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February 14, 2023

**SB 357:** Renewable Energy Portfolio Standard – Solar Energy – Compliance Fees

**Committee:** Senate Education, Energy and the Environment

**Position:** Opposed

Southern Maryland Electric Cooperative (SMECO), a member-owned electric cooperative based in Hughesville that provides electricity to more than 170,000 member accounts in Charles, St. Mary's, Calvert and southern Prince George's County, opposes Senate Bill 357. The bill alters the compliance fee for a shortfall from the required percentage of energy from Tier 1 renewable sources to be derived from solar energy for the Renewable Portfolio Standard (RPS) beginning in 2025 and later. The proposed change would hold the compliance fee at the current level, instead of it tracking down over the next few years.

Over the last two years, SMECO ratepayers and ratepayers across Maryland have been paying more for electricity as costs of natural gas have risen. Unfortunately, these power supply cost increases are borne in the rates paid by ratepayers. SB 357 will make an already volatile power supply market worse by freezing the Alternative Compliance Payment (ACP) for solar renewable energy credits (RECs) at \$60 rather than dropping after 2024. The cost of this change – keeping the ACP at \$60 for solar – would cost SMECO ratepayers more than \$3.5 million in 2030.

Maryland is currently short or near the equilibrium for solar RECs due to new solar facilities not coming online. This phenomenon is despite the fact that the Maryland General Assembly has continued to increase the solar requirement that utilities have to purchase to provide to our customers. The intent of the current law of a declining ACP is, as the compliance obligation goes up, it avoids having customers overpay for RECs if the market fails to keep up with the compliance demand.

SB 357 would manipulate the supply and demand shortfall of solar RECs and would result in Maryland ratepayers paying more for electricity. For this and the reasons above, SMECO requests an unfavorable report on SB 357.

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For more information, contact: Tom Dennison, SMECO

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