

SAFETY RELIABILITY AFFORDABILITY



MEMBER EXPERIENCE



FINANCIAL HEALTH



GRID MODERNIZATION



OUR PEOPLE



ENERGY TRANSITION

Calvert County Commissioners – Data Center Briefing

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How SMECO Purchases Power

- SMECO uses a managed portfolio to purchase power for our members. We use short, medium and long-term contracts to meet our system demands. Investor-owned utilities (BGE, Pepco) procure power through twice yearly auctions.
- SMECO's rates are regulated by the Public Service Commission.
- What we pay for power is what we charge. There is no mark-up and our Standard Offer Service (SOS) prices are consistently lowest in the state and cheaper than alternative electricity suppliers.
- Wholesale capacity prices for power have exploded over the past several years as demand grows faster than supply. This is particularly true in Maryland where baseload fossil fuel generation sources have been shut down at a time when we import roughly 40 percent of our electricity.
- PJM Interconnection (PJM) manages the power grid. PJM's 2024 capacity auction for the 2025/2026 delivery year resulted in a significant increase when it cleared at a record-high price of \$269.92 per megawatt-day, up from \$49.49 per megawatt day.

How SMECO Purchases Power (cont.)

- The PJM price is \$329.17 per megawatt day for the June 2026 to May 2027 capacity year, which is the cap established by the Federal Energy Regulatory Commission at the urging of several governors.
- Data centers are not solely responsible for the higher prices in the market. Other factors such as weather, energy efficiency, labor, material and service costs, lack of new baseload generation and population growth contribute as well.
- Bottom Line: SMECO is an electric distribution utility with the exclusive right to provide electric service within our defined service territory, and as such, we are required to provide service to anyone who requests connection to the grid.
- SMECO's position (which is consistent with Maryland law) is that any data center seeking to build in Southern Maryland must directly pay the full cost for all electric transmission and distribution system buildout and ongoing operations and maintenance expense required to interconnect the data center and provide electric service.
- SMECO also believes that data centers should be directly responsible for offsetting any adverse impacts on members stemming from participation in PJM power markets and locking up generation capacity resources.

Potential Benefits/Impacts of Data Centers

- As an electric distribution customer of SMECO, any data center facility in SMECO's service territory will pay a distribution charge that will bring in revenue to help offset the overall cost of electric distribution service for all SMECO members.
- SMECO will continue to secure power contracts to meet our needs at the lowest possible price
- SMECO will continue to protect its existing members by participating in relevant PSC, PJM and FERC proceedings to ensure that data centers pay their fair share of costs, reliability is maintained and existing members do not subsidize the costs of these facilities.
- The unknowns of power prices on the wholesale market remain. However, SMECO's managed portfolio approach where we hedge contracts to meet our power demand will help us navigate data center interconnections.

Large Load Rate and Tariff - Status

1. In June 2025, PSC established Public Conference 72 - The establishment of regulations and tariffs that address large load customers interconnecting to the electric system serving Maryland.
2. In December 2025, the PSC initiated Rulemaking 93 to address proposed regulations related to load study request and the regulations are now proceeding toward final adoption.
3. The PC 72 Workgroup is meeting regularly and working on a straw large load tariff. A primary focus of the large load tariff is to safeguard ratepayers against adverse costs and reliability impacts of data centers.
4. By law, SMECO must file a large load tariff with the PSC by on or before September 1, 2026.