

Before the Maryland Public Service Commission
Case No. 9610

Prepared Direct Testimony of
Chris Peterson

On Behalf of the
Energy Supplier Coalition

September 10, 2019

LIST OF ISSUES AND MAJOR CONCLUSIONS

BGE's analysis in computing the Administrative Adjustment component of the Administrative charge is flawed because it does not include costs related to SOS, which are currently embedded in distribution service.

BGE's proposed Administrative Adjustment of 1.00 mills for Residential, Type I, Type II and HPS does not include certain costs the Commission ordered to be placed in SOS costs in Order No. 87891.

UHY recalculated the Administrative Adjustment to include additional costs related to SOS. UHY's proposed Administrative Adjustment is 11.82 mills per kWh for Residential and 21.06 mills per kWh for Type I, Type II and HPS.

UHY has also provided an alternate computation to common size, or normalize, the Administrative Adjustment rate across all SOS customer classes. UHY's proposed Administrative Adjustment using the alternate computation is 13.89 Mills per kWh for Residential, Type I, Type II and HPS.

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1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.**

3 A. My name is Chris Peterson. My business address is 27725 Stansbury Blvd., Suite
4 200, Farmington Hills, MI 48334.

5 **Q. BY WHOM ARE YOU EMPLOYED, AND ON WHOSE BEHALF ARE**
6 **YOU TESTIFYING?**

7 A. I am a Principal of UHY Advisors MI, Inc. (“UHY”) and lead the Fraud and
8 Forensic Accounting Group out of the Michigan offices. I have worked at UHY, a
9 national accounting and consulting services firm, for more than twenty years. I
10 am submitting this testimony on behalf of the Energy Supplier Coalition
11 (“Coalition”). The Coalition is a group of competitive retail electric and natural
12 gas suppliers comprised of NRG Energy, Inc., Direct Energy Services, LLC,
13 Vistra Energy Corp. and Interstate Gas Supply, Inc. d/b/a IGS Energy.

14 **Q. IN WHAT AREAS DO YOU SPECIALIZE?**

15 A. I specialize in providing forensic accounting and expert witness services in both
16 the private and government sectors. I also have extensive experience with fraud
17 investigations, accounting matters, audits of financial statements, and other attest
18 engagements.

19 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

20 A. My professional experience includes the provision of forensic accounting and
21 expert witness services for litigation and alternate dispute resolution cases. I have
22 served as a court appointed forensic accountant and have conducted examinations
23 for asset misappropriations and fraudulent financial reporting. Other areas in

1 which I have professional experience include:(i) internal investigations involving
2 corruption and governance concerns; (ii) hidden asset discovery and
3 recovery/damage mitigation for victims of fraud; (iii) assessment of financial
4 internal controls; (iv) defense of professional malpractice claims for auditors and
5 accountants; and (v) defense of taxpayers in criminal investigations by the
6 Internal Revenue Service. Additional information about my professional
7 experience is included in UHY Exhibit CP10.

8 **Q. PLEASE DESCRIBE YOUR RECENT WORK IN THE GOVERNMENT**
9 **SECTOR.**

10 A. I led a team from UHY that was engaged by the State of Michigan to provide
11 accounting and financial reporting assistance to the Detroit Financial Review
12 Commission ("DFRC"). The DFRC was created by State statute to provide
13 financial oversight following the City of Detroit's exit from bankruptcy, which
14 was the largest municipal bankruptcy in United States history – in excess of \$18
15 billion. I served as a financial expert for the DFRC, and provided an analytical
16 cross-walk between the Emergency Manager's budget for 2015-2016 and budgets
17 prepared by the City of Detroit for 2016-2019. In addition, I have assisted the
18 General Retirement Systems of the City of Detroit with an internal investigation,
19 governance, and internal control structure enhancements in periods following the
20 City's bankruptcy. I have also performed a forensic accounting investigation of
21 certain expenditures by the former director of the Macomb County Public Works
22 Department, at the request of its current director, Candice Miller (the former U.S.
23 Representative for Michigan and former Michigan Secretary of State). A

1 corruption probe by the Federal Bureau of Investigation of the former director is
2 currently ongoing.

3 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

4 A. I graduated from Grand Valley State University, cum laude, with a Bachelor of
5 Arts degree in Accounting. I am also a licensed Certified Public Accountant in
6 Michigan. In addition, I am a Certified Fraud Examiner and Certified Internal
7 Auditor.

8 **Q. HAVE YOU EVER TESTIFIED BEFORE THE MARYLAND PUBLIC**
9 **SERVICE COMMISSION (“COMMISSION”)?**

10 A. No.

11 **Q. HAVE YOU EVER TESTIFIED BEFORE ANY OTHER UTILITY**
12 **REGULATORY AGENCY?**

13 A. Yes. I submitted direct and surrebuttal testimony in a proceeding before the
14 Pennsylvania Public Utility Commission (“PAPUC”) in 2018. The matter
15 involved PECO Energy Company, an affiliated entity of Baltimore Gas and
16 Electric Company (“BGE” or “Company”) through common ownership by
17 Exelon Corporation. My testimony addressed the allocation of indirect expenses
18 between Distribution service and Default service with respect to PECO’s 2018
19 Tariff – Electric. PAPUC v. PECO Energy Company, Docket No. R-2018-
20 3000164.

21 **Q. HAVE YOU PROVIDED TESTIMONY IN OTHER FORUMS?**

22 A. Yes. I have provided trial and deposition testimony in a number of proceedings
23 and jurisdictions, which are identified in UHY Exhibit CP11. My testimony as an

1 expert witness covers reports on fraud and forensic accounting examinations,
2 internal audit investigations, opinions on various cost allocation principles and
3 methodologies, accounting and auditing principles, and standards and practices.

4 **Q. PLEASE STATE GENERALLY WHAT FORMS THE BASIS OF YOUR**
5 **RECOMMENDATIONS IN THIS TESTIMONY.**

6 A. My recommendations are based on my review of BGE's Application for
7 Adjustments to Electric and Gas Base Rates and Other Tariff Revisions (Case No.
8 9610), filed May 24, 2019, and BGE's Company Recommended Electric
9 Distribution Cost of Service Study ("ECOSS") and supporting testimony, as well
10 as discovery responses provided by BGE. In addition, I have reviewed BGE's
11 filings made with the Federal Energy Regulatory Commission ("FERC") and
12 BGE's 2019 Cost Allocation and Transfer Pricing Manual ("CAM"). I have also
13 reviewed certain Commission Orders including Case No. 9064: Order No. 81102
14 – Standard Offer Service ("SOS"), Case No. 9221: Order No. 87891-SOS
15 Components and Administrative Charge, and Case No. 8950: Order No. 80265-
16 Gas Administrative Charge.

17 **Q. WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?**

18 A. In Case No. 9221, the Commission issued Order No. 87891 in which it concluded
19 that an "Administrative Charge is the appropriate method to allow recovery by
20 BGE of its 'variable, prudently incurred costs associated with the procurement or
21 production of electricity plus a reasonable return.'"¹ The Commission ordered the

¹ Order No. 87891, p. 25.

1 Administrative Charge to consist of five components, as follows: Incremental
2 Costs (actual SOS-related); Uncollectible Costs (actual SOS-related); Cash
3 Working Capital Revenue Requirement; a Return; and an Administrative
4 Adjustment component.² The Commission set the initial Administrative
5 Adjustment component at 0 mills/kWh, and ordered BGE to include computations
6 for the Administrative Adjustment based on the Company's cost of service study
7 in its next rate case.³ In this proceeding, BGE has presented its proposed
8 Administrative Adjustment, which is the subject matter of my testimony.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my testimony is to demonstrate that BGE's analysis in computing
11 its proposed Administrative Adjustment is flawed. My testimony will show that
12 BGE has not properly allocated costs related to SOS, which are currently
13 embedded in distribution service to the Administrative Adjustment component of
14 its Administrative Charge. My testimony will also show that the
15 recommendations I make with respect to increases to the Administrative
16 Adjustment are consistent with the concepts of the BGE's 2019 CAM, sound
17 financial accounting cost allocation methodologies, and best practices across a
18 wide variety of industries.

² *Id.*, pp. 25-26.

³ *Id.*, p. 26.

1 **Q. PLEASE SUMMARIZE YOUR FINDINGS.**

2 A. My testimony addresses BGE's proposed Administrative Adjustment of 1.00 Mill
3 per kilowatt hour ("kWh"), which equates to one-tenth of a cent, as a component
4 of the Administrative Charge for all SOS customer classes. The Administrative
5 Adjustment proposed for the residential class amounts to a cost adjustment of
6 \$9,564,533 from a total pool of administrative costs of \$43,860,239. Based upon
7 my review of BGE's presentation, I believe BGE's computation of only 1.00 Mill
8 per kWh for the Administrative Adjustment is significantly understated, and falls
9 far short of meeting the letter and the spirit of the Commission's Order.

10 BGE has omitted significant administrative and general expenses from its
11 computation of the Administrative Adjustment, including costs of corporate
12 governance, information technology ("IT"), human resources ("HR") and other
13 outside services. Similarly, BGE has failed to include costs related to customer
14 accounts, customer service and information, depreciation and amortization, and
15 allowed return on working capital. Additionally, BGE's allocation of
16 administrative costs to call center, regulatory, accounting and legal functions are
17 understated and lack support in the data that BGE has provided.

18 Due to BGE's omissions from the Administrative Adjustment and the
19 understatement of costs associated with certain functions that support SOS, I am
20 recommending that these errors be corrected. Through the correction of these
21 errors, I have arrived at cost adjustment for the residential class associated with

1 the SOS Administrative Adjustment of \$114,299,607. This information is
2 presented in UHY Exhibit CP2 and shown in Table CP1, below:

<i>in US Dollars</i>		Table CP1
	<u>Administrative Adjustment</u>	<u>Residential</u>
1	Billing System Amortization Expense	\$ 1,535,786
2	Billing System Unamortized Costs	1,112,920
3	Credit & Collections	3,422,086
4	Billing	1,350,648
5	Call Center	3,114,680
6	Regulatory	856,283
7	Accounting	12,773
8	Legal	965,950
9	Customer Accounts Expenses	16,681,814
10	Customer Service & Info Expenses	1,481,365
11	Administrative & General Expenses	39,737,534
12	Depreciation and Amortization	43,873,599
13	Allowed Return on Working Capital	154,170
14	Total Revenue Requirement	\$ 114,299,607
15	÷ MWH (2018 calendar year)	9,671,588
16	Mills per kWh	<u>11.82</u>

3
4 The result of my proposals is that BGE's Administrative Adjustment would be
5 increased to 11.82 Mills per kWh for the residential customer class and 21.06
6 Mills per kWh for the commercial and industrial classes. This information is
7 presented in UHY Exhibit CP3.

