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January 25, 2024

SB 1: Electricity and Gas – Retail Supply – Regulation and Consumer Protection

Committee: Senate Education, Energy and Environment

Position: Favorable with Amendment

Southern Maryland Electric Cooperative (SMECO) is a customer-owned, non-profit electric cooperative based in Hughesville that provides electricity to more than 173,000 customer-member accounts in Charles, St. Mary's, Calvert and southern Prince George's County.

Unlike an investor-owned utility, SMECO's customers oversee the strategic vision, major activities, and spending of their cooperative through a democratically-elected Board of Directors. SMECO supports SB 1 with an amendment to ensure that it has the ability to engage in meaningful conversations with customers about available energy supply products and associated pricing, including actively promoting Standard Offer Service (SOS) as a means to help customers save money on their electric bills.

SB 1 calls for important and necessary reform in Maryland's retail energy marketplace that will help protect all electric ratepayers, including SMECO's customer-members. It provides more transparency on "green power" retail products, and empowers the Maryland Public Service Commission (PSC) and Office of People's Counsel with more oversight of alternative energy supplier licenses while increasing the PSC's authority to issue civil penalties.

Importantly, under SB 1, regulated utilities will be able to actively promote Standard Offer Service (SOS) to customers. The bill as introduced, however, only allows Investor-Owned Utilities (IOUs) to market their SOS. SMECO has an amendment (below) that will expand this authority to include electric cooperatives. Allowing utilities to market our SOS price is a major step to help educate customers on the cost of their electricity and what is driving their monthly bills.

For more information, contact: Tom Dennison, SMECO

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As a not-for-profit electric cooperative, SMECO is an advocate of transparency when it comes to policy decisions, rate adjustments, infrastructure improvements and other utility operations. This commitment guided us to voluntarily track over time the price differences between alternative suppliers and our SOS. It is through this internal reporting that we can better understand the scope and breadth of how much alternative supply customers are paying compared to SMECO's SOS.

For calendar year 2023, the average residential rate for alternative suppliers in SMECO's service territory was 17.4 cents per kilowatt-hour (kWh). SMECO's average SOS rate for 2023 was 8.7 cents a kWh. SMECO residential customers on alternative supply paid \$3.6 million more for their electricity than if they were SOS customers. SMECO currently has less than 3,000 residential customers on alternative supply.

Finally, we want to commend the bill sponsor/s for including a robust set of reporting requirements for customer choice which are similar to SMECO's current internal business practice. We have years and years of reports that reveal a troubling trend of overpayment between alternative supply customers and SOS customers. Despite the number of alternative supply customers dropping, the overpayment amounts have increased.

We believe SB 1, with our amendment (below), will bring meaningful reform to the retail energy marketplace and will grant SMECO more tools to help educate our customers about energy supply and opportunities to save money on their electric bills. We urge a favorable report.

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SMECO AMENDMENT 1

Add the following new Section 7-510(c)(10) to the Public Utilities Article that would authorize electric cooperatives to promote SOS to their customer-members in order to increase access to affordable, reliable, and clean electricity and allow customer-members to make more informed “choices” when it comes to energy supply:

7-510(C).

(10) AN ELECTRIC COOPERATIVE MAY ADVERTISE, MARKET, AND PROMOTE ITS STANDARD OFFER SERVICE AND RELATED PRODUCTS, INCLUDING AVAILABILITY, PRICE, AND TERMS.

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