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HAND DELIVERED

March 12, 2020

The Honorable Dereck E. Davis, Chair
The Honorable Kathleen M. Dumais, Vice Chair
Economic Matters Committee
Lowe House Office Building, Room 231
6 Bladen Street
Annapolis, Maryland 21401-1912

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,

I am writing to voice my support for HB 1207 with amendments.

When developers seek to build a new residential development of single-family detached homes, they initiate a process with SMECO to extend its electric distribution system throughout the development. The developer or home builder partner submits an abundance of information describing in detail the new development to SMECO, including plans, drawings, and other specifications. SMECO is then tasked with designing and issuing construction plans that highlight where direct bury cable and conduit are to be placed in the development. The builder accommodates SMECO's electric lines by installing the necessary conduit to support the electric needs of the future homes. After the conduit (road crossings) are installed by the developer, SMECO, at its expense, is tasked with digging a trench to install its electric lines (sometimes referred to as "direct bury, or direct burial"), with and without conduit. Until July 30, 2018, SMECO continued with the practice stated above, where the developer installed the conduit only at road crossings and highly congested or impacted areas, followed by SMECO digging the trench and laying the lines by direct burial.

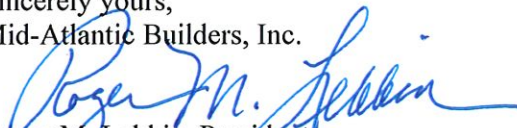
On July 30, 2018, without clear communication with the builders operating within the SMECO service area, SMECO unilaterally changed its conduit policy to what it calls a "total conduit environment". My company was never notified by any means of their plans and the resulting new expense to our project. We received no mail, no phone calls, saw no advertising, received no industry notices or alerts. We had been working with SMECO in Phases 1, 2 and 3, which consist of 209 lots, and no employee of SMECO ever mentioned to our field personnel that things were about to change dramatically regarding conduit installation until Keith Ulrich notified me a couple weeks prior to July 2018. In fact, my own industry, the Maryland Building Industry Association (MBIA), did not even realize that SMECO had any territory in Prince George's County. SMECO's new policy requires builders to install conduit throughout residential developments of single-family detached homes so SMECO can place all primary ("main lines") and secondary (such as "house connections") electric distribution lines through conduit instead of digging trenches and installing their electric lines directly in the ground. In addition, SMECO is requiring builders to install multiple sets of parallel conduits. This about-face change in policy has increased the cost of supplying and laying conduit by the builders exponentially. Our cost for conduit on the most recent 89 lot section jumped from approximately \$37,920 under the original practice for crossings only, to \$343,954 for SMECO's new 100% conduit environment. This translates into approximately \$426.07 per lot under the original practice for crossings only, and direct bury cable increasing to \$3,864.65 per lot

with 100% conduit throughout the community, essentially door-to-door service. This will result in a direct new cost of around \$1,000,000, to be shared by the Developer, the Builder and our future customers to build unnecessary and excessive new infrastructure at our expense, for the sole benefit of SMECO. We were told this would save them money in 30-40 years and that it is worth it to them. Except they aren't the ones making the investment. They are merely the sole party that will reap the rewards and return on the investment, made solely by the Developer, Builder and new homeowners and future owners who often can barely scrape up a 3% deposit for an FHA insured mortgage. I can't afford SMECO's champagne tastes, and my customers can't afford it either. Frankly, they simply don't have it to give.

Projects that were at a certain stage of development when SMECO implemented their Total Conduit Environment Policy should and must 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 developers to continue to develop subdivision infrastructure using the same economic model that they used in the past. In fact, developers continued to purchase land and develop subdivisions, using their knowledge of the historical cost of the extension of SMECO's electric distribution system for installing conduits at road crossings in their economic forecasts. In our case, a million dollars in increased, unplanned costs severely 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. But we were never told about the new policy until approximately 13 years after we purchased and then started the community. In other words, we already bought the farm and are now forced to deliver at any cost in order to pay back our banks and investors.

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 some additional portion of completion without the undue financial hardship of compliance with SMECO's new conduit policy. I 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. I ask for a favorable report on HB 1207 as amended.

Sincerely yours,
Mid-Atlantic Builders, Inc.


Roger M. Lebbin, President

Mid-Atlantic Builders is a local land developer and home building company, with over 50 major projects to its credit over the past 41 years. We currently employ 50 highly skilled professionals in our main office, field offices and sales offices, along with about 500 full time subcontractors, suppliers, consultants, and manufacturing support staff to back us up. We generally are operating in 5-8 communities in Maryland at any given time and build about 150 homes (SFD and SFA) per year in the upper end of the market. Our current major project operating in SMECO's jurisdiction is The Villages of Savannah, an 800-acre, 566 single family detached lot community in southern Prince George's County, specifically in Brandywine, Maryland, off Brandywine Road, near the intersection with Floral Park Road. We have completed 3 major Phases to date, are currently building homes in Phase 4 (126 lots) and have begun land development work in Phase 5 (114 lots). We are currently selling 4-6 homes per month in our development and have 3 model homes open 7 days per week. In 2019, we sold 63 new homes in 3 distinct product lines at the community.