8 **II. BGE'S PROPOSED SOS ADMINISTRATIVE ADJUSTMENT**
9 **COMPONENT**

10 **Q. WHAT IS THE PURPOSE OF THE ADMINISTRATIVE ADJUSTMENT**
11 **COMPONENT?**

12 A. Mark D. Case, BGE's Vice President of Regulatory Policy and Strategy, provided
13 direct testimony addressing the Commission's directive to conduct a cost of

1 service study for the Administrative Adjustment. Mr. Case states: “The purpose
2 of the study is to set the Administrative Adjustment component of the SOS
3 Administrative Charge at a level to better align BGE’s total SOS price with the
4 electric supply market price, thus leveling the playing field between the Company
5 and alternative suppliers.”⁴ The Commission provided additional insight by
6 stating: “The Administrative Adjustment Component was meant to unbundle
7 those incremental costs for SOS that are weaved into BGE’s distribution rates
8 while also keeping the Company’s SOS prices competitive with retail energy
9 suppliers’ costs and prices.”⁵

10 **Q. HOW DOES BGE PROVIDE ITS COST OF SERVICE STUDY FOR THE**
11 **ADMINISTRATIVE ADJUSTMENT?**

12 A. Jason M. B. Manuel, BGE’s Revenue Policy Manager, also provided direct
13 testimony. A portion of Mr. Manuel’s testimony sponsors the Company’s
14 ECOSS. Mr. Manuel also discusses the cost of service study for BGE’s Electric
15 SOS Administrative Adjustment, as required by the Commission’s Order No.
16 87891, and includes computations for BGE’s proposed Administrative
17 Adjustment.

⁴ Direct Testimony of Mark V. Case, p. 15.

⁵ Order No. 87891, p. 22.

1 **Q. CAN YOU BRIEFLY EXPLAIN BGE’S APPROACH TO THE**
2 **ADMINISTRATIVE ADJUSTMENT COMPUTATIONS?**

3 A. Yes. Mr. Manuel’s testimony states “the Company then identified those types of
4 costs and cost centers that support SOS”⁶ but were not already functionalized (i.e.
5 included) in other components of the SOS Administrative Charge. Such costs and
6 cost centers were deemed non-incremental to SOS. Next, BGE “determined a
7 reasonable approach for functionalizing a portion of the non-incremental costs to
8 SOS and then allocating those costs by SOS customer class.”⁷

9 **Q. DO YOU HAVE AN OPINION ON THE REASONABLENESS OF BGE’S**
10 **ALLOCATION APPROACH?**

11 A. Yes. I think the approach that BGE used for allocating costs to the
12 Administrative Adjustment is reasonable. However, I believe that BGE’s actual
13 computation of the Administrative Adjustment is flawed.

14 **Q. PLEASE EXPLAIN YOUR OBSERVATION ABOUT BGE’S FLAWED**
15 **ANALYSIS.**

16 A. BGE identified certain “non-incremental” costs and cost centers as supporting
17 SOS which included: “billing (including the billing system), credit & collections,
18 customer call center, regulatory, accounting, and legal.”⁸ These non-incremental
19 costs are often referred to as “cost pools.”⁹ BGE’s identification of certain non-

⁶ Direct testimony of Jason M. B. Manuel, p. 30.

⁷ *Id.*, p. 31.

⁸ *Id.*

⁹ “Cost pools” is a term of art in accounting, often used in reference to a commonly used cost allocation approach called Activity-Based Costing (“ABC”). ABC will be discussed later in Part III of my testimony.

1 incremental costs for the Administrative Adjustment cost pool provides a good
2 starting point. However, BGE failed to consider other significant non-incremental
3 costs attributable to SOS in the computations.

4 **Q. COULD YOU PLEASE PROVIDE EXAMPLES OF COSTS THAT BGE**
5 **DID NOT CONSIDER?**

6 A. Yes. In Order No. 87891, the Commission stated the Administrative Adjustment
7 should “place into SOS costs – costs that retail suppliers bear and report on FERC
8 reporting forms – that are not fully represented by the incremental costs recovered
9 in the Administrative Charge, such as: cost of billing, marketing and
10 advertisement for customer acquisition; call center operations; product and price
11 formation; hedging supply commitment; electronic data information; PJM
12 membership fees; staffing for human resources; and policy and legal services.”¹⁰
13 Of this limited list of cost categories identified by the Commission, BGE’s
14 computation of the Administrative Adjustment only includes billing, call center
15 operations and legal services. It contains none of the other costs that the
16 Commission said should be allocated to SOS.

17 Moreover, the use of the term “such as” in the Commission’s order makes clear
18 its intent was not to provide a complete list of costs to be included in the
19 Administrative Adjustment. But rather, the Commission’s Order provides the
20 general directive that “The Administrative Adjustment Component was meant to

¹⁰ Order 87891, p. 22. (underline added)

1 unbundle those incremental costs for SOS that are weaved into BGE's distribution
2 rates while also keeping the Company's SOS prices competitive with retail energy
3 suppliers' costs and prices."¹¹ I will identify other costs in my testimony that
4 BGE should have also included in the Administrative Adjustment to reflect the
5 costs that it incurs to provide SOS.

6 **Q. WHAT IS THE ADMINISTRATIVE ADJUSTMENT PROPOSED BY**
7 **BGE?**

8 A. BGE proposes a 1.00 Mill per kWh Administrative Adjustment for all SOS
9 customer classes.¹² This equates to one-tenth of a cent. The SOS customer
10 classes are Residential, Type I, Type II, and Hourly-Priced Service, in accordance
11 with BGE's electric Rider 1 – SOS. The cost of service study for BGE's
12 proposed Administrative Adjustment is presented in Company Exhibit JMBM-7,
13 included in Mr. Manuel's testimony. It should be noted that the 1.00 Mill per
14 kWh Administrative Adjustment proposed by BGE has been rounded up from the
15 .99 Mills per kWh, as calculated in Company Exhibit JMBM-7. BGE's
16 computation of the Administrative Adjustment is presented in UHY Exhibit CP1,
17 and serves as the base computation.

¹¹ *Id.*

¹² Direct Testimony of Jason M. B. Manuel, p. 36.

1 **Q. WHAT DOES UHY EXHIBIT CP1 SHOW REGARDING BGE'S BASE**
2 **COMPUTATION?**

3 A. UHY Exhibit CP1 reflects BGE's proposed allocation of costs to the
4 Administrative Adjustment for the residential class is \$9,564,533 from a total cost
5 pool of \$43,860,239 in administrative costs for BGE's electric operating division.
6 It further shows that BGE used percent of commodity revenue for the allocation
7 of costs for Billing System Amortization Expense, Billing System Unamortized
8 Costs, Credit & Collections and Billing. BGE allocated Call Center costs on the
9 basis of a calculated number of calls. As to Regulatory, Accounting and Legal,
10 BGE allocated costs on the basis of hypothetical calculations of number of hours
11 spent on SOS. Also, of note from UHY Exhibit CP1, is the fact that the dollar
12 allocation to the Administrative Adjustment for Regulatory produces only .01
13 Mill per kWh in the Administrative Adjustment and the dollar allocations for
14 Accounting and Legal are so small as to have no effect on the Administrative
15 Adjustment, as shown in Table CP2 below:

<i>in mills per kWh</i>		Table CP2
	Administrative Adjustment per BGE	Residential
1	Billing System Amortization Expense	0.16
2	Billing System Unamortized Costs	0.12
3	Credit & Collections	0.35
4	Billing	0.14
5	Call Center	0.21
6	Regulatory	0.01
7	Accounting	0.00
8	Legal	0.00
9	Total Mills per kWh	0.99

1 **Q. DID BGE OFFER ANY EXPLANATION FOR ALLOCATING CERTAIN**
2 **COSTS ON THE BASIS OF A PERCENT OF REVENUES WHILE**
3 **PROPOSING TO ALLOCATE OTHER COSTS ON THE BASIS OF**
4 **ALTERNATIVE METHODS?**

5 A. No. As I previously mentioned, Mr. Manuel's testimony states that "the
6 Company determined a reasonable approach for functionalizing (*i.e. allocating*) a
7 portion of the non-incremental costs to SOS and then allocating those costs by
8 SOS customer class."¹³ However, Mr. Manuel did not explain the rationale for
9 determining what is or is not a reasonable allocation methodology.

10 **Q. DO YOU FIND BGE'S PERCENT OF COMMODITY REVENUE COST**
11 **ALLOCATION METHOD REASONABLE?**

12 A. Yes. I believe using an allocation methodology based on the percentage of
13 electric commodity revenue to total electric operating revenue (*i.e.* percent of
14 commodity revenue) is reasonable for the majority of the cost pools to be
15 allocated to the Administrative Adjustment.

16 **Q. WHAT ABOUT THE CALL CENTER COST ALLOCATION METHOD?**

17 A. BGE tracks the calls that are made to the call center by category, and it appears
18 that BGE has used that information to arrive at the allocation factor it used to
19 determine that only 17.6% of the costs associated with the call center are allocated
20 to the SOS Administrative Adjustment.¹⁴ While I will describe below an
21 alternative approach to calculating those calls, which results in a higher allocation

¹³ *Id.*, pp. 30-31.

¹⁴ See UHY Exhibit CP1, p.2, line 5.

1 to the Administrative Adjustment, I do not take issue with using the number of
2 calls as an allocator for call center costs since that data is available.

3 **Q. DO YOU FIND BGE’S ALLOCATION METHODS FOR REGULATORY**
4 **LEGAL AND ACCOUNTING REASONABLE?**

5 A. No. BGE has indicated in response to discovery that two employees work
6 exclusively for SOS.¹⁵ BGE did not specify the roles of the two employees, but
7 presumably the cost is already considered in the SOS rate. BGE also indicated in
8 a separate discovery response that “Certain other employees involved with SOS,
9 but also supporting other processes, direct charge their SOS-related time which is
10 included in the incremental cost component of the SOS Administrative Charge
11 and totaled approximately \$700,000 in 2018 (including labor and other fringe
12 benefits).¹⁶ BGE did not specify the tasks these employees perform for SOS, but
13 it contends that the costs associated with them are already addressed in the
14 Incremental Cost component of the Administrative Charge, separate from the
15 Administrative Adjustment. BGE’s discovery response also states “Other
16 employees supporting SOS indirectly do not track their time such that the cost
17 allocable to distribution versus SOS are readily available.”¹⁷ In the absence of
18 such tracking, I cannot accept the use of allocation methods based on the
19 calculation of a hypothetical number of hours to perform a limited number of
20 tasks. As I will further explain below, I recommend that BGE be required to use

¹⁵ BGE’s Discovery response ESCDR01-01.

¹⁶ BGE’s Discovery response ESCDR01-02.

¹⁷ *Id.*

1 the percent of commodity revenues for the regulatory and legal categories, which
2 is consistent with its allocations for billing, credit and collections. I'm unable to
3 recommend an alternative allocation method for accounting due to time
4 constraints and limited information, which I will also explain later in my
5 testimony.

6 **Q. WHAT IS YOUR OPINION WITH RESPECT TO BGE'S PROPOSED**
7 **ADMINISTRATIVE ADJUSTMENT?**

8 A. I believe BGE's computation of only 1.00 Mill per kWh for the Administrative
9 Adjustment is significantly understated, and falls far short of meeting the letter
10 and the spirit of the Commission's Order.

11 **III. COST ALLOCATION PRINCIPLES - UTILITY, BGE AND GENERAL**

12 **Q. IS THERE A NATIONAL STANDARD FOR COST ALLOCATIONS IN**
13 **THE ELECTRIC UTILITY INDUSTRY?**

14 A. Yes. The National Association of Regulatory Utility Commissions ("NARUC")
15 issued the "Electric Utility Cost Allocation Manual" ("CAM") in 1992. The
16 NARUC CAM provides the terminology and principles for cost allocation and
17 cost of service studies. NARUC also issued "Guidelines for Cost Allocations and
18 Affiliate Transactions" ("Guidelines").

