

March 10, 2026

HB 1442: Community Choice Aggregation Pilot Program – Definition, Application, and Workgroup – Modifications

Committee: House Environment and Transportation

Position: Oppose

Southern Maryland Electric Cooperative (SMECO), a member-owned electric cooperative and not-for-profit organization based in Hughesville that provides electricity to more than 180,000 member accounts in Charles, St. Mary's, Calvert and southern Prince George's County, opposes HB 1442.

House Bill 1442 proposes several significant changes to the Community Choice Aggregation (CCA) Pilot Program, including:

- Expanding the program to all Maryland counties and Baltimore City, rather than only Montgomery County.
- Broadening the definition of *community choice aggregator* to include residential customers served by certain electric cooperatives.
- Modifying membership of the Community Choice Energy Workgroup.

While we appreciate the intent to provide local governments with additional energy procurement options, SMECO has serious concerns regarding the bill's impact on cooperative members, grid operations, and consumer protection. SMECO is an electric cooperative – governed by a 15-member Board of Directors that is elected and accountable to our membership. By our very business structure, SMECO is an aggregator of electricity and we have a demonstrated track record of having lower prices than any alternative supplier for residential customers.

1. HB 1442 Could Undermine Cooperative Governance and Member Control

Electric cooperatives are member-regulated utilities, governed through democratically elected boards and rooted in direct accountability to the communities we serve. HB 1442 would effectively allow outside entities, including county-level aggregators, to make procurement decisions on behalf of cooperative members without the cooperative's direct involvement. This change risks diluting member authority and overriding the cooperative's mission of providing reliable and affordable power for local communities.

2. Potential Operational and Grid-Reliability Impacts

SMECO is responsible for maintaining safe and reliable electric service in Southern Maryland. Any program that introduces load fragmentation, where some members are aggregated under external procurement, creates operational uncertainties:

- Co-ops must plan for capacity, power supply and infrastructure across the entire service territory.
- CCA structures could create unpredictable load shifts, complicating long-term power supply contracts and cost allocations.

SMECO's focus on reliability is well documented in our public communications and regulatory filings. Fragmenting our member base through CCA participation may jeopardize careful planning and lead to higher costs for non-participating members.

3. Consumer Protection Concerns

Expanding CCA's statewide without clear, tested consumer protection mechanisms introduces risk:

- The current pilot program has not yet been implemented or evaluated, even in Montgomery County. A program that was authorized by legislation in 2021.
- HB 1442 dramatically expands the program before any results, metrics or lessons learned can be assessed.

This is inconsistent with the concept of a "pilot" and exposes cooperative members to unproven procurement strategies.

4. Unclear Implementation Authority and Cost Shifting

HB 1442 lacks clarity on:

- How cooperative customers would be enrolled or opt out.
- Whether aggregators would reimburse cooperatives for administrative and data-sharing requirements.
- Whether CCA's could impose indirect costs on cooperative distribution systems.

Co-ops operate at cost and return margins to members as capital credits. Any unfunded mandates or administrative burdens imposed by CCA's would ultimately be absorbed by cooperative members.

Conclusion

Electric cooperatives are locally governed, member-owned and already empowered to seek innovative, cost-effective energy solutions. HB 1442 introduces unnecessary risk, undermines cooperative governance and expands an untested program statewide without sufficient analysis. SMECO respectfully urges the Committee to issue an unfavorable report on HB 1442.