SMECO
Southern Maryland Electric Cooperative

1-888-440-3311
P.O. Box 1937, Hughesville, MD 20637
www.smeco.coop

People. Power. Progress.

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HB 1327: Public Utilities – Transitional and Default Electric Service -- Implementation

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 166,000 customers in Charles, St. Mary's, Calvert and southern Prince George's County, opposes HB 1327. HB 1327 is a complete overhaul of the existing Standard Offer Service (SOS) procurement structure, transferring the obligation away from regulated utilities to competitive suppliers. The bill requires the Public Service Commission (PSC) to unwind the traditional SOS process and fundamentally turn Maryland's electricity customers over to alternative suppliers by Oct. 1, 2023.

SMECO readily acknowledges and thanks the sponsor and advocates for its attempt to exempt us from the bill (Page 19 lines 24-26), but the language included in the bill states, "as approved by the Commission an electric cooperative may continue to provide SOS on an after Oct. 1, 2023." Under current law, SMECO can provide SOS until, with 12 months notice to the Commission, the coop decides not to (Page 19 lines 27-30). Currently the coop has the entire decision making authority whether to continue providing SOS.

But this bill, says a coop MAY continue providing SOS only if approved by the PSC. Aside from the overwhelming complexity and comprehensive changes prescribed by HB 1327, the words "As approved by the Commission" need to be stricken from the bill to avoid the fundamental conflicting nature of the current and proposed law for an electric cooperative.

SMECO has entered into some long term contracts that have provided rate stability and competitively low prices that we have been able to pass along to our members. If SMECO would somehow be brought into a bill like this, it would result in our dissolution of existing contracts and would come with great cost to our members.

As it contemplates this bill and overall concept, SMECO would urge the committee to consider the impacts that electric deregulation has had in our service territory. We would also urge the committee to consider the costs to electricity ratepayers who have endured higher electricity

For more information, contact: Tom Dennison, SMECO

Government and Public Affairs Manager

240-506-6772 • tom.dennison@smeco.coop

costs because they were unknowingly signed up with an alternative electricity provider rather than their regulated utility's SOS product.

SMECO currently has 5,056 members receiving their electricity commodity from an alternative supplier. SMECO handles the billing responsibilities for alternative supply customers just like those customers receiving our Standard Offer Service (SOS).

In 2017, SMECO 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. In 2020, the overpayment grew by $3.2 million vs SMECO's SOS price.

Unfortunately, many of these 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.

It is difficult to dissect every aspect of HB 1327, but the fundamental question of "why" needs to be asked. SOS has been successfully utilized in Maryland for almost two decades and is the default electricity service available to all customer classes. Maryland statute requires that SOS be "designed to obtain the best price for residential and small commercial customers in light of the prevailing market conditions at the time of procurement and the need to protect these customers against excessive price increases."

This bill would fundamentally change those protections for electricity customers and therefore SMECO asks for an unfavorable report on HB 1327.

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