19 **Q. ARE YOU FAMILIAR WITH THE GUIDANCE PROVIDED IN THE**
20 **NARUC CAM AND GUIDELINES?**

21 A. I have reviewed the information contained in the NARUC CAM and Guidelines.
22 However, Mr. Frank Lacey's direct testimony submitted on behalf of the
23 Coalition provides a detailed discussion of the NARUC CAM and Guidelines
24 from a historical and policy perspective.

1 **Q. ARE THERE OTHER COST ALLOCATION PRINCIPLES THAT BGE**
2 **SHOULD FOLLOW FOR PURPOSES OF THE ADMINISTRATIVE**
3 **ADJUSTMENT?**

4 A. The Code of Maryland Regulations (“COMAR”) contains affiliate regulations
5 that require all public utilities in Maryland, with core and non-core affiliates, to
6 file a Cost Allocation Manual (“CAM”) with the Commission.¹⁸ The regulations
7 define a CAM as “a compilation of policies and procedures for the allocation and
8 assignment of costs, which are shared between a utility and its affiliate.” Also,
9 the regulations require the CAM to contain the methodology and procedure(s)
10 used to allocate costs, along with certain other requirements. Therefore, BGE’s
11 CAM represents the company’s own cost allocation principles as they relate to
12 activity with affiliates.¹⁹ Mr. Lacey’s direct testimony explains the affiliate
13 nature of BGE’s SOS, which leads me to conclude that it is reasonable to expect
14 that BGE would apply the same cost allocation methodology and procedures
15 contained in the CAM to its computations for the Administrative Adjustment

16 **Q. DOES THE BGE CAM DESCRIBE ITS COST ALLOCATION**
17 **PHILOSOPHY?**

18 A. The BGE CAM states: “Cost allocations...are premised on the use of fully
19 distributed cost allocation methodology. A fully distributed cost allocation is
20 premised on the concept of distributing all costs to business activities...based on a
21 consistent method of determining cost causation from period to period.”²⁰ The

¹⁸ This requirement is codified under COMAR 20.40.02.07, per the BGE CAM.

¹⁹ It should be noted that BGE’s 2019 CAM was filed May 14, 2019.

²⁰ BGE 2019 CAM, p. 4. (emphasis added).

1 BGE CAM also asserts: “All resultant cost allocations to BGE and other affiliates
2 are predicated on some relevant measure of cost causation for that business
3 activity”.²¹

4 **Q. ARE YOU FAMILIAR WITH THE “FULLY DISTRIBUTED COST**
5 **ALLOCATION METHODOLOGY” BGE CLAIMS TO FOLLOW?**

6 A. Yes. Fully Distributed Cost Allocation Methodology (“FDC”) is an accounting
7 approach that has been practiced for decades. FDC assumes that some accounts
8 exist that can be allocated to a single service, while other accounts are classified
9 as common or overhead cost for two or more services. The underlying concept is
10 the allocation of costs to individual business activities to more closely reflect cost
11 causation principles.

12 **Q. ARE THERE OTHER APPROACHES TO COST ALLOCATION?**

13 A. Yes. Accountants may use several different approaches for costing and cost
14 allocation purposes. One commonly used methodology is called Activity-Based
15 Costing (“ABC”). Larry M. Walther, an accounting expert, wrote a widely-used
16 textbook, Principles of Accounting. In it, Mr. Walther gives a simplified
17 explanation of ABC: “it divides production into core activities, defines costs for
18 those activities, and allocates those costs to the products based on consumption of
19 the activities.”²² The objective of ABC is to reach improved measures of cost.
20 The ABC process of defining costs for an activity involves the development of

²¹ *Id.*

²² Principles of Accounting, Chapter 20 – Activity-Based Costing

1 numerous cost pools to be individually allocated, as opposed to large aggregation
2 of costs using a single allocation methodology. Accordingly, by using activity
3 cost pools it is possible to allocate costs to the end objects (consumer services,
4 products, etc.) more accurately.

5 **Q. ARE THERE OTHER APPLICABLE COST ACCOUNTING CONCEPTS**
6 **RELATED TO COST POOLS?**

7 A. Yes. Absorption Costing is a term of art in financial accounting that refers to the
8 assignment of all reasonable costs to an activity. It typically involves allocations
9 of common variable and fixed costs between activities. Before common costs can
10 be allocated, they must be identified and assigned to cost pools. The concept of
11 absorption costing is a guiding principle justifying cost allocation. Following this
12 guideline, all reasonable costs associated with an activity, including indirect costs,
13 should be allocated.

14 **Q. WHAT IS THE SIGNIFICANCE OF REFERENCING THESE OTHER**
15 **COST ALLOCATION METHODS?**

16 A. The significance of these references is to show that a number of cost accounting
17 concepts can be relied upon in the allocation of costs to different functions.
18 Regardless of the particular principles that are followed, the objective is the same.
19 All reasonable costs incurred by a business must be allocated among the different
20 functions that it performs.

1 **Q. IN YOUR OPINION, HAS BGE FOLLOWED ANY OF THESE COST**
2 **ALLOCATION PRINCIPLES IN ITS COMPUTATION OF THE**
3 **ADMINISTRATIVE ADJUSTMENT?**

4 A. No. Further, I do not believe that BGE has followed any credible cost allocation
5 principles in the computation of its Administrative Adjustment.

6 **Q. PLEASE EXPLAIN.**

7 A. BGE omitted many key activities that support SOS from its computations. A very
8 significant omission relates to costs it incurs for extensive corporate services that
9 Exelon Business Services Company, LLC (“EBSC”) provides to BGE under a
10 General Services Agreement (“GSA”). Section 7 of the GSA defines the
11 extensive corporate governance services EBSC provides to affiliates as: “planning
12 and project evaluation; finance and treasury; accounting and analysis; risk
13 management; tax; shareholder and investor relations; merger and acquisition
14 services; strategic planning; diversity; employee and labor relations; HR planning
15 and development; compensation and benefits; legal services in the areas of
16 securities, PUHCA, employment, regulatory, contract, litigation and intellectual
17 property laws; legal and administrative support to the Board of Directors;
18 environmental compliance activities; ethics and compliance programs;
19 management services for compliance with Federal laws, regulations and other
20 policy requirements, including relationship management with the U.S. Congress
21 and Federal agencies; corporate communications; branding; corporate events;

1 charitable support; community relations and communications to local
2 organizations; and communications to employees.”²³
3 BGE classifies most of the corporate governance services provided by EBSC as
4 Outside Services for financial reporting purposes. BGE reports \$83.9 million of
5 Outside Services in its ECOSS (account 923), while allocating none of these costs
6 to SOS. Because the outside services provided by EBSC to BGE are of a nature
7 that are critical to the day-to-day operations of the SOS business, the costs of
8 these services should not be omitted for purposes of computing the
9 Administrative Adjustment for SOS.

10 **Q. ARE THERE EXPENSES FOR OTHER ACTIVITIES THAT SHOULD BE**
11 **CONSIDERED IN COSTS POOLS FOR THE ADMINISTRATIVE**
12 **ADJUSTMENT?**

13 A. Yes. In my opinion, in addition to the inclusion of Administrative & General
14 (“A&G”) expenses in the Administrative Adjustment, which would include the
15 \$83.9 million in outside services discussed above, additional cost pools should be
16 created for BGE’s expenses relating to Customer Accounts, Customer Service &
17 Information, Depreciation & Amortization, and Allowed Return on Working
18 Capital. In consultation with Mr. Lacey, I determined that costs in these pools are
19 incurred in the provision of SOS based on descriptions of the accounts in the
20 FERC uniform system of accounts. Mr. Lacey’s direct testimony sets forth

²³ BGE Cost Allocation and Transfer Pricing Manual, Revision 14-May14, 2019. Appendix G – GSA, p. 6.

1 additional justification for inclusion of these cost pools in the Administrative
2 Adjustment.

3 **Q. EARLIER YOU STATED THAT YOU WANTED TO DISCUSS BGE'S**
4 **PROPOSED CALL CENTER ALLOCATIONS. CAN YOU PLEASE**
5 **ELABORATE ON YOUR CONCERNS WITH THE ALLOCATION OF**
6 **CALL CENTER COSTS?**

7 A. Yes. BGE included a cost pool for Call Center expenses in its computation of the
8 Administrative Adjustment. BGE allocates Call Center expenses to the
9 Administrative Adjustment based on the number of calls answered by category
10 using BGE's Call Center interactive voice response system. BGE only considered
11 Collection calls and Billing inquiry calls as pertinent to SOS. In my opinion this
12 is an error which understates the amount of Call Center costs attributable to the
13 Administrative Adjustment. BGE failed to consider that a portion of the calls that
14 are categorized as Energy Assistance and Start, Stop, Move Service would
15 necessarily involve SOS. Neither of these categories is specific to distribution
16 service, as emergency calls related to outages would be. Detailed information
17 about the Call Center allocation is presented in UHY Exhibit CP4.

18 **Q. DO YOU BELIEVE THERE ARE OTHER ERRORS IN BGE'S**
19 **COMPUTATION OF THE ADMINISTRATIVE ADJUSTMENT?**

20 A. Yes. I believe BGE's cost allocations for Regulatory, Accounting and Legal
21 Expenses to SOS cost pools are not credible, and in error. For example, BGE has
22 \$2.6 million in the accounting cost pool related to its electric operating division
23 by employee hours in the cost center. However, rather than tracking how much
24 time employees spend on accounting issues for SOS, BGE's allocation is based

1 on an unsupported hypothetical premise that 17 employees in the accounting cost
2 center work a total of 35,360 hours (2,080 hours per year each), but only 222 of
3 those hours per year are attributable to SOS.²⁴ Accordingly, BGE contends that
4 only \$16,460 of accounting cost is attributable to SOS out of an accounting cost
5 pool of \$2.6 million for the entire electric operating division. Allocating only 222
6 hours of time and \$16,460 of accounting cost to SOS is equivalent to claiming
7 that 11% (approximately one-ninth of an FTE) of a single accountant's time and
8 annual salary is all that is needed to support the accounting for an electric division
9 with approximately \$1 billion of annual operating revenues. The allocation
10 methods and amounts allocated to SOS from the legal and regulatory cost pools
11 are also grossly in error. Again, this conclusion is largely based on the fact that
12 BGE does not consistently require employees to track time spent on these
13 functions and has failed to offer any basis for its limited hypothetical calculation
14 of hours used to allocate these costs. I discuss the accounting allocation in more
15 detail below.

²⁴ BGE Voluntary Production, BGEVPO1-Attachment6-ManuelDirectWorkpaper-SOS
Administrative Adjustment.

1 IV. **UHY'S ANALYSIS OF ADMINISTRATIVE ADJUSTMENT AS A**
2 **COMPONENT OF THE ADMINISTRATIVE CHARGE**

3 **Q. HAVE YOU CONSIDERED THE IMPACT OF YOUR PROPOSED**
4 **CHANGES FOR PURPOSES OF COMPUTING THE ADMINISTRATIVE**
5 **ADJUSTMENT?**

6 A. Yes. I have computed the Administrative Adjustment to reflect the correction of
7 BGE's errors and omissions as described in my testimony. This analysis is
8 presented as UHY Exhibit CP2.

9 **Q. PLEASE DESCRIBE WHAT UHY EXHIBIT CP2 SHOWS.**

10 UHY Exhibit CP2 (p.1) shows that I recommend allocating \$173,074,451 to the
11 SOS Administrative Adjustment for all customer classes. This compares to
12 BGE's proposed allocation to the SOS Administrative Adjustment of
13 \$12,324,792. The increase I am recommending is the result of: (i) increasing
14 BGE's cost allocations to Call Center, Regulatory and Legal; and (ii) allocating
15 dollars to additional cost pools that BGE omitted from his calculations for
16 Customer Accounts Expenses, Customer Service & Info Expenses,
17 Administrative & General Expenses, Depreciation and Amortization, and
18 Allowed Return on Working Capital. These costs are incurred in the provision of
19 SOS, as explained earlier in my testimony and confirmed by Mr. Lacey's direct
20 testimony.

