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Customers howl as utility bills skyrocket

Companies blame new rates, calendar, cold weather

By Liz F. Kay | liz.kay@baltsun.com

February 24, 2009



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Helen Brierley of Pasadena is among many Marylanders shocked by utility bills. Last month's BGE bill for her small, one-story home was nearly \$800. (Baltimore Sun photo by Elizabeth Malby / February 16, 2009)

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Helen Brierley turned off her heat pump and has been air-drying her dishes. Amina Gauhar hangs her laundry on a clothes rack and even avoids the vacuum cleaner. Both have turned their thermostats way down.

But despite efforts to conserve energy, their utility bills - like those of other Maryland residents - have doubled or even tripled during the past few months. As Maryland regulators and utility executives scramble to explain the sticker shock to thousands of angry customers, the Maryland Public Service Commission set up a hearing this week to address the sharp number of complaints.

"The only option I see is freeze," said Gauhar, who lives in a midgroup rowhouse near [Patterson Park](#). "Freeze in my own home."

Higher electricity and natural gas rates that state regulators approved for Maryland's largest utility are one reason for the increase. And many consumers complain that Maryland's deregulated power market is pushing costs higher.

But utility executives say a cold winter, longer billing cycles compared with last winter and higher energy use by customers are contributing to the larger bills.

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State regulators acknowledge that they don't know why consumers are reporting sharply higher bills, figuring that new rates and colder weather would increase costs by up to 15 percent but not double them. And they insist that deregulation and other factors are not enough to explain the complaints they're receiving.

"Bills have increased way beyond anything we can explain easily," said PSC Chairman Douglas Nazarian. "We're not saying we know something is nefarious up here, but it isn't quite adding up to us, and we need to get to the bottom of it."

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Regulators said they fielded twice as many complaints last month - about 80 percent of the 2,200 complaints were for higher-than-usual bills.

Earlier this month they ordered the state's utilities to provide documents outlining their reasons for the higher bills. A hearing is set for Thursday. Some state lawmakers called last week for a full-scale re-regulation of Maryland's power markets in part because of the higher rates.

Representatives for the state's largest utilities say consumption is up for many reasons, including the coldest January in five years, which coincided with a quirk in the holiday calendar that led to longer billing cycles for most ratepayers in December.

"People used more energy. It's as simple as that," said Pepco spokesman Robert Dobkin. Pepco,

which supplies electricity to half a million Marylanders, got 1,339 calls last month, up 11 percent from last January.

About 11,000 people called [Baltimore Gas and Electric Co.](#) about high bills this winter, or slightly less than 1 percent of the company's 1.2 million customers. Last year, about 0.7 percent raised concerns.

Given the direction of the global economy, BGE spokesman Robert Gould said, everyone is watching their bills more closely. "We're doing our best to try to address those concerns."

The state's largest utility prompted more concern last week when it said it expects to ask regulators for higher rates next year to deliver electricity and natural gas to customers.

BGE customers used 5 percent more electricity and 10 percent more gas than last winter, said Mark D. Case, BGE's senior vice president for strategy and regulatory affairs. About a third of BGE customers have electric heat and nearly half have gas heat, he said. The utility raised its rates in October. Electricity rates rose almost 13 percent in November and natural gas rates about 8 percent, Case said - placing the company's prices ninth among 19 Mid-Atlantic utilities.

Features

And because companies buy electricity on the open market twice a year under the state's power rules, some of these increases reflect higher prices locked in last summer.

"When you have these long-term contracts, they giveth and they taketh away," said Lester B. Lave, an economist at Carnegie Mellon University's Tepper School of Business.

With deregulation, consumers should expect more volatility in their bills and he expects that they will be even higher - especially when the country comes out of the recession, he said, and demand for energy increases.

Nazarian does not think deregulation of the energy market is a factor this season.

"There are plenty of reasons to be upset about deregulating," he said. "Those bill spikes that people are calling and complaining about are not explained by these rates."

State lawmakers deregulated Maryland's power markets in a 1999 deal for BGE customers for seven years. It was assumed then that competition would develop in Maryland.

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