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Hon. Delegate Dereck E. Davis, Chair
Hon. Delegate Kathleen M. Dumais, Vice Chair
Economic Matters Committee
House Office Building Room 231
6 Bladen Street
Annapolis, Maryland 21401

Re: HB 1207 Electric Companies – Conduit Installation – Single Family Detached Developments

Hearing: March 12, 2020 Position: Support with Amendments

Dear Chair Davis, Vice Chair Dumais and Committee Members:

We are writing today to voice our support for HB 1207 with amendments.

When builders seek to build a new residential development of single-family detached homes in SMECO's service territory, they initiate a process with SMECO to extend its electric distribution system to the development. The builder submits an abundance of information describing in detail the new development to SMECO, including plans, drawings, and other specifications. SMECO is then responsible to design and issue construction plans that highlight where conduit is to be placed in the development by the builder to accommodate SMECO's electric lines in support the development's electric service needs. The plans also identify the entire area where SMECO will lay its electric lines throughout the development, both in places where conduit is, and is not, required. After the conduit is installed by the builder, SMECO digs a trench and installs its electric lines, in the trench with and without conduit, at SMECO's expense. Until July 30, 2018, SMECO continued with its practice stated above, where the builder installed the conduit primarily at road crossings, followed by SMECO digging the trench and laying the electric lines.

On July 30, 2018 without clear communication with the builders operating within the SMECO service area, SMECO unilaterally changed its conduit policy to what it calls a "total conduit environment". SMECO's new policy requires builders to install conduit throughout residential

developments of single-family detached homes so SMECO can place all primary and secondary electric distribution lines through conduit instead of digging trenches and installing their electric lines in the trench. In addition, SMECO is now requiring builders to install multiple sets of parallel conduits. This about-face change in policy has caused the cost of supplying and laying conduit by the builders to increase exponentially. Our cost for conduit on a 36-home development jumped from approximately $400.00 to $2,000.00.

Projects that were at a certain stage of development when SMECO implemented their Total Conduit Environment Policy should be grandfathered under the previous SMECO policy. It was a reasonable expectation that SMECO's policy of only requiring conduits at road crossings would induce builders to continue to develop subdivisions using the same economic model they used in the past. In fact, builders continued to purchase land and develop subdivisions, using their knowledge of the historic cost of the extension of SMECO's electric distribution system for installing conduits at road crossings, into their economic plans. Several hundred thousand dollars in increased, unplanned costs severally and negatively impacts the profitability and in some cases the very viability of projects. Had we known this in advance, we could have made a choice to either plan for it, or never buy the property.

Maryland has historically provided grandfathering provisions to mitigate the immediate negative impact of new regulations on its citizens and businesses. HB 1207 will provide a reasonable grandfathering period allowing approved projects to reach completion without the undue financial hardship of compliance with SMECO's new conduit policy. We strongly believe HB 1207, amended to apply only in SMECO's service area, is vital to ensure SMECO's new Total Conduit Environment policy is implemented in a fair and equitable manner. We ask for a favorable report on HB 1207 as amended.

Sincerely,

David Posey, President
David H. Posey & Associates