21 **Q. PLEASE PROVIDE A SUMMARY SHOWING THE BUILD UP TO**
22 **\$173,074,451 IN ADDITIONAL COSTS THAT YOU PROPOSE**
23 **ALLOCATING TO THE ADMINISTRATIVE ADJUSTMENT.**

24 A. Table CP3 showing this information is set forth below:
25

1

<i>in US Dollars</i>			Table CP3	
	Administrative Adjustment	Total Cost Pool	Factor	Allocated to SOS
1	Billing System Amortization Expense	\$ 4,339,919	45.60%	\$ 1,979,003
2	Billing System Unamortized Costs	3,144,958	45.60%	1,434,101
3	Credit & Collections	9,670,344	45.60%	4,409,677
4	Billing	3,816,744	45.60%	1,740,435
5	Call Center	15,123,798	26.54%	4,013,555
6	Regulatory	2,419,738	45.60%	1,103,401
7	Accounting	2,615,096	0.63%	16,460
8	Legal	2,729,642	45.60%	1,244,717
9	Customer Accounts Expenses	40,570,150	45.60%	18,499,988
10	Customer Service & Info Expenses	3,624,588	45.60%	1,652,812
11	Administrative & General Expenses	129,355,958	45.60%	58,986,317
12	Depreciation and Amortization	318,429,337	24.42%	77,766,494
13	Allowed Return on Working Capital	2,070,509	10.99%	227,492
14	Total	\$ 537,910,781	32.18%	\$ 173,074,451

2

3 **Q. ARE THERE ADMINISTRATIVE ADJUSTMENT CATEGORIES**
4 **SHOWN ON TABLE CP3 THAT DID NOT CHANGE FROM BGE'S**
5 **COMPUTATIONS?**

6 A. Yes. I believe that BGE's allocations for Billings System Amortization Expense,
7 Billings System Unamortized Costs, Credit & Collections, and Billing (lines 1 – 4
8 in the table) are reasonable and I did not make any adjustments to these
9 categories. In addition, I did not adjust the Accounting allocation which will be
10 explained in detail later in my testimony.

11 **Q. WHAT IS THE EFFECT OF YOUR PROPOSED INCREASES TO BGE'S**
12 **COST ALLOCATIONS TO CALL CENTER?**

13 A. The effect of increasing BGE's cost allocations for the Call Center is presented in
14 UHY Exhibit CP4. As shown on that exhibit, which details the breakdown of

1 various categories of calls that are received in BGE's Call center, BGE allocated
2 \$2,655,323 of Call Center expenses to the Administrative Adjustment. While
3 BGE's allocation is based on the sum of Collection calls and Billing inquiries to
4 Total calls, I have added Energy Assistance and Start, Stop Move Service calls
5 into the allocation formula. The addition of these calls, which relate to SOS,
6 results in the amount of \$4,013,555 being allocated to the Administrative
7 Adjustment.

8 **Q. WHAT IS THE EFFECT OF THE INCREASES TO REGULATORY,**
9 **ACCOUNTING AND LEGAL?**

10 A. BGE allocated a total of \$106,253 of Regulatory, Accounting and Legal expenses
11 to the Administrative Adjustment.²⁵ While BGE's \$7.76 million cost pool for
12 Regulatory, Accounting and Legal expenses attributable to the Electric Operating
13 Division is reasonable, its allocation methodology is arbitrary and does not appear
14 to be based on cost causation or sound cost allocation principles. My revised
15 Regulatory, Accounting and Legal expense allocations result in \$2,364,578 for all
16 SOS customer classes.²⁶ The analysis on UHY Exhibit CP2 (p.1) allocates
17 \$1,103,401 of Regulatory and \$1,244,717 of Legal expenses to the Administrative
18 Adjustment. For Regulatory and Legal, I used a percent of commodity revenue
19 allocator to be consistent with BGE's other allocations, such as Billing.

²⁵ See UHY Exhibit CP1, p. 2, lines 6-8, Total.

²⁶ See UHY Exhibit CP2, p. 1, lines 6-8, Total.

1 With respect to Accounting, I do not view BGE's allocation as the correct answer
2 since as I discussed earlier, it relies on the hypothetical calculation of number of
3 hours spent on SOS. I also find the current allocation of 11% of one accountant's
4 time to be dramatically understated for the needs of a \$1 billion business.
5 However, in consultation with Mr. Lacey, I viewed a revenue-based allocator as
6 inappropriate for Accounting from a cost causation perspective. Similarly, other
7 allocators used by BGE, such as percent of kWh and percent of customers, would
8 result in too high of an allocation for Accounting. In effort to maintain
9 conservatism in this analysis, and because I could not determine a better allocator
10 with the data available in this proceeding, I have reluctantly let BGE's allocation
11 of accounting costs stand. Accordingly, I would encourage the Commission to
12 investigate how the resources in the Accounting department are utilized for SOS.

13 **Q. WHAT IS THE EFFECT OF ADDING CUSTOMER ACCOUNTS,**
14 **CUSTOMER SERVICE AND INFORMATION, AND ADMINISTRATIVE**
15 **& GENERAL EXPENSES?**

16 A. My analyses on UHY Exhibit CP5 reflects a total cost pool of \$173,550,696 of
17 which I allocate \$57,900,713 to the SOS residential customer class. This
18 allocation reflects \$16,681,814 to Customer Accounts, \$1,481,365 to Customer
19 Service and Information, and \$39,737,534 to Administrative & General,
20 respectively. These expenses are all allocated using the percent of commodity
21 revenue method. As indicated earlier in my testimony, BGE failed allocate any of
22 these costs to SOS.

1 **Q. WHAT IS THE EFFECT OF ADDING DEPRECIATION &**
2 **AMORTIZATION?**

3 A. My analyses on UHY Exhibit CP6 reflect a total cost pool of \$318,429,337 for
4 depreciation & amortization, which I allocate \$77,766,494 to SOS, including
5 \$43,873,599 allocated to the SOS residential customer class.²⁷ These expenses
6 are allocated using the percent of allocated plant in service, except for intangible
7 plant depreciation & amortization which was allocated using the percent of
8 commodity revenue method. The allocated plant in service methodology starts
9 with identifying the book cost of electric plant fixed assets in service that supports
10 SOS and allocating the total cost base on percent of commodity revenue; this
11 analysis is presented in UHY Exhibit CP6, p. 2. The resulting percentages per
12 asset class are applied to the respective depreciation and amortization expense;
13 this analysis is presented in UHY Exhibit CP6, p. 1. As indicated in my earlier
14 testimony, BGE failed allocate any of these costs to SOS.

15 **Q. WHAT IS THE EFFECT OF ADDING ALLOWED RETURN ON**
16 **WORKING CAPITAL?**

17 A. My analyses on UHY Exhibit CP7 reflects a total cost pool of \$28,588,744 for
18 working capital attributed to distribution per the ECOSS with an allowed return
19 on working capital of \$2,070,509 (i.e. 7.25%). I allocate an allowed working
20 capital return of \$277,492 to SOS, of which \$154,170 relates to the residential
21 SOS customer class. These expenses are all allocated using the percent of

²⁷ See UHY Exhibit CP6, line 15.

1 allocated plant in service, except for intangible plant depreciation & amortization
2 which was allocated using the percent of commodity revenue method. As
3 indicated in my earlier testimony, BGE failed allocate any of these costs to SOS.

4 **Q. DO THE COSTS IN UHY'S COMPUTATIONS PRESENTED IN UHY**
5 **EXHIBIT CP 2 REPRESENT THE ENTIRE UNIVERSE OF COSTS THAT**
6 **SHOULD CONSIDERED FOR PURPOSES OF THE ADMINISTRATIVE**
7 **ADJUSTMENT?**

8 A. No. There may be additional costs that were not identified which reasonably
9 support SOS. However, we believe our computation is a realistic starting point
10 for the Administrative Adjustment, given issues with information gaps, time
11 constraints, and short discovery periods during this rate case proceeding.

12 **Q. HOW DOES UHY'S COMPUTATIONS FOR THE ADMINISTRATIVE**
13 **ADJUSTMENT AFFECT THE OVERALL ADMINISTRATIVE**
14 **CHARGE?**

15 A. UHY Exhibit CP3 reflects a total Administrative Charge of \$194,955,223. This
16 contrasts to BGE's computation of the total Administrative Charge of
17 \$34,205,563, as shown on UHY Exhibit CP1.

18 **V. ALTERNATIVE COMPUTATION**

19 **Q. HAVE YOU PERFORMED ANY ALTERNATIVE COMPUTATION OF**
20 **THE ADMINISTRATIVE ADJUSTMENT THAT YOU BELIEVE IS**
21 **WORTHY OF THE COMMISSION'S CONSIDERATION?**

22 A. Yes. Mr. Lacey asked me to prepare a computation that distributes all costs
23 allocated to the SOS equally across the SOS customer classes. This methodology
24 is based on MWH consumed in each customer class and follows BGE's
25 computation for the Administrative Adjustment of .99 Mills per kWh across all
26 SOS customer classes (Residential, Type I and II and HPS).

1 **Q. HOW IS THE ALTERNATIVE COMPUTATION WITH THE MWH**
2 **METHODOLOGY DIFFERENT FROM YOUR EARLIER MILLS**
3 **COMPUTATION IN UHY EXHIBIT CP2?**

4 A. UHY Exhibit CP2 allocate the SOS cost pools for Customer accounts, Customer
5 Service & Information, Administrative & General, Depreciation and
6 Amortization, and Allowed Return on Working Capital using the same allocation
7 methodologies BGE used for these categories in its ECOSS. I based the SOS cost
8 pools on the total costs BGE reported for these categories in its ECOSS. Mr.
9 Manuel stated in his testimony that BGE's computation of the Administrative
10 Adjustment was derived from "the total costs associated with these activities...
11 tracked in unique projects in the Company's general ledger."²⁸ Since BGE used
12 costs reported in its general ledger, it utilized a blanket MWH allocation
13 methodology to distribute costs across SOS customer classes such that they all
14 had the same Administrative Adjustment, .99 Mills per kWh. This creates a
15 common sized, or normalized, amount for the Administrative Adjustment across
16 each SOS customer class. In developing an alternative computation, I replicated
17 Mr. Manuel's approach to arrive at a normalized Administrative Adjustment
18 across the SOS classes.

19 **Q. WHAT ARE THE RESULTS OF THE ALTERNATIVE COMPUTATION?**

20 A. UHY Exhibit CP8 shows the common sized, or normalized, rate for the
21 Administrative Adjustment is 13.89 Mills per kWh for each SOS customer class

²⁸ Direct testimony of Jason M. B. Manuel, p. 31.

1 (Residential, Type I and II and HPS). It should be noted, that the Alternate
2 Computation does not change any of the cost allocations for cost pools related
3 Billing System amortization expense, Billing System unamortized costs, Credit
4 and collections, Billing and Accounting as computed by BGE. The Alternate
5 Computation also does not change any of the cost allocations to for Call Center,
6 Regulatory and Legal costs as presented in UHY Exhibit CP2.

