Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 685 (Senator Washington, *et al.*)
Finance Economic Matters

Electricity and Gas - Energy Suppliers - Assisted Customers

This bill generally prohibits a retail electricity or gas supplier from knowingly enrolling a residential customer with, or submitting an enrollment to change a customer to, a competitive supplier if the customer has received specified utility bill assistance within the past 12 months. However, a supplier may offer a savings guarantee plan to customers who have received such financial assistance, subject to specified requirements and approval by the Public Service Commission (PSC). Both the prohibition and the savings guarantee application process are effective beginning November 1, 2020, and apply to customers who have received specified financial assistance from the Department of Human Services (DHS) or participated in any assistance program authorized by PSC. The electric or gas company, as applicable, is responsible for verifying the information prior to enrollment and at the time of each competitive supply contract renewal. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Special and federal fund expenditures for DHS *may* increase in total by $177,000 in FY 2021 and by $77,000 annually thereafter, as discussed below. PSC can handle the bill's requirements with existing budgeted resources. The bill does not otherwise materially affect State finances or operations.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Meaningful.

Analysis

Current Law/Background: The Electric Customer Choice and Competition Act of 1999 facilitated the restructuring of the electric utility industry in Maryland. The resulting system of customer choice allows the customer to purchase electricity from a competitive supplier or to continue receiving electricity under standard offer service (SOS). Default SOS electric service is provided by a customer's *electric company* (*e.g.*, Baltimore Gas and Electric Company or Pepco). Competitive electric supply is provided by competitive *electricity suppliers*. In either case, the electric company delivers the electricity and recovers the costs for delivery through distribution rates. Gas supply and delivery are similarly restructured, with gas suppliers and gas companies.

For more information on competitive supply, see a 2018 report on the competitive retail electricity and gas markets in Maryland conducted on behalf of the Office of People's Counsel.

According to PSC's late 2019 monthly customer choice enrollment reports, about 19% of residential customers are served by electricity suppliers (customers of the four large investor-owned utilities and the Southern Maryland Electric Cooperative). A similar percentage of residential customers are served by gas suppliers (customers of Baltimore Gas and Electric and Washington Gas).

Energy Assistance

The Office of Home Energy Programs (OHEP) within DHS administers two energy assistance programs for residential customers using local administering agencies, including local departments of social services, in each county and Baltimore City. These programs are (1) the Maryland Energy Assistance Program (MEAP) funded by the federal Low-Income Home Energy Assistance Program, which provides bill payment assistance, crisis assistance, and furnace repair/replacement for a variety of heating sources and (2) the Electric Universal Service Program (EUSP), funded from a ratepayer surcharge and an allocation of revenue from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions, which provides both bill payment and arrearage assistance to electric customers. About 64,000 households are enrolled in MEAP and about 70,000 households are enrolled in EUSP.

State Expenditures: DHS advises that the bill requires the department to modify its energy assistance program application documents as well as implement an educational campaign so as to not discourage program applicants. DHS estimates these costs to be $177,000 in fiscal 2021 and $77,000 annually thereafter, paid for with special funds (40%) and federal funds (60%). The Department of Legislative Services cannot independently verify these costs and notes that the bill does not specifically require an educational campaign. Therefore, special and federal fund expenditures for DHS *may* increase by those amounts beginning in fiscal 2021. The bill does not otherwise materially affect State finances or operations.

Small Business Effect: Electricity and gas suppliers are generally prohibited from enrolling and serving customers who have received financial assistance from OHEP or a PSC-authorized program in the preceding 12 months. Alternatively, the suppliers must seek and receive approval from PSC for a savings guarantee program, which must, at a minimum, charge less than SOS. As such, the bill precludes small suppliers from serving a portion of their potential market unless they can at least compete with SOS prices and requires additional verification procedures at the time of contract enrollment and renewal.

Additional Comments: The Department of Legislative Services notes that the timing of the general prohibition and the application process for the savings guarantee plan exception likely results in a short period of time during which all retail suppliers are prohibited from enrolling and serving customers who have received applicable financial assistance.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1224 (Delegate Lierman, *et al.*) - Economic Matters.

Information Source(s): Public Service Commission; Office of People's Counsel; Department of Human Services; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2020
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