, not approved
Test period	12 months ended March 31, 2026	Historical test year, with specified adjustments
Proposed ROE / overall return	10.40% / 7.68%	Applicant assumptions, not realized returns
Proposed common-equity ratio	52.00%	Applicant proposal
Adjusted proposed rate base	\$6.055 billion	Applicant presentation
Initial procedural schedule	Discovery immediately; intervene by Aug. 7; prehearing Aug. 11	July 6 order; later schedule changes excluded
Tariff treatment	Proposed revisions suspended for initial 180 days from Aug. 1	July 6 PSC order
Expected decision	Q1 2027	Exelon 10-Q forecast, not a guaranteed date

Sources: [P1], p. 113; [P3], slide 28; [P5], pp. 1-2.

Exhibit 2. Customer-bill estimates: keep the bases separate

Source statement	Scope and assumption	How to use it
2.8% overall increase if granted in full	Total electric bills overall; impact varies by rate schedule/customer	BGE estimate quoted in the July 6 PSC order
About 4% / \$8 more per month	Residential electric customer using 851 kWh monthly	BGE estimate quoted in the July 6 PSC order and summarized by PSC
4.36% total-bill increase	Residential customer; presentation does not reconcile it to the July 6 rounded estimate	BGE/Exelon presentation estimate

These are proposed-case estimates, not actual bill changes. Students should ask what bill period, usage, tariff, customer class, and adjustment assumptions explain the differences.

Sources: [P3], slide 28; [P5], p. 1; [P4].

Source notes

- **[P1]** Exelon Corporation, Q2 2026 Form 10-Q, SEC accession 0001109357-26-000080, accepted July 30, 2026, 1:24:08 p.m. ET. [SEC index](#). Note 2, printed p. 113.
- **[P2]** Exelon Corporation, Q2 2026 earnings release, July 30, 2026. [Issuer release](#).
- **[P3]** Exelon Corporation, Q2 2026 earnings presentation, Exhibit 99.2 to 8-K accession 0001109357-26-000077. [SEC exhibit](#). See slide 28 and footnote 1.
- **[P4]** Maryland Public Service Commission, “BGE Seeks \$156 Million Electric Rate Increase,” July 6, 2026. [PSC release](#).
- **[P5]** Maryland Public Service Commission, Order No. 92503, July 6, 2026. [Order PDF](#).

The information set closes July 30, 2026, end of day ET, and includes only cited written sources. The Exelon call was scheduled for 10:00 a.m. ET that day; oral remarks and any later transcript are excluded. No later testimony, settlement positions, or Commission order is included.