7 **Q. HOW DOES UHY'S ALTERNATE COMPUTATION FOR THE**
8 **ADMINISTRATIVE ADJUSTMENT IMPACT THE OVERALL**
9 **ADMINISTRATIVE CHARGE?**

10 A. The Administrative Charge using the alternate computation is shown on UHY
11 Exhibit CP9. The administrative charge by customer class is as follows²⁹:

12	Residential	15.82 Mills per kWh
13	Type I	15.11 Mills per kWh
14	Type II	15.02 Mills per kWh
15	HPS	14.87 Mills per kWh

16 **VI. CONCLUSION**

17 **Q. CAN YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

18 A. Certainly. My testimony addresses BGE's proposed Administrative Adjustment
19 of 1.00 Mill per kWh as a component of the Administrative Charge for all SOS
20 customer classes. BGE's computation of 1.00 Mill per kWh Administrative

²⁹ See UHY Exhibit CP9, line 6.

1 Adjustment is presented in UHY Exhibit CP1, and serves as the base
2 computation. I believe BGE's analysis in arriving at its base computation of the
3 Administrative Adjustment is flawed. Certain costs included in BGE's
4 computation of the Administrative Adjustment were significantly understated;
5 these costs relate to Call Center, Regulatory, Accounting and Legal expenses. In
6 addition, BGE's base computation fails to include certain costs described by the
7 Commission in Order No. 87891; these costs include corporate governance, IT,
8 HR and support provided by EBSC. BGE accounts for the EBSC expenses
9 primarily as Outside Services but does not allocate any of them to SOS. BGE's
10 base computation also does not include certain other costs that reasonably support
11 SOS which are weaved into BGE's distribution rates. Costs related to Customer
12 Accounts, Customer Service and Information, Depreciation and Amortization,
13 and Allowed Return on Working Capital should all be considered for purposes of
14 computing the Administrative Adjustment. Through UHY Exhibit CP 2, I have
15 recast BGE's base computation of the Administrative Adjustment to correct the
16 errors and omissions discussed previously, and include other unbundled costs
17 supporting SOS. My computation results in an administrative adjustment of
18 11.82 Mills per kWh for the residential customer class and 21.06 Mills per kWh
19 for the commercial and industrial customer classes. I have also prepared an
20 alternate computation of the administrative adjustment to common size, or
21 normalize, the Administrative Adjustment across all SOS customer classes. The

1 alternate computation results in an administrative adjustment of 13.89 Mills per
2 kWh for residential, and the commercial and industrial customer classes.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

UHY EXHIBIT CP1

Baltimore Gas and Electric Company

Overview of Administrative Charge - Electric Standard Offer Service

Administrative Charge Components

Administrative Charge as presented by BGE

For the 12 Months Ending December 31, 2018

UHY Exhibit CP1

Page 1 of 2

Prepared by UHY Advisors, Inc.

9/10/2019

Administrative Charge

in mills per kWh

Components	Residential		Type I		Type II		Hourly		Total
1 Incremental Charge	0.09		0.09		0.09		0.09		0.09
2 Uncollectible	0.48		0.21		0.12		0.00		0.00
3 CWC Revenue Requirement	0.64		0.44		0.45		0.44		0.44
4 Return	0.72		0.48		0.47		0.45		0.45
5 Administrative Adjustment (Case 9610)	0.99		0.99		0.99		0.99		0.99
6 Total Administrative Charge	2.92		2.21		2.12		1.97		1.97
7 2018 MWH	9,671,588		892,899		1,766,538		131,717		12,462,741

Revenue Requirement

in US Dollars

8	Total Administrative Charge (Line 6 * Line 7)	\$	28,230,697	\$	1,972,353	\$	3,743,171	\$	259,342	\$	34,205,563
9	Incremental Charge		870,443		80,361		158,988		11,855		1,121,647
10	Uncollectible		4,642,362		187,509		211,985		-		5,041,855
11	CWC Revenue Requirement		6,189,816		392,876		794,942		57,956		7,435,589
12	Return		6,963,543		428,592		830,273		59,273		8,281,680
13	Administrative Adjustment (Case 9610)		9,564,533		883,016		1,746,984		130,259		12,324,792

Data retrieved from Exhibit JMBM-7 and BGE electronic filing dated June 27, 2019 RE: Case Nos. 9056/9064 - Revisions to P.S.C. Md. E-6 - Residential, Type I and Type II Standard Offer Generation Market-Priced Service, Transmission and Administrative Charges under Rider 1.

Baltimore Gas and Electric Company
Overview of Administrative Charge - Electric Standard Offer Service
Administrative Adjustment

Detail of Administrative Adjustment - As presented by BGE

For the 12 Months Ending December 31, 2018

in US Dollars

	Administrative Adjustment [a]	Commercial and Industrial				Total
		Residential	Type I	Type II	HPS	
1	Billing System Amortization Expense	\$ 1,535,786	\$ 141,787	\$ 280,515	\$ 20,916	\$ 1,979,003
2	Billing System Unamortized Costs	1,112,920	102,747	203,277	15,157	1,434,101
3	Credit & Collections	3,422,086	315,933	625,052	46,605	4,409,677
4	Billing	1,350,648	124,694	246,699	18,394	1,740,435
5	Call Center	2,060,637	190,242	376,380	28,064	2,655,323
6	Regulatory	63,063	5,822	11,519	859	81,263
7	Accounting	12,773	1,179	2,333	174	16,460
8	Legal	6,620	611	1,209	90	8,530
9	Total Revenue Requirement	\$ 9,564,533	\$ 883,016	\$ 1,746,984	\$ 130,259	\$ 12,324,792

Mills Per kWh

in mills per kWh

	Administrative Adjustment [a]	Commercial and Industrial				Total
		Residential	Type I	Type II	HPS	
10	Billing System Amortization Expense	0.16	0.16	0.16	0.16	
11	Billing System Unamortized Costs	0.12	0.12	0.12	0.12	
12	Credit & Collections	0.35	0.35	0.35	0.35	
13	Billing	0.14	0.14	0.14	0.14	
14	Call Center	0.21	0.21	0.21	0.21	
15	Regulatory	0.01	0.01	0.01	0.01	
16	Accounting	0.00	0.00	0.00	0.00	
17	Legal	0.00	0.00	0.00	0.00	
18	Total Administrative Adjustment	0.99	0.99	0.99	0.99	
19	MWH (2018 calendar year)	9,671,588	892,899	1,766,538	131,717	12,462,741
20	Mills per kWh	0.99	0.99	0.99	0.99	
21	Dollars per kWh	\$ 0.00099	\$ 0.00099	\$ 0.00099	\$ 0.00099	

Data retrieved from Exhibit JMBM-7.

[a] Highlighted elements of the Administrative Adjustment represent areas we believe are under/incorrectly allocated.

Total Cost Pool: Total Electric Operating Division	BGE Presented Allocation	Allocation Methodology
4,339,919	45.60%	% of Commodity Revenue
3,144,958	45.60%	% of Commodity Revenue
9,670,344	45.60%	% of Commodity Revenue
3,816,744	45.60%	% of Commodity Revenue
15,123,798	17.56%	Calculated # of Calls
2,419,738	3.36%	Calculated # of Hours
2,615,096	0.63%	Calculated # of Hours
2,729,642	0.31%	Calculated # of Hours
\$ 43,860,239		

UHY EXHIBIT CP2

Baltimore Gas and Electric Company

Analysis of Administrative Charge - Electric Standard Offer Service

Analysis of Administrative Adjustment, Omissions, and Additions

Detail of Administrative Adjustment - Reconsideration of BGE allocation factors and expenses allocated to distribution

For the 12 Months Ending December 31, 2018

In US Dollars

	Administrative Adjustment [a], [b]	Commercial and Industrial				Total
		Residential	Type I	Type II	HPS	
1	Billing System Amortization Expense	\$ 1,535,786	\$ 141,787	\$ 280,515	\$ 20,916	\$ 1,979,003
2	Billing System Unamortized Costs	1,112,920	102,747	203,277	15,157	1,434,101
3	Credit & Collections	3,422,086	315,933	625,052	46,605	4,409,677
4	Billing	1,350,648	124,694	246,699	18,394	1,740,435
5	Call Center	3,114,680	287,553	568,903	42,419	4,013,555
6	Regulatory	856,283	79,054	156,402	11,662	1,103,401
7	Accounting	12,773	1,179	2,333	174	16,460
8	Legal	965,950	89,178	176,433	13,155	1,244,717
9	Customer Accounts Expenses	16,681,814	581,640	1,150,733	85,801	18,499,988
10	Customer Service & Info Expenses	1,481,365	54,847	108,510	8,091	1,652,812
11	Administrative & General Expenses	39,737,534	6,157,747	12,182,667	908,368	58,986,317
12	Depreciation and Amortization	43,873,599	10,842,446	21,451,012	1,599,437	77,766,494
13	Allowed Return on Working Capital	154,170	23,456	46,406	3,460	227,492
14	Total Revenue Requirement	\$ 114,299,607	\$ 18,802,262	\$ 37,198,943	\$ 2,773,639	\$ 173,074,451

Data retrieved from Exhibit JMBM-7 and BGE ECOSSE related to Rate Case Filing 9610.

[a] Highlighted elements of the Administrative Adjustment represent changes or additions made in this analysis.

[b] For lines 9 through 13, allocations vary between rate classes due to the allocations used by BGE in its ECOSSE.

[c] Reference UHY Exhibit CP4 for additional detail.

[d] Reference UHY Exhibit CP5 for additional detail.

[e] Reference UHY Exhibit CP6 for additional detail.

[f] Reference UHY Exhibit CP7 for additional detail.

UHY Exhibit CP2

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Prepared by UHY Advisors, Inc.

9/10/2019

Total Cost Pool:		UHY	
Total Electric	Operating Division	Selected Allocation	Allocation Methodology
4,339,919		45.60%	% of Commodity Revenue
3,144,958		45.60%	% of Commodity Revenue
9,670,344		45.60%	% of Commodity Revenue
3,816,744		45.60%	% of Commodity Revenue
15,123,798		26.54%	Reevaluated # of Calls
2,419,738		45.60%	% of Commodity Revenue
2,615,096		0.63%	Calculated # of Hours
2,729,642		45.60%	% of Commodity Revenue
40,570,150		45.60%	% of Commodity Revenue
3,624,588		45.60%	% of Commodity Revenue
129,355,958		45.60%	% of Commodity Revenue
318,429,337		24.42%	% of Allocated Plant in Service
2,070,509		10.99%	Combination of Methods
\$ 537,910,781			

[c]

[d]

[d]

[d]

[e]

[f]

Baltimore Gas and Electric Company

Analysis of Administrative Charge - Electric Standard Offer Service

Analysis of Administrative Adjustment, Omissions, and Additions

Detail of Administrative Adjustment - Calculation of millage based on UHY allocations

For the 12 Months Ending December 31, 2018

UHY Exhibit CP2

Page 2 of 2

Prepared by UHY Advisors, Inc.

