STATE OF MARYLAND
OFFICE OF PEOPLE'S COUNSEL
Paula M. Carmody, People's Counsel
6 St. Paul Street, Suite 2102
Baltimore, Maryland 21202
410-767-8150; 800-207-4055
www.opc.maryland.gov

BILL NO.: **Senate Bill 685**
Electricity and Gas – Energy Suppliers - Assisted Customers

COMMITTEE: **Finance**

HEARING DATE: **February 25, 2020**

SPONSOR: **Senators Washington, Benson and Kelley**

POSITION: **SUPPORT**

****

The Office of People's Counsel (OPC) supports Senate Bill 685. There is substantial evidence in Maryland and other states that high supply rates from electricity and gas suppliers are harming residential customers, and low-income customers in particular. This Bill would reduce the negative impact of higher than necessary energy prices on the households least able to handle higher bills, reduce the inefficient use of public energy assistance funds, and avoid unnecessary service terminations. The bill as written prohibits OHEP-assisted customers from enrollment with gas and electricity suppliers. However, OPC understands that the sponsor intends to introduce amendments to restrict, and not prohibit, enrollment of OHEP-assisted customers. OPC believes that both alternatives achieve the same goals of protecting the most financially vulnerable households and promoting more efficient use of ratepayer and public funds.

Maryland energy assistance programs are administered through the Office of Home Energy Programs (OHEP). These programs include the federally funded Maryland Energy Assistance Program (MEAP) and the ratepayer and RGGI-funded Electric Universal Service Programs. The grants made by OHEP are not adjusted when a customer is being charged high rates by an energy supplier. Therefore, when an OHEP-assisted customer pays a higher rate to a supplier for electricity or gas, the grants have a smaller impact on the customer bills, and do not reduce the financial burden of the customer's utility bills as intended by the programs.

Furthermore, when OHEP energy assistance funds are not used effectively to reduce the energy burdens of low-income households, there can be a further impact on utility customers overall. Almost all suppliers use local utilities as their billers. The utilities in turn purchase the receivables (POR) for each customer, whatever the rate charged by the supplier. If the OHEP assistance has a reduced impact on the monthly bills due to higher supply rates, this can further contribute to arrearages owed to the utility and ultimately, service terminations. Customers facing service terminations because of arrearages can, under certain circumstances, receive grants from OHEP to reduce the customer's arrearages and avoid the service termination. However, those grants can only be provided once every seven years.

There is evidence that customers as a whole are being charged more for electricity and gas by retail suppliers, and that this is especially harmful for customers receiving energy assistance. Two 2018 Maryland reports, issued by OPC and the Abell Foundation, used different data sources, but the findings are the same and they are consistent with other retail competition states – residential customers are paying more as a whole.[1] OPC's report found, based on public offers by suppliers for non-renewable electric service, that customers of suppliers were paying $34.1 million per year above the utility price for electricity. Similarly, the report found that Maryland residential customers of gas suppliers were paying $20.7 million per year above the utility price for gas. The total over-payment per year was $54.9 million.

The Abell Foundation report used U.S. Energy Information Agency (EIA) data and found that Maryland consumers with suppliers were paying an additional $255M from

---

[1] See "*Maryland's Residential Electric and Gas Supply Markets: Where Do We Go from Here,"* (Susan Baldwin and Sarah Bosley, November 2018), Appendices A and B, released by OPC, at www.opc.maryland.gov/publications. ("OPC Maryland Report"). *Maryland's Dysfunctional Residential Third-Party Energy Supply Market: An Assessment of Costs and Policies* (Abell Foundation, Laurel Peltier and Arjun Makhijani, Ph.D., authors, December 2018).

2014 to 2017 for electricity. The Abell Foundation Report included interviews with and billing data from 40 low-income account holders with suppliers and found a 51% premium for electricity, and 78% premium for gas.[2]

The Maryland reports are consistent with reports and investigations from Massachusetts, Connecticut, Illinois, and New York. These have shown that residential customers are paying more as a whole for competitive retail supply than if they stayed with their local electric utilities.

A 2018 OPC Report, prepared by the consulting organization APPRISE, established that Maryland low-income households have significantly higher energy burdens than residential customers as a whole, even after receiving energy assistance.[3] Higher energy supply costs only exacerbate that affordability problem.

Data is not currently made available publicly on the prices being charged by energy suppliers to customers in energy assistance programs. However, there is data available on how many customers on energy assistance are being served by suppliers. For each time period for which we have data and for each utility, the percentage of customers enrolled with retail suppliers is higher for customers on energy assistance than for other customers.[4]

Additionally, SMECO has voluntarily provided data on the level of charges in its service territory and the data has shown the suppliers are charging customers on energy assistance higher rates than they would pay the utility. In one month, the overcharge was over $50 per customer.[5]

Senate Bill 685 would prohibit retail suppliers from selling electricity or gas to customers who have received financial assistance from OHEP during the preceding twelve

---

[2] *Maryland's Dysfunctional Residential Third-Party Energy Supply Market: An Assessment of Costs and Policies* (Abell Foundation, Laurel Peltier and Arjun Makhijani, Ph.D., authors, December 2018). p. 12.
[3] Maryland Low-Income Market Characterization Report, (APPRISE, October 2018) p. iv.
[4] Office of People's Counsel's Comments Regarding OHEP's FY 2020 Proposed Operations Plan, Case No. 8903, ML 225829, pp 19-23.
[5] Office of People's Counsel's Comments Regarding OHEP's FY 2020 Proposed Operations Plan, Case No. 8903, ML 225829, pp. 25-26 (in March 2019, 437 customers on energy assistance were overcharged $22,929 for an average of $52.47).

months. Maryland customers who are receiving financial assistance through OHEP are being harmed by high utility bills caused by prices charged by retail suppliers, and OHEP funds are not able to achieve their intended purpose. Therefore, OPC supports taking action to reduce this harm and fully supports Senate Bill 685 as originally drafted.

Alternatively, the proffered amendments, as we understand, would accomplish the same twin goals, but using a less restrictive approach. Other states, such as Illinois and New York, have taken that approach, and addressed the problem of excessive rates charged to customers in energy assistance programs by requiring that retail suppliers who sell to those charge them a rate that is less than or lower than the utility rate. OPC supports either of these approaches to reduce the harm to Maryland customers and improve the effectiveness of the funds spent through OHEP.