



EASTON UTILITIES

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February 25, 2020

To: Chairman Kelley and Members of the Senate Finance Committee
Subject: SB 677
Position: Support

Dear Chairman Kelley and Members of the Committee,

Easton Utilities is one of five municipally owned utilities in the State of Maryland. We are responsible for the operation, management, and maintenance of the electric, water, wastewater, natural gas, cable television and internet utility services for the Town of Easton and portions of the surrounding area, serving over 11,000 electric customers (taxpayers) in Talbot County on the Eastern Shore of Maryland. Easton Utilities does not have any investors and is not publicly traded. A Board of Commissioners appointed by the Mayor, and the Town Council Members elected by the taxpayers (customers), make business decisions based on the best long-term interest of the utility as recommended by Easton Utilities' executive leadership team. Easton Utilities is an environmentally conscious utility. Our Sustainability Campus includes a state-of-the-art wastewater treatment facility, a 2MW community solar array, and a landfill gas generator.

All five municipal electric utilities have participated in the RPS requirements since the original standard was implemented in 2004, and we want to continue participating in the program. This bill would provide the rural customers of the municipal electric utilities in Maryland with relief from the increasing costs associated with the Renewable Energy Portfolio Standards (RPS) through a cap on the future RPS requirements.

Easton Utilities is about 1% the size of the largest IOU in Maryland and about 10-20% of the size of the two electric cooperatives in Maryland. This relatively small size of the municipal electric utilities in Maryland puts them at an economic disadvantage when purchasing Solar Renewable Energy Credits (SRECs) in the marketplace to comply with the RPS requirements. Last month, in order to meet the increase from 1.95% SRECs to 5.5% SRECs required in 2020, the annual cost increase was almost \$200,000 for Easton Utilities, which is over a 425% increase to our electric ratepayers from the prior requirements only a year ago. Should Easton Utilities remain in the program without a cap on SREC requirements, there would be continued year over year

increases, and the total annual increase would be over \$500,000 (1100%) by the year 2030, if current SREC pricing remains consistent.

The current legislation approved in 2019 already provides for either an exemption or a cap for Maryland's electric cooperatives. This bill seeks a cap for Maryland's municipal electric utilities which is consistent with the larger electric cooperative in Maryland and would keep us engaged with this important RPS program without putting our ratepayers at an economic disadvantage in the marketplace. All energy prices are passed along directly to our customers, including any energy savings.

Finally, the service territory for Easton Utilities is approximately 50 square miles. As a result, there are very limited opportunities for building additional renewable generation in our geographic footprint to avoid the SREC pricing requirements associated with the existing RPS legislation.

Chairman Kelley, for the reasons stated above and in the interest of keeping electric energy rates affordable for the five municipal electric utilities in Maryland, Easton Utilities supports this bill and respectfully requests a Favorable report on SB 677.

Sincerely,

 07.25.2020

John J. Horner, Jr.
Vice President, Operations
Easton Utilities
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Cc: Hugh Grunden
Steve Ochse