9/10/2019

in mills per kWh

Administrative Adjustment [a], [b]	Commercial and Industrial				Total
	Residential	Type I	Type II	HPS	
1 Billing System Amortization Expense	0.16	0.16	0.16	0.16	0.16
2 Billing System Unamortized Costs	0.12	0.12	0.12	0.12	0.12
3 Credit & Collections	0.35	0.35	0.35	0.35	0.35
4 Billing	0.14	0.14	0.14	0.14	0.14
5 Call Center	0.32	0.32	0.32	0.32	0.32
6 Regulatory	0.09	0.09	0.09	0.09	0.09
7 Accounting	0.00	0.00	0.00	0.00	0.00
8 Legal	0.10	0.10	0.10	0.10	0.10
9 Customer Accounts Expenses	1.72	0.65	0.65	0.65	0.65
10 Customer Service & Info Expenses	0.15	0.06	0.06	0.06	0.06
11 Administrative & General Expenses	4.11	6.90	6.90	6.90	6.90
12 Depreciation and Amortization	4.54	12.14	12.14	12.14	12.14
13 Allowed Return on Working Capital	0.02	0.03	0.03	0.03	0.03
14 Total Administrative Adjustment	11.82	21.06	21.06	21.06	21.06
15 MWH (2018 calendar year)	9,671,588	892,899	1,766,538	131,717	12,462,741
16 Mills per kWh	11.82	21.06	21.06	21.06	21.06
17 Dollars per kWh	\$ 0.01182	\$ 0.02106	\$ 0.02106	\$ 0.02106	\$ 0.02106
18 Difference from Millage Proposed by BGE	10.83	20.07	20.07	20.07	20.07

Data retrieved from Exhibit JMBM-7 and BGE ECOS related to Rate Case Filing 9610.

[a] Highlighted elements of the Administrative Adjustment represent changes or additions made in this analysis.

[b] For lines 9 through 13, allocations vary between rate classes due to the allocations used by BGE in its ECOS.

UHY EXHIBIT CP3

Overview of Administrative Charge - Electric Standard Offer Service

Page 1 of 1

Administrative Charge Components

Prepared by UHY Advisors, Inc.

Administrative Charge as recast by UHY

9/10/2019

For the 12 Months Ending December 31, 2018

Administrative Charge

in mills per kWh

Components	Residential		Type I		Type II		Hourly		Total
1 Incremental Charge		0.09		0.09		0.09		0.09	
2 Uncollectible		0.48		0.21		0.12		0.00	
3 CWC Revenue Requirement		0.64		0.44		0.45		0.44	
4 Return		0.72		0.48		0.47		0.45	
5 Administrative Adjustment (Case 9610) [a]		11.82		21.06		21.06		21.06	
6 Total Administrative Charge		13.75		22.28		22.19		22.04	
7 2018 MWH	9,671,588		892,899		1,766,538		131,717		12,462,741

Revenue Requirement

in US Dollars

	Residential		Type I		Type II		Hourly		Total
8 Total Administrative Charge (Line 6 * Line 7)	\$	132,965,771	\$	19,891,598	\$	39,195,131	\$	2,902,722	\$ 194,955,223
9 Incremental Charge		870,443		80,361		158,988		11,855	1,121,647
10 Uncollectible		4,642,362		187,509		211,985		-	5,041,855
11 CWC Revenue Requirement		6,189,816		392,876		794,942		57,956	7,435,589
12 Return		6,963,543		428,592		830,273		59,273	8,281,680
13 Administrative Adjustment (Case 9610) [a]		114,299,607		18,802,262		37,198,943		2,773,639	173,074,451

Data retrieved from Exhibit JMBM-7 and BGE electronic filing dated June 27, 2019 RE: Case Nos. 9056/9064 - Revisions to P.S.C. Md. E-6 - Residential, Type I and Type II Standard Offer Generation Market-Priced Service, Transmission and Administrative Charges under Rider 1.

[a] Reference UHY Exhibit CP2 for additional detail.

UHY EXHIBIT CP4

Baltimore Gas and Electric Company

Analysis Support

Analysis of Call Center Allocation

Reconsideration of answered calls allocated to Administrative Adjustment

For the 12 Months Ending December 31, 2018

UHY Exhibit CP4

Page 1 of 1

Prepared by UHY Advisors, Inc.

9/10/2019

Call Center Interactive Voice Response (IVR) System - 2018 Calls Answered by Category

	Split	Split Description	Calls Answered CY 2018	BGE Allocation to Administrative Adjustment	UHY Allocation
1	101	Gas Emergency	72,549	-	-
2	102	Electric Emergency	240,933	-	-
3	103	911 Dispatchers	6,576	-	-
4	110	Collection calls	578,724	578,724	578,724
5	111	General Business Inquiry	446,128	-	-
6	112	Energy Assistance	34,464	-	34,464
7	113	Fleet Calls	911	-	-
8	120	Start, Stop, Move Service	408,499	-	408,499
9	130	Billing Inquiry	287,262	287,262	287,262
10	131	Smart Energy Rewards and Smart Energy Manager	7,573	-	-
11	132	Corporate Operator - Internal business calls	2,973	-	-
12	133	Smart Energy Pricing (SER)	258	-	-
13	134	Energy Conservation Calls - Energy Efficiency	16,235	-	-
14	136	Energy Conservation Calls - Energy Efficiency	6	-	-
15	137	PeakRewards - Demand Side Management	51,371	-	-
16	138	Smart Meter Installations (MAP Team)	16,358	-	-
17	140	BCST - Business Account Services Team	12,221	-	-
18	141	BCST - Business Account Services Team Start, Stop and Move Service	6,309	-	-
19	150	New Business and Construction Inquiries	59,804	-	-
20		Total Calls	2,249,154	865,986	1,308,949
21		x Allocation Methodology Utilized - % of Commodity Revenue	n/a	45.6%	45.6%
22		Allocated Number of Calls to Administrative Adjustment	n/a	394,890	596,881
23		Percent of Total	100.0%	17.6%	26.5%
24		Allocated Cost of Call Center	\$ 15,123,798	\$ 2,655,323	\$ 4,013,555

Data retrieved from Jason Manuel Voluntary Production.

UHY EXHIBIT CP5

For the 12 Months Ending December 31, 2018

ECOSS				UHY Allocation	Allocation to:		Total Allocated Expense to SOS
Operating and Maintenance Expenses		(Distribution Only)	Allocation Method Utilized		Residential [a]	Allocation to: Type I, Type II, and HPS [a]	
Customer Accounts Expenses							
1	901-Supervision	\$	1,605,527	% of Commodity Revenue	45.6%	\$ 658,344 \$ 73,777	\$ 732,120
2	903-Cust Records & Coll Exp		38,492,426	% of Commodity Revenue	45.6%	15,835,535 1,717,011	17,552,546
3	905-Misc Cust Accts Exp		472,197	% of Commodity Revenue	45.6%	187,935 27,387	215,322
4	Total Customer Accounts Expenses		40,570,150			16,681,814 1,818,174	18,499,988
Customer Service & Info Expenses							
5	909-Info & Instruct Exp		1,863,541	% of Commodity Revenue	45.6%	761,627 88,148	849,775
6	910-Misc Cust Serv & Info Ex		1,761,047	% of Commodity Revenue	45.6%	719,738 83,300	803,038
7	Total Customer Service & Info Expenses		3,624,588			1,481,365 171,448	1,652,812
Administrative & General Expenses							
8	920-Admin & Gen Salaries		27,086,819	% of Commodity Revenue	45.6%	8,323,096 4,028,493	12,351,589
9	921-Office Supplies & Exp		19,368,506	% of Commodity Revenue	45.6%	5,951,453 2,880,586	8,832,039
10	922-Admin Exp Transfer-Credit		(2,494,408)	% of Commodity Revenue	45.6%	(766,469) (370,981)	(1,137,450)
11	923-Outside Services Employ		83,913,509	% of Commodity Revenue	45.6%	25,784,504 12,480,056	38,264,560
12	924-Property Insurance		206,617	% of Commodity Revenue	45.6%	56,636 37,582	94,217
13	928-Regulatory Commission Exp		55,725	% of Commodity Revenue	45.6%	13,688 11,723	25,410
14	930.1-General Advertising Ex		648,631	% of Commodity Revenue	45.6%	199,308 96,468	295,776
15	930.2-Misc General Expense		570,560	% of Commodity Revenue	45.6%	175,319 84,857	260,175
16	Total Administrative & General Expenses		129,355,958			39,737,534 19,248,782	58,986,317
17	Total		\$ 173,550,696			\$ 57,900,713 \$ 21,238,405	\$ 79,139,117

Data retrieved from BGE ECOSS related to Rate Case Filing 9610.

[a] Allocations for each line item vary between rate classes due to the allocations used by BGE in its ECOSS.

UHY EXHIBIT CP6

Analysis of Depreciation and Amortization Expense

Prepared by UHY Advisors, Inc.

UHY recast of allocation between distribution and Standard Offer Service

9/10/2019

For the 12 Months Ending December 31, 2018

ECOSS						Allocation to:	Allocation to:	Total Allocated Plant to SOS
Depreciation and Amortization Expense		(Distribution Only)	Allocation Method Utilized	UHY Allocation [a]	Residential [b]	Type I, Type II, and HPS [b]		
Intangible Plant								
1	Intangible Plant Depreciation and Amortization	\$	5,560,195	% of Commodity Revenue	45.6%	\$	1,034,548	\$ 2,535,449
2	Total Intangible Plant		5,560,195			1,500,901	1,034,548	2,535,449
Distribution Plant								
3	Distribution Plant (Non-AMI) Depreciation and Amortization		127,320,903	Not Applicable to SOS	0.0%	-	-	-
4	Distribution Plant - AMI Depreciation and Amortization		18,168,886	Not Applicable to SOS	0.0%	-	-	-
5	Total Distribution Plant		145,489,788			-	-	-
General Plant								
6	General Plant Depreciation and Amortization		5,223,901	% of Allocated Plant in Service	35.5%	1,296,279	556,345	1,852,625
7	Common Plant - Non-AMI		37,762,758	% of Allocated Plant in Service	45.6%	10,193,555	7,026,263	17,219,818
8	Common Plant - AMI		1,780,804	% of Allocated Plant in Service	45.6%	639,553	172,493	812,047
9	Total General Plant		44,767,463			12,129,387	7,755,102	19,884,489
Work In Progress								
10	Reg Asset - DRI Programs - Demand		4,310,946	% of Allocated Plant in Service	45.6%	1,965,791	-	1,965,791
11	Energy Cons. Progs. - Energy		97,420,701	% of Allocated Plant in Service	45.6%	21,238,342	23,185,497	44,423,840
12	Reg Asset-Deferred AMI Costs(Excl AMI Pilot)		19,511,140	% of Allocated Plant in Service	45.6%	7,007,180	1,889,900	8,897,080
13	Work In Progress Depreciation and Amortization		1,369,104	% of Allocated Plant in Service	4.4%	31,997	27,849	59,846
14	Total Work In Progress		122,611,891			30,243,311	25,103,246	55,346,557
15	Total Depreciation and Amortization Expense	\$	318,429,337			\$ 43,873,599	\$ 33,892,896	\$ 77,766,494

Data retrieved from BGE ECOSS related to Rate Case Filing 9610.

[a] Reference UHY Exhibit CP6, Page 2 for additional detail.

[b] Allocations for each line item vary between rate classes due to the allocations used by BGE in its ECOSS.

Baltimore Gas and Electric Company
Analysis Support

Analysis of Electric Plant In Service

UHY review of fixed assets used in the support of Standard Offer Service

For the 12 Months Ending December 31, 2018

UHY Exhibit CP6

Page 2 of 2

Prepared by UHY Advisors, Inc.

