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February 25, 2020

SB 685: Electricity and Gas – Energy Suppliers – Assisted Customers

Committee: Senate Finance

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 SB 685. The bill prohibits a retail electricity or gas supplier from knowingly enrolling a residential customer with, or submitting an enrollment to change a customer to, a competitive supplier if the customer has received specified utility bill assistance within the past 12 months.

SMECO currently has a little more than 4,000 (less than 2.5 percent) of our residential customers signed up with an alternative supplier. SMECO handles the billing responsibilities for alternative supply customers just like those customers receiving our Standard Offer Service (SOS).

Under SB 685, SMECO would be required to verify if the third party enrollee was receiving energy assistance payments from the Office of Home Energy Programs (OHEP) before they can receive their power supply from a third party vendor. We believe this is a logical and necessary step to provide consumer protections to our ratepayers.

After receiving hundreds of complaints, SMECO has begun to examine the rates our members are paying with alternative suppliers and found disturbing results. Equally as disturbing was the number of customers receiving government assistance who are enrolled with third party suppliers and are paying much more compared to SMECO's SOS rate.

In 2019, SMECO's 321 customers receiving energy assistance overpaid third party electric suppliers by nearly \$170,000, an average of more than \$14,000 per month. In January 2020 alone our customers enrolled with a third party supplier and receiving OHEP assistance overpaid by nearly \$13,000. We believe it is a drain on state resources to continue to allow this practice to continue which is why SB 685 is important.

Please keep in mind that this information is not new.

For more information, contact: Tom Dennison, SMECO

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In 2017, SMECO (non-OHEP) 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.

Unfortunately, many of those individuals were 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.

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.

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 and illegal 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 by the PSC. 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.

SB 685 is a step in the right direction and we appreciate the opportunity to work with the suppliers on developing a fix for this problem. For this and other reasons stated above, SMECO respectfully requests a favorable report on SB 685.

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