



**Howard County Citizens Association**

*Since 1961...*

*The Voice Of The People of Howard County*

**TESTIMONY OF  
THE HOWARD COUNTY CITIZENS ASSOCIATION**

**MD Public Service Commission Hearing on  
BG&E's Request to Increase Distribution Charges**

**Paul Verchinski, Member  
Board of Directors  
January 16, 2013**

**POSITION; OPPOSE THE PROPOSED INCREASES**

GOOD EVENING – MY NAME IS PAUL VERCHINSKI AND MY ADDRESS IS 5475 SLEEPING DOG LANE, COLUMBIA. MY GAS AND ELECTRIC UTILITY IS BGE. I AM TESTIFYING TONITE AS A REPRESENTATIVE OF THE HOWARD COUNTY CITIZEN'S ASSOCIATION (HCCA). HCCA IS A 51 YEAR OLD ORGANIZATION THAT IS THE VOICE OF THE PEOPLE OF HOWARD COUNTY. WE TESTIFY ON ISSUES THAT IMPACT THE PEOPLE OF HOWARD COUNTY INCLUDING THIS PROPOSAL BY BGE TO INCREASE THEIR DISTRIBUTION CHARGES FOR BOTH GAS AND ELECTRICITY. WE OPPOSE THIS INCREASE

MY TESTIMONY WILL HINGE AROUND A SIMILAR ISSUE THAT WAS FACED WHEN I WORKED AT THE FEDERAL TRANSIT ADMIN. OUR GRANTEES WANTED A BUS REPLACED AFTER 12 YEARS AND A HEAVY RAIL CAR AFTER 20. WE DID SOME ANALYSES THAT SHOWED THAT OUR GRANTEES WERE DEFERRING MAINTENANCE. WE PUT THE GRANTEES ON NOTICE THAT WE WOULD PAY FOR A MAJOR OVERHAUL AT 12 YEARS FOR BUSES AND 20 YEARS FOR RAIL CARS, BUT NOT FOR REPLACEMENT. A SIMILAR SITUATION EXISTS HERE. BGE IS SAYING THAT THEY NEED TO REPLACE DISTRIBUTION LINES, DISTRIBUTION COMPONENTS, AND SUB-STATIONS SINCE THEY ARE REACHING THEIR 40 TO 50 YEAR EXPECTED LIFE. THEY WANT TO BE PAID FOR DOING THIS AND MAKE A GUARANTEED PROFIT AS A MONOPOLY OF 8% ON TOP OF INCREASED DISTRIBUTION CHARGES. WHAT NEEDS TO BE ADDRESSED HERE IS THAT ALL THE UTILITIES HAVE NOT SET UP RESERVES (CALLED SINKING FUNDS) TO RECAPITALIZE THEIR SYSTEMS ON A STATED REPLACEMENT

SCHEDULE. WHAT APPEARS TO HAPPEN TODAY IS REPLACEMENT ONLY AT FAILURE. CAPITAL COSTS INCLUDED IN THE DISTRIBUTION CHARGES ARE DEPRECIATED OVER TIME WHICH HAS FED BGE'S BOTTOM LINE. HOWEVER, DEPRECIATION IS REAL AND FUNDS MUST BE SET ASIDE FOR CAPITAL REPLACEMENT. CURRENTLY UTILITIES SUCH AS BGE MAXIMIZE THEIR PROFITS FOR THEIR SHAREHOLDERS WITH LITTLE REGARD FOR RATEPAYERS WHO ARE VIEWED AS READY SOURCES OF CASH. WE ARE PARTICULARLY SENSITIVE TO BGE SINCE THE HOWARD COUNTY COUNCIL HAS STEPPED IN QUESTIONING THE RELIABILITY OF BGE'S DISTRIBUTION SYSTEM IN VARIOUS PARTS OF THE COUNTY. A COMPLAINT IS CURRENTLY MAKING ITS WAY THROUGH THE MD PUBLIC SERVICE COMMISSION. THAT PARTICULAR COMPLAINT IS DIRECT EVIDENCE OF BGE'S FAILURE TO MAINTAIN AND REPLACE ITS DISTRIBUTION GRID IN THE COUNTY TO MAINTAIN RELIABILITY AND SAFETY.

INQUIRING MINDS SHOULD ASK, NAMELY YOU THE MD PSC, WHAT IS THE STATUS OF THEIR REPLACEMENT SINKING FUND AND WHY SHOULD IT BE AUGMENTED BY INCREASED DISTRIBUTION CHARGES? WHAT AMOUNT OF REGULARLY SCHEDULED REPLACEMENT HAS BEEN DONE AS PART OF THE CURRENT DISTRIBUTION CHARGE ON AN ANNUAL BASIS AND WHAT MEASURES IS THE UTILITY USING TO MAINTAIN SAFETY AND RELIABILITY? DEFFERRING MAINTENANCE ALWAYS GOES RIGHT TO THE BOTTOM LINE ESPECIALLY WHEN FOLKS LIKE BGE EXPECT THE RATEPAYER TO PAY INSTEAD OF THEM. DON'T FORGET, BGE HAS COLLECTED DISTRIBUTION CHARGES FOR MORE YEARS THAN I HAVE BEEN ALIVE. ALL OF IT WAS SUPPOSED TO BE GOING TO MAINTAIN AND REPLACE THE BGE DISTRIBUTION GRID ON A REGULAR REPLACEMENT SCHEDULE.

TO SUMMARIZE, WE ARE AGAINST THIS INCREASE IN GAS AND ELECTRIC CHARGES SINCE BGE HAS FAILED TO EFFECTIVELY UTILIZE MONEY ALREADY PAID BY RATEPAYERS IN THE DISTRIBUTION CHARGES TO MAINTAIN RELIABILITY AND SAFETY IN HOWARD COUNTY.