9/10/2019

Electric Plant In Service [a]		ECOSS		Allocation as a % of	
		(Distribution Only)	Allocation Method Utilized	UHY Allocation	Total Plant
Intangible Plant					
1	303-Miscellaneous Intang Plt - Non-AMI	\$ 49,518,995	% of Commodity Revenue	45.6%	\$ 22,580,662
2	Total Intangible Plant	49,518,995			22,580,662
3	Distribution Plant	5,838,881,694	Not Applicable to SOS	0.0%	0.0%
General Plant					
4	389-Land & Land Rights	137,657	Not Applicable to SOS	0.0%	-
5	390-Structures & Improvements	26,123,150	% of Commodity Revenue	45.6%	11,912,156
6	391-Office Furniture & Equip	4,318,046	% of Commodity Revenue	45.6%	1,969,029
7	393-Stores Equipment	12,801	Not Applicable to SOS	0.0%	-
8	394-Tools, Shop, & Garage Equip	15,888,747	Not Applicable to SOS	0.0%	-
9	395-Laboratory Equipment	1,051,130	Not Applicable to SOS	0.0%	-
10	397-Comm. Equip. Load Mngmt(R5,6 &15)	26,308,078	% of Commodity Revenue	45.6%	11,996,484
11	397.6-DRI Program	397,246	% of Commodity Revenue	45.6%	181,144
12	397.61-Ihd Devices	140,809	% of Commodity Revenue	45.6%	64,209
13	397.62-Sep Phase 3 Thermostats	346	Not Applicable to SOS	0.0%	-
14	398-Miscellaneous Equipment	2,512,779	% of Commodity Revenue	45.6%	1,145,827
15	Total General Plant [b]	76,890,789			27,268,849
					35.5%
Common Plant					
16	Common Plant - Non-AMI	422,448,460	% of Commodity Revenue	45.6%	192,636,498
17	Common Plant - AMI	47,246,479	% of Commodity Revenue	45.6%	21,544,394
18	Total Common Plant	469,694,938			214,180,892
					45.6%
DRI & Energy Conservation					
19	Reg Asset - DRI Programs - Demand	2,146,039	% of Commodity Revenue	45.6%	978,594
20	Energy Cons. Progs. - Energy	239,213,780	% of Commodity Revenue	45.6%	109,081,484
21	Reg Asset-Deferred Ami Costs(Excl AMI Pilot)	140,314,664	% of Commodity Revenue	45.6%	63,983,487
22	Total DRI & Energy Conservation	381,674,482			174,043,564
					45.6%
Work In Progress					
23	AMI Pilot	9,013,988	% of Commodity Revenue	45.6%	4,110,378
24	Property Held For Future Use	10,891,388	Not Applicable to SOS	0.0%	-
25	Conservation - Voltage Reduction	7,613,422	% of Commodity Revenue	45.6%	3,471,721
26	Distribution Plant CWIP	87,485,892	Not Applicable to SOS	0.0%	-
27	General Common Plant CWIP	58,452,319	Not Applicable to SOS	0.0%	-
28	Total Work In Progress [b]	173,457,009			7,582,099
					4.4%
29	Total Electric Plant In Service	\$ 6,990,117,908			\$ 445,656,066
					6.4%

Data retrieved from BGE ECOSS related to Rate Case Filing 9610.

[a] Plant in service represents book costs, not inclusive of reserve for depreciation.

[b] Allocation as a percentage of total plant is not representative of the percentage of commodity revenue due to the fact that not all assets within the category were deemed to be applicable to Standard Offer Servi

UHY EXHIBIT CP7

Baltimore Gas and Electric Company
Analysis Support

UHY Exhibit CP7

Page 1 of 1

Analysis of Return on Working Capital

Prepared by UHY Advisors, Inc.

Allocation of return on working capital to support costs recast by UHY

9/10/2019

For the 12 Months Ending December 31, 2018

<i>Working Capital</i>		ECOSS		Allocation Method Utilized	UHY Allocation [b]	Allocation to:		Total Allocated Working Capital to SOS
		(Distribution Only)				Residential [a]	Type I, Type II, and HPS [a]	
<i>Working Capital</i>								
1	Fuel & Net Metering Costs	\$	(194,449)	Not Applicable to SOS	0.0%	-	-	-
2	Salaries And Wages		3,495,985	% of Commodity Revenue	45.6%	1,074,228	\$ 519,941	\$ 1,594,169
3	Fringe Benefits		3,259,459	% of Commodity Revenue	45.6%	1,001,549	484,764	1,486,313
4	Other Oper. & Maint. Expense		(1,140,220)	Not Applicable to SOS	0.0%	-	-	-
5	PSC Assessment		465,614	Not Applicable to SOS	0.0%	-	-	-
6	Gross Receipts Tax		(648,604)	Not Applicable to SOS	0.0%	-	-	-
7	Payroll Taxes (Social Security)		261,507	% of Commodity Revenue	45.6%	80,355	38,893	119,247
8	Electric Environmental Surcharge		50,305	Not Applicable to SOS	0.0%	-	-	-
9	Universal Service Fund		650,411	Not Applicable to SOS	0.0%	-	-	-
10	Property Tax		1,991,712	% of Allocated Plant in Service	6.4%	76,331	50,651	126,982
11	Capital Stock Tax		27,435,897	Not Applicable to SOS	0.0%	-	-	-
12	Other Taxes		136,240	Not Applicable to SOS	0.0%	-	-	-
13	State Income Tax		(158,062)	Not Applicable to SOS	0.0%	-	-	-
14	Federal Income Tax		(81,753)	Not Applicable to SOS	0.0%	-	-	-
15	Nuclear Fuel Disposal Costs		-	Not Applicable to SOS	0.0%	-	-	-
16	Decommissioning Expenses		-	Not Applicable to SOS	0.0%	-	-	-
17	Req Working Funds & Cash In Banks		-	Not Applicable to SOS	0.0%	-	-	-
18	Long Term Interest Lag		(6,667,988)	Not Applicable to SOS	0.0%	-	-	-
19	Short Term Interest Lag		116,939	Not Applicable to SOS	0.0%	-	-	-
20	Interest On Customer Deposits - Cust		(69,552)	% of Commodity Revenue	45.6%	(22,657)	(9,059)	(31,716)
21	Interest On Customer Deposits - Demd		(344,696)	% of Commodity Revenue	45.6%	(83,327)	(73,855)	(157,182)
22	Preferred & Preference Dividend Lag		-	Not Applicable to SOS	0.0%	-	-	-
23	Contractor A/P 13 Mos. Avg.		-	Not Applicable to SOS	0.0%	-	-	-
24	Total Working Capital		28,558,744			2,126,479	1,011,335	3,137,814
25	x Allowed Return on Rate Base		7.25%			7.25%	7.25%	7.25%
26	Total Working Capital Allocation	\$	2,070,509			\$ 154,170	\$ 73,322	\$ 227,492

Data retrieved from BGE ECOSS related to Rate Case Filing 9610.

[a] Allocations for each line item vary between rate classes due to the allocations used by BGE in its ECOSS.

[b] Reference UHY Exhibit CP5 and UHY Exhibit CP6 for additional detail.

UHY EXHIBIT CP8

Baltimore Gas and Electric Company

Analysis of Administrative Charge - Electric Standard Offer Service

Analysis of Administrative Adjustment, Omissions, and Additions

Reconsideration of BGE allocation factors and expenses allocated to distribution - Normalized across rate classes

For the 12 Months Ending December 31, 2018

In US Dollars

Administrative Adjustment [a], [b]		Commercial and Industrial					Total
		Residential	Type I	Type II	HPS		
1	Billing System Amortization Expense	\$ 1,535,786	\$ 141,787	\$ 280,515	\$ 20,916	\$ 1,979,003	
2	Billing System Unamortized Costs	1,112,920	102,747	203,277	15,157	1,434,101	
3	Credit & Collections	3,422,086	315,933	625,052	46,605	4,409,677	
4	Billing	1,350,648	124,694	246,699	18,394	1,740,435	
5	Call Center	3,114,680	287,553	568,903	42,419	4,013,555	
6	Regulatory	856,283	79,054	156,402	11,662	1,103,401	
7	Accounting	12,773	1,179	2,333	174	16,460	
8	Legal	965,950	89,178	176,433	13,155	1,244,717	
9	Customer Accounts Expenses	14,356,733	1,325,441	2,622,290	195,524	18,499,988	
10	Customer Service & Info Expenses	1,282,649	118,417	234,279	17,468	1,652,812	
11	Administrative & General Expenses	45,775,749	4,226,103	8,361,046	623,419	58,986,317	
12	Depreciation and Amortization	60,349,921	5,571,618	11,023,051	821,904	77,766,494	
13	Allowed Return on Working Capital	176,543	16,299	32,246	2,404	227,492	
14	Total Revenue Requirement	\$ 134,312,721	\$ 12,400,002	\$ 24,532,526	\$ 1,829,202	\$ 173,074,451	

Data retrieved from Exhibit JMBM-7 and BGE ECOSSE related to Rate Case Filing 9610.

[a] Highlighted elements of the Administrative Adjustment represent changes or additions made in this analysis.

[b] For lines 9 through 13, allocations between rate classes are based on the pro-rata share of MWH.

[c] Reference UHY Exhibit CP4 for additional detail.

[d] Reference UHY Exhibit CP5 for additional detail.

[e] Reference UHY Exhibit CP6 for additional detail.

[f] Reference UHY Exhibit CP7 for additional detail.

Total Cost Pool:		UHY Selected Allocation	Allocation Methodology
Total Electric Operating Division			
4,339,919	% of Commodity Revenue	45.60%	
3,144,958	% of Commodity Revenue	45.60%	
9,670,344	% of Commodity Revenue	45.60%	
3,816,744	% of Commodity Revenue	45.60%	
15,123,798	Reevaluated # of Calls	26.54%	[c]
2,419,738	% of Commodity Revenue	45.60%	
2,615,096	Calculated # of Hours	0.63%	
2,729,642	% of Commodity Revenue	45.60%	
40,570,150	% of Commodity Revenue	45.60%	[d]
3,624,588	% of Commodity Revenue	45.60%	[d]
129,355,958	% of Commodity Revenue	45.60%	[d]
318,429,337	% of Allocated Plant in Service	24.42%	[e]
2,070,509	Combination of Methods	10.99%	[f]
\$ 537,910,781			

Baltimore Gas and Electric Company

Analysis of Administrative Charge - Electric Standard Offer Service

Analysis of Administrative Adjustment, Omissions, and Additions

Calculation of millage based on UHY allocations - Normalized across rate classes

For the 12 Months Ending December 31, 2018

UHY Exhibit CP8

Page 2 of 2

Prepared by UHY Advisors, Inc.

9/10/2019

in mills per kWh

Administrative Adjustment [a], [b]		Commercial and Industrial				Total
		Residential	Type I	Type II	HPS	
1	Billing System Amortization Expense	0.16	0.16	0.16	0.16	0.16
2	Billing System Unamortized Costs	0.12	0.12	0.12	0.12	0.12
3	Credit & Collections	0.35	0.35	0.35	0.35	0.35
4	Billing	0.14	0.14	0.14	0.14	0.14
5	Call Center	0.32	0.32	0.32	0.32	0.32
6	Regulatory	0.09	0.09	0.09	0.09	0.09
7	Accounting	0.00	0.00	0.00	0.00	0.00
8	Legal	0.10	0.10	0.10	0.10	0.10
9	Customer Accounts Expenses	1.48	1.48	1.48	1.48	1.48
10	Customer Service & Info Expenses	0.13	0.13	0.13	0.13	0.13
11	Administrative & General Expenses	4.73	4.73	4.73	4.73	4.73
12	Depreciation and Amortization	6.24	6.24	6.24	6.24	6.24
13	Allowed Return on Working Capital	0.02	0.02	0.02	0.02	0.02
14	Total Administrative Adjustment	13.89	13.89	13.89	13.89	13.89
15	MWH (2018 calendar year)	9,671,588	892,899	1,766,538	131,717	12,462,741
16	Mills per kWh	13.89	13.89	13.89	13.89	13.89
17	Dollars per kWh	\$ 0.01389	\$ 0.01389	\$ 0.01389	\$ 0.01389	\$ 0.01389
18	Difference from Millage Proposed by BGE	12.90	12.90	12.90	12.90	12.90

Data retrieved from Exhibit JMBM-7 and BGE ECOSS related to Rate Case Filing 9610.

