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112 West Street
Annapolis, MD 21401

FAVORABLE WITH AMENDMENTS - House Bill 267- Electricity and Gas - Retail Supply - Regulation and Consumer Protection

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) support with amendments **House Bill 267- Electricity and Gas - Retail Supply - Regulation and Consumer Protection**. House Bill 267 strengthens the standards in Maryland's retail electricity market, protecting customers from companies that use deceptive marketing practices, provides greater transparency to customers, and gives the Public Service Commission (PSC) greater capacity to investigate complaints from customers.

Pepco and Delmarva Power are committed to our customers, delivering safe and reliable power to our 852,000 Maryland customers for more than 125 years. Affordable and reliable electric service is a public health and safety necessity that impacts all of our residents and communities. House Bill 267 will provide additional regulations, consumer protections and transparency for third party suppliers. These additional protections will not only provide invaluable protections for our most vulnerable customers who may have been susceptible to predatory practices, but also allow for additional transparency for customers who have elected to use standard offer of service (SOS) or those who elect to use a third-party supplier. Pepco and Delmarva Power believe that more consumer education and protections, like the licensing requirement in House Bill 267, are needed to help ensure customers better understand the products they are purchasing to avoid having the most vulnerable falling victim to questionable business practices.

House Bill 267 requires electric companies to submit a report to the PSC that outlines information pertaining to rates for customers using SOS or a third-party supplier within each electric utilities service territory. Pepco and Delmarva Power can currently provide most of the information that is outlined in the legislation, however, it should be noted that in December of 2024, supplier consolidated billing (SCB) will become available for third party suppliers in Maryland. Implementing SCB will create a mechanism that allows customers to receive a single bill from their supplier inclusive of all applicable charges rather than an inclusive bill from Pepco or Delmarva Power. This new change means that Pepco and Delmarva Power will no longer have access to some of the information requested for third party suppliers that elect to use SCB. The regulations for supplier consolidated billing were considered as part of a rulemaking process at the PSC (RM70).

This legislation would also eliminate the Purchase of Receivables (POR) provision that is currently in state law. Currently under POR, a utility buys the receivable from a supplier less a discount intended to recover prudently incurred costs arising from the purchase of supplier receivables. The utility is then responsible for collection of the receivable. However, the Commission decided in a June 10, 2010, letter order that the uncollectible expense component of the POR discount rate should be offset by late payment fees. This has led to a nonsensical result where the initial calculated POR discount rates in many years for many customer classes has been negative. Including late payment fees in the POR discount rate is not appropriate because customers pay more in distribution rates while retail suppliers benefit from the late payment fees but do not bear any of the costs late payment fees are intended to cover. The inclusion of late payment fees in the POR discount rate is an inappropriate transfer of benefits from customers to suppliers. As a result, Pepco and Delmarva Power are supportive of eliminating POR.

The POR mechanism removes natural incentives, that retail suppliers would otherwise have, to follow prudent credit practices in obtaining customers. Eliminating POR provides the appropriate signals to suppliers to operate under good business practices. As a robust marketplace exists in Maryland for retail energy suppliers, there is no longer a need for POR to provide market-wide risk mitigation to the retail supplier community. The opportunity for retail suppliers to sell receivables can still occur, at the discretion of the supplier, but through companies tailored to provide that financial service rather than having regulated utilities continue to fill that role.

Pepco and Delmarva Power support House Bill 267 with amendments and we look forward to continuing conversations with the bill sponsors and stakeholders involved.

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