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March 12, 2020

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

Committee: House Economic Matters

Position: OPPOSE

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, opposes HB 1207. The bill would prohibit an electric company from requiring a builder or developer of a single-family housing development to pay for and install conduit that may be required for the electric company’s proposed underground electric system.

This bill is simple. Instead of requiring developers to pay for necessary infrastructure to protect and maintain the service reliability of SMECO’s underground electric infrastructure in a housing development, it would require all of SMECO’s customers to pay. We believe that is not fair. The Maryland Public Service Commission (PSC) heard the same complaints from developers last year and dismissed their request that SMECO’s policy be put on hold.

History

SMECO’s tariff – the document approved by the PSC – that dictates our rate structures and business operations has been in place since 2006. The tariff states, “Developers and Builders shall be responsible for the installation of ALL conduit that may be required for SMECO’s electrical system anywhere within the townhouse or multi-family structure development.”

Even though we have the authority to do so, SMECO is only requiring conduit to be installed in dense “urban-style” developments that are served by public water/sewer, where home lots are small, where storm water management easements overlap the public utility right of way and other factors where our ability to use our easements are impacted.

SMECO has been in communications with the Maryland Building Industry Association (MBIA) since October of 2016 through memos and meetings and follow up meetings to discuss the implementation of this conduit policy for budgeting and planning purposes. We have had an open dialogue with MBIA and its members since that time as projects have been proposed.

For more information, contact: Tom Dennison, SMECO

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PSC Decision

On April 29, 2019, the MBIA filed a petition for an immediate stay of SMECO's policy at the PSC. Comments were filed by all parties in the case in May of 2019 and the case was set for administrative hearing on July 17, 2019. The PSC denied the MBIA's petition on July 17, 2019.

Adapting to Changes in Home Building in Southern Maryland

This policy is necessary to accommodate the changes of housing developments to the more urban-style developments where houses are clustered together to maximize density per parcel of land. As a result, SMECO's infrastructure is oftentimes put at risk by infringements on our utility rights of way. This conduit policy is to help ensure the reliability and resiliency of our underground electric cables and greatly benefits our customers in the event of an outage because cables in conduits can be more easily accessed and repaired.

SMECO's conduit policy is in line with other utilities in Maryland. BGE, Pepco and Potomac Edison all have similar tariffs and have taken the same steps to help protect their underground systems.

Included with my testimony is a letter dated March 4, 2020, from SMECO President and CEO Sonja Cox summarizing another meeting that we had with developers on February 7, 2020 at the request of Del. Matt Morgan. You will see that we made several commitments to the developer community to help them adjust to our conduit policy. Included in those commitments were to assign more resources to help work with developers to assist in the design, review and implementation of conduit requirements. SMECO also is committed to sharing electrical designs earlier in the process to assist developers in estimating costs and, as always, we want to continue to work with the developers to mitigate conduit requirements. We have also committed to conducting a cost of service study to investigate whether we could adjust the cost downward for a developer in making a service connection to a house based on the cost savings realized through this conduit policy.

HB 1207 seeks to undo a PSC-approved tariff that has been in place for 14 years and would shift the burden of paying for infrastructure to support million-dollar housing developments from the developers onto our customers. For this and other reasons stated above, SMECO respectfully requests an unfavorable report on HB 1207.

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