[a] Highlighted elements of the Administrative Adjustment represent changes or additions made in this analysis.

[b] For lines 9 through 13, allocations between rate classes are based on the pro-rata share of MWH.

UHY EXHIBIT CP9

Administrative Charge

in mills per kWh

Components	Residential	Type I	Type II	Hourly	Total
1 Incremental Charge	0.09	0.09	0.09	0.09	
2 Uncollectible	0.48	0.21	0.12	0.00	
3 CWC Revenue Requirement	0.64	0.44	0.45	0.44	
4 Return	0.72	0.48	0.47	0.45	
5 Administrative Adjustment (Case 9610) [a]	13.89	13.89	13.89	13.89	
6 Total Administrative Charge	15.82	15.11	15.02	14.87	
7 2018 MWH	9,671,588	892,899	1,766,538	131,717	12,462,741

Revenue Requirement

in US Dollars

	Residential	Type I	Type II	Hourly	Total
8 Total Administrative Charge (Line 6 * Line 7)	\$ 152,978,885	\$ 13,489,339	\$ 26,528,714	\$ 1,958,285	\$ 194,955,223
9 Incremental Charge	870,443	80,361	158,988	11,855	1,121,647
10 Uncollectible	4,642,362	187,509	211,985	-	5,041,855
11 CWC Revenue Requirement	6,189,816	392,876	794,942	57,956	7,435,589
12 Return	6,963,543	428,592	830,273	59,273	8,281,680
13 Administrative Adjustment (Case 9610) [a]	134,312,721	12,400,002	24,532,526	1,829,202	173,074,451

Data retrieved from Exhibit JMBM-7 and BGE electronic filing dated June 27, 2019 RE: Case Nos. 9056/9064 - Revisions to P.S.C. Md. E-6 - Residential, Type I and Type II Standard Offer Generation Market-Priced Service, Transmission and Administrative Charges under Rider 1.

[a] Reference UHY Exhibit CP8 for additional detail.

UHY EXHIBIT CP10

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INDUSTRY EXPERTISE:

- Manufacturing and Distribution
- Professional Services
- Government
- Not-For-Profit

ACTIVE & PRIOR PROFESSIONAL AND CIVIC MEMBERSHIPS:

- Past Chair – Fraud Task Force, Michigan Association of Certified Public Accountants (2016-2018)
- Member – Institute of Internal Auditors
- Member – Association of Certified Fraud Examiners
- Member – American Institute of Certified Public Accountants
- Treasurer, Board member - Oxford Kids Foundation
- Past Treasurer – Calvary Evangelical Lutheran Church (6 years)

Chris is a Principal of UHY LLP and leads the Fraud and Forensic Accounting Group in the Michigan offices. He specializes in providing fraud investigation, forensic accounting and expert services in both the private and government sector. Chris also has extensive experience with audits and other attest engagements.

PROFESSIONAL EXPERIENCE:

- Forensic accounting and expert witness services for litigation and alternate dispute resolution cases
- Court-appointed forensic accountant
- Fraud examinations for asset misappropriations and fraudulent financial reporting
- Internal investigations involving corruption and governance concerns
- Hidden asset discovery; recovery and damage mitigation for victims of fraud
- Assessment of financial internal controls and fraud prevention
- Defense of professional malpractice claims for auditors and accountants
- Defense of taxpayers in criminal investigations by the Internal Revenue Service

BACKGROUND:

- Joined the firm in 1998
- Licensed CPA in the state of Michigan
- Certified Fraud Examiner (CFE) and Certified Internal Auditor (CIA)
- BA in Accounting, Grand Valley State University, cum laude

THOUGHT LEADERSHIP:

- “Michigan Specific Ethics (for CPA’s)”, MICPA Anti-Fraud Issues, Litigation & Business Valuation Conference, May 2019
- “The Truth about Fraud”, Michigan Blue Cross and Blue Shield Seminar, November 2018
- “Profiles of ‘Best in Class’ Fraudsters”, National Association of Professional Employer Organizations CFO/COO Seminar, July 2017
- “Key Fraud Examination Tool: Tax Returns”, MICPA Anti-Fraud Issues Annual Conference, May 2016
- “Concealment: Spotting Camouflaged Fraud”, MICPA Anti-Fraud Issues Annual Conference, May 2015
- “Accounting Malpractice – Emerging Trends and How Not to Become One”, ALFA International EPLI and Professional Liability Seminar, June 2014
- “Put Fraud in a Box”, Detroit Treasury Management Association, May 2014
- “Critical Controls to Defend Fraud in Your Business”, UHY LLP Accounting and Regulatory Update, December 2013
- “The New Age of Fraud – How to Detect Fraud in the 21st Century”, Risk Management Association, SE MI Chapter, May 2010
- “Off-Book Corporate Corruption”, Annual Chapter Meeting, Certified Information System Auditors and Certified Fraud Examiners, April 2008
- “Organizing the Internal Investigation: Document Collection and Analysis” Corporate Internal Investigations Seminar, Institute of Continuing Legal Education - Georgia, March 2007

UHY EXHIBIT CP11

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CHRIS PETERSON - Trial and Deposition Testimony

Date	Case	Venue
September 2018	Wangard Advisors LLC v Schenck S.C., et al	Circuit Court of Milwaukee County, Wisconsin (Judge: Hon. Ellen R. Brostrom)
August 2018	NRG Energy, Inc. 's proposal with respect to PECO Energy Company's 2018 Tariff – Electric, PA. P.U.C.	Pennsylvania Public Utility Commission v PECO Energy Company (Evidentiary Hearing)
June, July 2016	VPH Pharmacy, Inc. and Deven Patel v Vincent Howard	Circuit Court for the County of Oakland (MI) Court appointed expert (Judge: Hon. James Alexander)
May 2014	State of Oklahoma, ex rel. John Doak, Insurance Commissioner, as receiver for Pegasus Insurance Company, Inc. v Estate of William D. Thornell, Don Thornell, CPA, Inc., Dianne Naler, and Dianne Naler, CPA, P.C.	District Court for the Northern District Of Oklahoma
May 2014	G. Wesley Blankenship v Superior Controls, Inc., a Michigan corporation, Randall E. Brodzik, Mark E. Sobkow, Roderick L. Emery, Kevin T. Butler, Greg D. Cameron, Christopher J. Lake, Roger M. Templin, individuals	District Court Eastern District of Michigan Southern Division
December 2013, January 2014	Amelia Quelas v Daimler Trucks North America LLC, a Delaware limited liability company, Detroit Diesel Corporation, and Freightliner, LLC, jointly and severally	Circuit Court for County of Wayne (MI)
December 2013	CUMIS Insurance Society, Inc. and CINCO Family Financial Center Credit Union v Gary Condit and Condit & Associates, Inc. and GBQ Partners LLC and Linda Fite	Court of Common Pleas – Hamilton County, OH
January 2012	Jennel M. Brockway v Todd J. Brockway, and Regal Recycling, Inc. and Vern Brockway	Circuit Court for County of Livingston (MI) (Judge: Hon. Michael P. Hatty)
April 2011	S.L.C. Meter Service, Inc. v Neptune Technology Group, Inc., RIO Supply Michigan Meter, et al	Atlanta, GA - Commercial Arbitration
October 2010	Sault Ste. Marie Tribe of Chippewa Indians v Bernard Bouschor, et al	50 th Circuit Court for Chippewa County (MI) (Judge: Hon. Charles Johnson)
2005	Glenn A. Sisk v Elizabeth A. Sisk	Wayne County (MI) Arbitration

*Bold case information signifies represented client

CHRIS PETERSON - Presentations

Date	Topic	Organization
May 2019	Michigan Specific Ethics (for CPA's)	Michigan Association of CPA's: Anti-Fraud Issues , Litigation & Business Valuation Conference
November 2018	The Truth about Fraud	Michigan Blue Cross and Blue Shield seminar
July 2017	Profiles of 'Best in Class' Fraudsters	NAPEO 2017 CFO/COO Seminar
May 2016	Key Fraud Examination Tool: Tax Returns	Michigan Association of CPA's: Anti-Fraud Issues , Litigation & Business Valuation Conference

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May 2015	Concealment: Spotting Camouflaged Fraud	Michigan Association of CPA's: Anti-Fraud Issues , Litigation & Business Valuation Conference
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CHRIS PETERSON - Presentations (Cont'd)

Date	Topic	Organization
January 2015	Fraud Prevention & Detection: Staying Ahead of the Fraudster	Michigan Association of CPA's: CPE Event
June 2014	Accounting Malpractice – Emerging Trends and How Not to Become One	ALFA International Conference - Labor, Employment & Professional Liability Insurance Practice Group
May 2014	Put Fraud in a Box	Detroit Treasury Management Association
December 2013	Critical Controls to Deter Fraud in Your Business	UHY Annual Accounting & Regulatory Update
May 2013	Accounting Malpractice-Protect Yourself	Michigan Association of CPA's: Annual Anti-Fraud Issues Conference
October 2011	The Truth and Nothing But... Understanding Fraudulent Financial Reporting	Michigan Association of CPA's: CPE Mega Conference
June 2010	CPA Malpractice: When the Fraud bomb drops...	Oakland University: CPE Weekend Series
May 2010	The New Age of Fraud - How to Detect Fraud in the 21st Century	Risk Management Association, SE MI Chapter
June 2009	How NOT to Investigate Suspected Fraud	Oakland University: CPE Weekend Series
May 2008	Corruption and Badges of Fraud	Michigan Association of CPA's: Annual Anti-Fraud Issues Conference
March 2008	Fraud in the Workplace	Detroit Area Chapter of the Labor and Employment Relations Association (LERA)
January 2008	Off-Book Corporate Corruption	SE Michigan Chapter of Association Certified Fraud Examiners and ISACA, joint annual meeting for Detroit area chapters
October, December 2007	Internal Control Communications: SAS 112 & SAS 99 Issues	Michigan Association of CPA's: CPE Mega Conferences
May, June 2007	Auditor's Consideration of Fraudulent Off-Book Activity	Michigan Association of CPA's: Current Accounting Issues & Summer Management Information Show
March 2007	Organizing the Internal Investigation: Document Collection and Analysis	Institute of Continuing Legal Education in Georgia: Corporate Internal Investigations seminar
May 2006	Income Tax Considerations in Fraud Investigations	Michigan Association of CPA's: Fraud Issues Conference
September 2003	Who's Hand is in Your Wallet? How to Prevent Fraud in your Business	Michigan Minority Business Development Council: Seminar for Small Business Owners, at Wayne State University.

CHRIS PETERSON - Publications

Date	Publication	Title
May 2007	Fraud Magazine: May/June 2007	"Fraudsters Beware: The Taxman Cometh"