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**HB 561 – ELECTRIC INDUSTRY – COMMUNITY CHOICE ENERGY
SUPPORT TESTIMONY**

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Before the Economic Matters Committee, February 13, 2020

My name is Arjun Makhijani. I am president of the Institute for Energy and Environmental Research. Thank you for this opportunity to testify before you on HB 561.

I am the principal author of a report entitled [*Energy Justice in Maryland's Residential and Renewable Energy Sectors*](#), which examined, among other things, the severe consequences of unaffordable energy bills both for low-income families and for society at large. As my co-authors and I showed in detail, low-income families often face impossible choices between paying for rent, food, utility bills, and medicine. The frequent result is terrible suffering for tens of thousands of low-income families. Not infrequently that suffering includes evictions and homelessness. Admittedly, energy affordability is a large and complex topic. Community Choice Energy would provide cities and counties with a way to increase affordability for their residents in significant measure at essentially no cost to the State's Treasury. The savings would stay in the state, improving the well-being of its people and its economy as a whole.

Specifically, the Community Choice Energy bill will enable city and county governments to take advantage of the competition in the wholesale energy marketplace to lower the cost energy for their residents and small businesses. They could also combine lower costs with renewable energy procurement at levels greater than required under current law.

While I am a vigorous advocate of renewable energy, today I am testifying in strong support of HB 561 principally because it would enable cities and counties to significantly alleviate the burden of energy costs for households and make the deregulated market place function equitably for everyone. So far, choice of energy suppliers has benefited mainly large energy consumers (using more than about 100 megawatt-hours per year) who choose third-party supply. They are typically able to save several dollars per megawatt-hour and sometimes as much as \$10 per megawatt-hour or more. Their combined savings amount to tens of millions of dollars a year compared to Standard Offer Service. Such savings help those businesses; they also stimulate state's economy, creating more jobs and prosperity.

In contrast, in 2017, over 95 percent of the 400,000 households who chose third-party supply paid a combined total of almost \$60 million more for their electricity compared to Standard Offer Service. Small businesses on third-party supply also often pay more. The main reason is not far to seek. While larger businesses can issue requests for proposals and devote the resources and expertise needed to sort through bids, households, and often small businesses, typically do not have such resources. Low-

income households are especially vulnerable. A [2018 Abell Foundation study](#) I co-authored, with Laurel Peltier, indicated that overpayments by low-income households on third-party supply were considerably greater than the 2017 average of \$147 per year for all households on third-party supply.

Community Choice Energy would empower city and county governments to remedy this problem by giving households and small businesses the same advantages as larger businesses have today – the ability to get lower prices by increased scale of and greater competition in procurement. In other words, it would make the competitive deregulated wholesale supply work for households and small businesses, and especially for low-income households.

Some argue that Community Choice Energy would take choice away from people. I do not agree. It provides the same opt-out choice that is provided by Standard Offer Service today. When you buy or rent a house or start a business in a new location, you are automatically on Standard Offer Service, unless you opt out. Households and businesses could choose to opt out of CCE the same way they can opt out of Standard Offer Service. Once they opt-out of CCE, they could get Standard Offer Service or contract for supply from another licensed third-party supplier. The opt-out provision preserves consumer choice; indeed, compared to the present, choice will be increased. Households have so far not had effective choice as evidenced by the adverse price outcomes for the vast majority of them on third-party supply. CCE will give households not just choice in theory but an effective, practical choice.

If CCE electricity were procured for just a penny a kilowatt-hour below standard offer service – as many large businesses are able to do – households would on average save on the order of \$10 per month; this is money that low-income families could spend on medicines or food.

Thank you for your time. I would be happy to answer questions.