SMECO
Southern Maryland Electric Cooperative

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February 20, 2020

HB 928: Public Service Commission – Electricity and Gas Suppliers – Training and Educational Program

Committee: Economic Matters

Position: Support

Southern Maryland Electric Cooperative (SMECO), a member-owned electric cooperative based in Hughesville that provides electricity to more than 165,000 customers in Charles, St. Mary's, Calvert and southern Prince George's County, supports HB 928. The bill requires the Public Service Commission (PSC) to develop a training and educational program, in consultation with interested stakeholders, for any entity or individual that is licensed by PSC as an electricity supplier or a gas supplier, subject to specified requirements.

Under HB 928, alternative suppliers would be required to demonstrate a thorough understanding of relevant PSC regulations and be subject to penalties for failure to comply with stated regulations. Although this educational program requirement could be time consuming we believe this is a worthy cause to hold alternative electric suppliers to the same standards as other utility companies.

SMECO currently has about 4,200 (less than 2.5 percent) of our residential customers signed up with an alternative supplier but we continue to handle the billing for those customers just like those customers receiving our Standard Offer Service (SOS). Unfortunately, many of those individuals are unaware they were receiving their electric commodity from an alternative supplier. I know this personally because I have fielded many of the phone calls, heard the stories and followed up on the complaints. These customer-members are paying more – oftentimes way more – than SMECO's SOS rate. After receiving hundreds of complaints, SMECO has begun to examine the rates our members are paying with alternative suppliers and found disturbing results.

In 2017, SMECO members who received their electricity from an alternative supplier overpaid $1.8 million when compared with our SOS price. In 2018, our members overpaid more than $2.2 million over our SOS price. In 2019, our customers on alternative supply overpaid by $2.7 million. Considering that SMECO has less than 4,200 members choosing an alternative supplier, the average overpayment is over $40 per month or nearly $500 per year in 2019. The problems occurring in Southern Maryland are not unique.

Recent reports from the Office of People's Counsel and The Abell Foundation documented widespread instances of utility ratepayers across the state overpaying by millions of dollars with alternative suppliers compared to their incumbent utility's SOS.

This problem is not unique to Maryland. In Pennsylvania, utility regulators are putting new limits on competitive electricity plans available to some low income customers in FirstEnergy Corp's service regions. Pennsylvania regulators found 65 percent of low-income customers in First Energy's four utilities were paying more on alternative suppliers than if they stayed on their incumbent utility's SOS. SMECO would recommend similar approaches to take place here in Maryland.

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SMECO supports the concept of electricity ratepayers shopping to get the best possible deal. What we do not support are the high pressure and oftentimes dishonest sales practices used by some third party supply representatives. Door to door solicitations, claiming they are selling their product "on behalf of SMECO" and even pulling customer information off their home computers are simply unacceptable and need to be addressed. It's not fair for a customer to sign up for an alternative electricity supplier on a "teaser rate," receive a gift card and then be held captive with skyrocketing costs.

HB 928 is a step in the right direction. It will require alternative suppliers to comply with established PSC regulations and set up appropriate penalties and sanctions for failure to comply.

For this and other reasons stated above, SMECO respectfully requests a favorable report on HB928.

For more information, contact: Natalie Cotton, SMECO

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