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February 4, 2021

**HB 584:** Public Utilities – Net Energy Metering

**Committee:** House Economic Matters

**Position:** Opposed

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 584. The bill increases the maximum capacity – from 2 megawatts to 5 megawatts – for electric generating systems to be eligible to participate in net metering.

SMECO opposes this bill because it is unnecessary; it will have a negative financial impact on cooperative and it exacerbates an unfair subsidy to net metered customers that will be borne out in the rates of all our other customers. Limiting a net metered system to 2 megawatts is appropriate to ensure a system is not overbuilt to enhance its profitability. SMECO has yet to see the evidence that the cap needs to be lifted from 2 megawatts. Today in Southern Maryland there are multiple solar facilities that exist or have been proposed under the traditional rules as generating facilities. These facilities are made possible through Power Purchase Agreements with SMECO and the facilities owners did not seek to have them net metered.

There are two components of SMECO's electric bill – the Standard Offer Service (SOS) commodity and the distribution costs. The commodity is the electrons flowing through our electric grid. This is a pass-through cost. The distribution rate is what pays for our poles, trucks and operations of the cooperative. More than 70 percent of SMECO's distribution cost recovery, as approved by the PSC, is based on the amount of electricity someone uses.

This unbalanced percentage illustrates the concern we have for lifting the net metering cap. The less electricity someone uses – especially on a large scale – a smaller percentage of distribution revenue is collected and the costs for maintaining our distribution system falls on non-net-metered customers.

HB 584 will amplify this negative financial impact by continuing to subsidize these enterprises.

For that reason and those stated above, SMECO requests an unfavorable report on HB 584.

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For more information, contact: Tom Dennison, SMECO

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